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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Website: <http://www.alco.com.hk>

(Stock Code: 328)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

Comparison to the corresponding period of last year:

- Revenue of self-branded notebook computers continued to grow 49% to HK\$337 million, continued to validate our success in brand building
- Gross loss margin reduced (improved) by 4.3 percentage points from 5.7% to 1.4%, even amidst global disruption of supply chains because of COVID-19
- Total revenue decreased 32% to HK\$400 million, as a result of reducing traditional OEM/ODM business (manufacturing of AV and other products)
- Net loss increased 9% to HK\$172 million (compared to the corresponding period last year with one-off gain HK\$26 million from fair value gain on disposal of property)

The directors of Alco Holdings Limited (the “Company”) announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

		Unaudited Six months ended 30 September	
	Note	2021 HK\$'000	2020 HK\$'000
Revenue	4	400,152	589,759
Cost of goods sold	6	<u>(405,610)</u>	<u>(623,346)</u>
Gross loss		(5,458)	(33,587)
Other income and gain	5	14,696	35,671
Selling expenses	6	(63,245)	(53,957)
Administrative expenses	6	(75,270)	(51,977)
Research and development expenses		(34,432)	(34,174)
Other operating expenses	6	(949)	(2,809)
Provision for impairment of right-of-use assets		<u>–</u>	<u>(12,065)</u>
Operating loss		(164,658)	(152,898)
Finance income		960	94
Finance costs		<u>(8,166)</u>	<u>(5,450)</u>
Loss before income tax		(171,864)	(158,254)
Income tax expense	7	<u>–</u>	<u>(2)</u>
Loss for the period		<u>(171,864)</u>	<u>(158,256)</u>
Loss for the period attributable to:			
– Equity holders of the Company		(171,858)	(158,031)
– Non-controlling interests		<u>(6)</u>	<u>(225)</u>
		<u>(171,864)</u>	<u>(158,256)</u>
Loss per share attributable to equity holders of the Company			
– Basic	8	(HK23.7 cents)	(HK21.9 cents)
– Diluted	8	(HK23.7 cents)	(HK21.9 cents)
Dividends	9	<u>–</u>	<u>–</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 September 2021

	Unaudited	
	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Loss for the period	(171,864)	(158,256)
Other comprehensive (expense) income, net of tax:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>(4,048)</u>	<u>4,400</u>
Total comprehensive expense for the period	<u>(175,912)</u>	<u>(153,856)</u>
Total comprehensive expense for the period attributable to:		
– Equity holders of the Company	(175,906)	(153,631)
– Non-controlling interests	<u>(6)</u>	<u>(225)</u>
	<u>(175,912)</u>	<u>(153,856)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	<i>Note</i>	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		137,292	130,882
Investment properties		47,123	46,788
Right-of-use assets		87,675	63,631
Intangible assets		2,846	–
Prepayments, deposits, and other receivables	11	23,055	33,754
		<u>297,991</u>	<u>275,055</u>
Current assets			
Inventories		608,599	623,877
Trade and other receivables	11	355,312	351,089
Other current assets		133	459
Income tax recoverable		1,433	14,484
Bank balances and cash		31,848	98,149
		<u>997,325</u>	<u>1,088,058</u>
Current liabilities			
Trade and other payables	12	396,657	398,137
Income tax liabilities		6,493	6,642
Lease liabilities		62,526	47,407
Bank and other borrowings	13	323,415	288,661
Loans from shareholders	14	13,000	13,000
		<u>802,091</u>	<u>753,847</u>
Net current assets		<u>195,234</u>	<u>334,211</u>
Total assets less current liabilities		<u>493,225</u>	<u>609,266</u>
Capital and reserves attributable to equity holders of the company			
Share capital	15	72,324	72,324
Reserves		82,587	258,493
		<u>154,911</u>	<u>330,817</u>
Non-controlling interests		<u>(637)</u>	<u>(631)</u>
Total equity		<u>154,274</u>	<u>330,186</u>
Non-current liabilities			
Other payables	12	6,751	6,766
Lease liabilities		2,288	4,845
Bank and other borrowings	13	330	2,269
Loans from shareholders	14	329,582	265,200
		<u>338,951</u>	<u>279,080</u>
Total equity and non-current liabilities		<u>493,225</u>	<u>609,266</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. Basis of preparation

The condensed consolidated financial statements of Alco Holdings Limited and its subsidiaries (collectively, the Group) for the six months ended 30 September 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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The application of the amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. Other information

As disclosed in the Group's annual report Note 1(i) and (ii) for the year ended 31 March 2021, the directors have taken certain plans and measures to mitigate the liquidity pressure, to improve its financial position and to deal with the potential impact of COVID-19. The financial results for the six months ended 30 September 2021 shown improvement compared to corresponding period last year.

In managing the Group's liquidity requirement, the Group monitors and maintains a level of cash and cash equivalents and the availability of funding through credit and banking facilities.

Mr. Leung Wai Sing, Wilson ("Mr. Leung"), one of the major shareholders of the Group, Chairman and Chief Executive Director, has agreed to provide financial support to the Group when in need. On 25 June 2021, the Group entered into a deed of funding undertakings with Mr. Leung to provide additional funding to the Group. The funding request notice could be issued at the discretion of the Company to Mr. Leung within eighteen months from the date of the deed, i.e. 25 December 2022. The total amount of funding undertakings shall not exceed HK\$300,000,000.

The funding when provided shall be treated as an advance to the Company and be repayable by the Company at a suitable time to be agreed between the Company and Mr. Leung, but in any event shall only be repaid after at least twelve months from the funding draw down date.

The undertakings shall cease to have effect after eighteen months from the date of the deed or upon the Company or any member of the Group having obtained additional long-term external bank borrowings or other sources of long-term financing with an aggregated principal amount of not less than HK\$300,000,000, whichever is earlier.

There are continuous communications with the Group's principal banks on the Group's performance. Based on our latest communications, we believe the existing banking facilities will continuously be available to the Group.

To improve the Group's operating performance and alleviate liquidity risk, management will continue to implement measures to improve profitability and cash flow through various initiatives including improving the manufacturing process to reduce production costs, tighten inventory and procurement control to improve working capital requirement, better planning in purchasing to avoid shortage and to negotiate for lower cost of critical components and for better trading terms, and negotiating with its landlord for rental concession to mitigate the impact of COVID-19.

4. Segment information

(a) Segment analysed by products

The Group mainly operates in the People's Republic of China (the "PRC"), Taiwan and Hong Kong and is principally engaged in designing, manufacturing and selling of consumer electronic products including AV products and notebook products.

AV and other products – Design, manufacture and sale of consumer electronic products, including audio, video and other products

Notebook products – Design, manufacture and sale of commercial notebook and personal computers products

The Group's inter-segment transactions mainly consist of sale of assembly parts among subsidiaries. The transactions were entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

	For the six months ended 30 September							
	2021				2020			
	AV and other products HK\$'000	Notebook products HK\$'000	Elimination HK\$'000	Group HK\$'000	AV and other products HK\$'000	Notebook products HK\$'000	Elimination HK\$'000	Group HK\$'000
Segment revenue								
External sales	62,675	337,477	-	400,152	363,321	226,438	-	589,759
Inter-segment sales	13,350	702	(14,052)	-	4,537	435	(4,972)	-
	76,025	338,179	(14,052)	400,152	367,858	226,873	(4,972)	589,759
Segment results	(32,360)	(97,866)		(130,226)	(57,890)	(60,834)		(118,724)
Research and development expenses				(34,432)				(34,174)
Finance income				960				94
Finance costs				(8,166)				(5,450)
Loss before income tax				(171,864)				(158,254)
Income tax expense				-				(2)
Loss for the period				(171,864)				(158,256)
Loss for the period attributable to								
- Equity holders of the Company				(171,858)				(158,031)
- Non-controlling interest				(6)				(225)
				(171,864)				(158,256)

(b) *Segment analysed by geographical areas*

The segment revenue for the six months ended 30 September 2021 and 2020 are as follows:

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
North America	54,735	347,620
Asia	291,698	213,312
Europe	48,132	28,047
Others	5,587	780
	400,152	589,759

The analysis of revenue by geographical area is based on the destination to which the goods are delivered. Information about the Group's non-current assets is presented based on the geographical location of the assets.

5. Other income and gain

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Sub-lease income	7,045	6,140
Fair value gain on investment properties (<i>Note 10</i>)	–	26,252
Rental income from investment properties	848	1,014
Others	6,803	2,265
	14,696	35,671

6. Expenses by nature

Expenses included in cost of goods sold, selling expenses, administrative expenses, research and development expenses and other operating expenses are analysed as follows:

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	10,052	13,938
Depreciation of right-of-use assets	857	1,205
Employee benefit expenses	84,135	96,815
Severance pay	139	195

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period. Corporate income tax on profits generated from subsidiaries operating in the PRC has been calculated at 25% in accordance with the relevant PRC tax law and regulations. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– PRC corporate income tax	–	(2)
Income tax expense	–	(2)

8. Loss per share

Basic

Basic loss per share is calculated by dividing the loss for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2021	2020
Loss for the period attributable to equity holders of the Company (<i>HK\$'000</i>)	<u><u>(171,858)</u></u>	<u><u>(158,031)</u></u>
Weighted average number of ordinary shares in issue	<u><u>723,244,650</u></u>	<u><u>723,244,650</u></u>
Basic loss per share (<i>HK cents</i>)	<u><u>(23.7)</u></u>	<u><u>(21.9)</u></u>

Diluted

There were no dilutive potential ordinary shares during the six months ended 30 September 2021 and 2020. Therefore, the diluted loss per share is the same as the basic loss per share.

9. Dividends

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2021 (2020: Nil).

10. Fair value gain on investment properties

On 11 November 2020 the Group entered into an agreement with an independent third party for the disposal of an investment property of the Group in Yuen Long at a consideration of HK\$36,402,000 (the “Disposal”). The Disposal was completed on 18 December 2020. A fair value gain of approximately HK\$26,252,000 was recognised in profit or loss.

11. Trade receivables, prepayments, deposits and other receivables

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Non-current		
Prepayments, deposits and other receivables	26,170	36,869
Less: Loss allowance	(3,115)	(3,115)
	23,055	33,754
Current		
Trade receivables (<i>note</i>)	277,167	303,988
Less: Loss allowance	(2,745)	(2,745)
Trade receivables, net	274,422	301,243
Prepayments, deposits and other receivables	80,890	49,846
	355,312	351,089
Total	378,367	384,843

The credit terms given to customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

The fair value of the trade and other receivables approximate to their carrying amounts.

Note: As at 30 September 2021, the Group transferred trade receivables with carrying amounts of HK\$15.7 million to a financial institution by discounting those trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (note 13). These financial assets are carried at amortised cost in the Group's condensed consolidated statement of financial position.

The ageing analysis of trade receivables based on shipping terms is as follows:

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
0 – 30 days	69,328	110,807
31 – 60 days	21,920	96,276
61 – 90 days	15,750	36,485
Over 90 days	167,424	57,675
	274,422	301,243

12. Trade and other payables

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Non-current		
Other payables	6,751	6,766
Current		
Trade payables	262,927	291,380
Other payables and accruals	127,635	100,662
Provision for warranty expenses	6,095	6,095
	<u>396,657</u>	<u>398,137</u>
Total	<u>403,408</u>	<u>404,903</u>

The fair value of the trade and other payables approximate to their carrying amounts.

The ageing analysis of trade payables based on invoice date is as follows:

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
0 – 30 days	80,534	57,884
31 – 60 days	39,478	1,401
61 – 90 days	8,650	–
Over 90 days	134,265	232,095
	<u>262,927</u>	<u>291,380</u>

13. Bank and other borrowings

	30 September 2021 <i>HK\$'000</i>	31 March 2021 <i>HK\$'000</i>
Non-current		
Other borrowings, secured (<i>Note iii</i>)	330	2,269
Current		
Bank borrowing, secured (<i>Note i</i>)	197,126	212,686
Bank borrowings, unsecured (<i>Note ii</i>)	33,766	38,473
Other borrowings, secured (<i>Note iii</i>)	92,523	37,502
	<u>323,415</u>	<u>288,661</u>
	<u>323,745</u>	<u>290,930</u>

Notes:

- (i) The bank borrowing is secured by the Group's buildings, investment properties and right-of-use assets.
- (ii) The bank borrowings are unsecured and supported by corporate guarantees given by the Company (*Note 16*).
- (iii) The other borrowings are secured by the Group's equipment and machineries of approximately HK\$7,761,000, certain properties held by Mr Leung and certain trade receivables of the Group.

14. Loans from shareholders

	30 September 2021 <i>HK'000</i>	31 March 2021 <i>HK'000</i>
Non-current		
Mr. LEUNG Kai Ching, Kimen (deceased)	78,200	78,200
Mr. LEUNG Wai Sing, Wilson	251,382	187,000
	<u>329,582</u>	<u>265,200</u>
Current		
Mr. LEUNG Wai Lap, David	13,000	13,000
	<u>342,582</u>	<u>278,000</u>

The carrying amounts of the loans from shareholders approximate their fair values.

As at 30 September 2021, the loans from shareholders were interest-bearing at a fixed rate of 4.5% per annum or 1.3% over 1-month HIBOR or LIBOR per annum. Balances of HK\$265,200,000 would be repayable on 31 December 2021. On 31 March 2021, the shareholders have agreed to extend the repayment date to 31 December 2022.

The remaining balance of HK\$13,000,000 is repayable on 2 August 2021. On 30 September 2021, the shareholders have agreed to extend the repayment date to 2 August 2022.

15. Share capital

	Company Ordinary Shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 April 2020, 31 March 2021 and 30 September 2021	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 April 2020, 31 March 2021 and 30 September 2021	<u>723,244,650</u>	<u>72,324</u>

16. Contingent liabilities

The Company provided corporate guarantees in favour of the banks to secure general banking facilities granted to certain of its subsidiaries (*Note 13*).

17. Commitments

(a) Capital commitments

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Capital expenditure in respect of the acquisition of moulds, plant and machinery contracted but not provided for in the condensed consolidated financial statements	<u>3,330</u>	<u>3,326</u>

(b) Operating lease commitments (as lessor)

The Group leases various properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Within one year	755	707
After one year but within two years	588	734
After two years but within three years	<u>–</u>	<u>185</u>
	<u>1,343</u>	<u>1,626</u>

The lease terms are from one to five years.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results and dividends

For the six months ended 30 September 2021, the Group recorded turnover of HK\$400 million (2020: HK\$590 million) and loss attributable to shareholders of HK\$172 million (2020: loss of HK\$158 million after factoring in HK\$26 million in fair value gain on disposal of property).

For the period under review, in terms of product segment, revenue of self-branded (AVITA) notebook computers continued to grow 49% to HK\$337 million, continued to validate our success in brand building. The main reasons for the increase were strong demand, high popularity and most important consumers' acceptance of AVITA notebook computers. Traditional OEM/ODM business (manufacturing of AV products) has become an inferior segment for the Group, resulting in, total revenue decreasing by 32% to HK\$400 million.

During the period under review, the Group continued its effort to reducing OEM/ODM business (manufacturing of AV and other products) and into the higher value add business of self-branded notebook computers. With the significant sales growth in notebook during the period, the Group's gross loss has been improved. In fact, compared to same period last year gross loss margin was reduced by 4.3 percentage points from 5.7% to 1.4%, even amidst global disruption of supply chains because of COVID-19.

The increase in net loss is around 9% to HK\$172 million when, compared to the corresponding period last year, during which time there was a one-off gain of HK\$26 million from fair value gain on disposal of property. If the effect of such one-off gain was eliminated in last reporting period, the Group would have attained a decrease in net loss this year compared to last year.

The directors do not recommend the payment of an interim dividend (2020: Nil) for the 6 months period ended 30 September 2021.

Review of Operations

During the period under review, COVID-19 pandemic continued to post numerous challenges to many people as well as many businesses and industries all over the world. Consumers' sudden changes in the demands for notebook computers has resulted in the supply chains for these devices' critical components, as well as in some cases even supply chains for normally non-critical and very low-value components, becoming virtually broken.

The virtually broken supply chains for notebook computers' critical components resulted in highly inflated market prices for such parts, which deeply impacted the Group's profitability. However, whenever there are challenges there are always opportunities and the high demand helped the Group's notebook computers achieving even higher growths in various markets in the Asia Pacific, Middle East, and South Asia regions.

In particular, for the period under review, revenue of self-branded (AVITA) notebook computers continued to grow 49% to HK\$337 million, continued to validate our success in brand building. Furthermore, our focus in the Asia Pacific, Middle East and South Asia regions during the period under review also mitigated the risk and challenges of shouldering skyrocketing shipping cost to North America markets if the Group still relied heavily on traditional AV product business. The Group's significant breakthrough in product strategy during the reporting period therefore had allowed us to avoid much inflated international freights cost faced by many other industries.

As regard to the Group's manufacturing facilities in Houjie Town (Dongguan City, China), in addition to high level of investments in recent years for automation and robotization, they have also been bolstered with UV printers, keyboard printing & assembly equipment, water-based paint shop and the like; which have allowed AVITA brand notebook computers to accommodate different colors and other requirements from customers in various countries and markets.

Prospects

Amidst the increasing COVID-19 vaccination rate around the world, global economic recovery has been becoming hopeful. In spite of such hope, the current fiscal year, including the second half, is still challenging the Group. On the bright side, however, it is exactly for circumstance such as the pandemic that the Group decided to implement and execute the strategy of producing and selling notebook computers under our own brands. Having implemented such own-brand strategy, the Group can decide and control directly to develop products and enter markets that have the potential to generate the highest possible business success; for example, by deciding to develop notebook computers more specifically catered to markets in Asia and the Middle East, the Group's revenue from North America has now dropped to below 20%.

According to many industry forecasts, strong demand for notebook computers and tablets should continue and persist well into 2022; one of the reasons being the situation that many companies will still need to continue to support and allow their employees to work from home, even if not for the entire work week but at least for a couple of days per week. As a consequence, the trend of notebook computers and tablets being a necessity rather than a luxury in many homes around the world will continue. In order to benefit from this, the Group will continue to invest in resources to develop and promote more variety of notebook computers to capture new price points, new markets, and most importantly new consumers. In the year under review and as a result of the growing trend for study-from-home and distant/virtual learning, the Group has also received ample enquiry regarding, and therefore has been developing, LTE enabled devices for markets and countries where WiFi is not commonly available in private homes. Furthermore, the Group is also in the process of developing All-In-One computers, the first series of which is targeted to be introduced towards the end of the first quarter of 2022.

Attributable to our persistent effort to control costs in terms of product design, procurement, and production, gross profit (loss) margin continued to improve significantly during the period under review. Riding on the gradual normalization of supply chain in our industry during the past couple of months, the costs reduction trend of components and raw materials is hopeful to continue. We are cautiously optimistic to continue the enhancement of our profitability through procurement costs saving. Amidst the continuous expansion in sales volume of our self-branded computers, economy of scale and thus operating leverage will be realized, which will become our driving force to continue the enhancement of the entire Group's profitability.

Liquidity and financial resources

The Group's total equity and total equity per share as at 30 September 2021 were HK\$154 million (31 March 2021: HK\$330 million) and HK\$0.21 (31 March 2020: HK\$0.46) respectively.

As at 30 September 2021, we had cash and deposits of HK\$32 million. After deducting bank and other borrowings of HK\$324 million, we had net bank and other borrowings of HK\$292 million (31 March 2021: net bank and other borrowings of HK\$193 million). In addition, we had loans from shareholders of HK\$343 million and lease liability of HK\$63 million.

As at 30 September 2021, our inventory was HK\$609 million (31 March 2021: HK\$624 million). We take a cautious approach to monitor the inventory level especially during this environment with uncertainty.

Trade receivables as at 30 September 2021 were HK\$274 million (31 March 2021: HK\$301 million). It is our policy to deal with creditworthy customers and to adopt a prudent credit policy, and we have been closely monitoring credit risk.

Trade payables as at 30 September 2021 were HK\$263 million (31 March 2021: HK\$291 million).

Capital expenditure on fixed assets during the six months ended 30 September 2021 was HK\$16 million (2020: HK\$2 million). As at 30 September 2021, we had capital commitments contracted but not provided for in respect of property, moulds, plant and machinery and renovation amounting to HK\$3,330,000 (31 March 2021: HK\$3,326,000).

Due to peg-rate system, we have limited exposure to trade-related foreign exchange risk as substantially all of our sales, purchases and borrowings are denominated in United States dollars and Hong Kong dollars. Adhering to the policy of not engaging in currency speculation, there were no speculative activities during the reporting period.

Employees

As at 30 September 2021, the Group had approximately 1,360 employees in Hong Kong, the PRC and Taiwan. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares for the six months ended 30 September 2021 and the Company did not redeem any of its shares during the same period.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules for the six months ended 30 September 2021, except with deviation from code provision A.2.1.

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On 15 June 2018, Mr LEUNG Wai Sing, Wilson succeeded the chairman of the Board and since then he has the combined role of Chairman of the Board and Chief Executive Officer of the Company. The Board believes that this arrangement is beneficial to the Company as Mr LEUNG has considerable industry experience.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry to the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions with the Company for the six months ended 30 September 2021.

AUDIT COMMITTEE

The interim results of the Group have not been reviewed by external auditors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the financial statements of the Group for the six months ended 30 September 2021.

The Audit Committee currently comprises three independent non-executive directors of the Company, namely Mr CHEUNG, Johnson, Mr LEE Tak Chi and Mr WU Zhi-Ling.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of Alco Holdings Limited at www.alco.com.hk. The 2021 interim report will be despatched to the shareholders of the Company and available on the same websites in due course.

LIST OF DIRECTORS

As at the date of this announcement, the Board of Directors comprises three executive directors, namely Mr LEUNG Wai Sing, Wilson, Mr LEUNG Kam Fai, Peter and Mr YIU Wang Tsun and three independent non-executive directors, namely Mr LEE Tak Chi, Mr CHEUNG, Johnson and Mr WU Zhi-Ling.

By order of the Board
Alco Holdings Limited
LEUNG Wai Sing, Wilson
Chairman and Chief Executive Officer

Hong Kong, 25 November 2021