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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 328)

PROFIT WARNING AND INSIDE INFORMATION

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board wishes to inform the Shareholders and potential investors that based on the review of the unaudited consolidated management accounts of the Group for the 10 months ended 31 January 2022 and the information currently available to the Board as at 31 January 2022, the Group is expected to record an increased net loss for the year ending 31 March 2022. Net loss for the corresponding period last year was approximately HK\$360 million.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Alco Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “**SFO**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the review of the unaudited consolidated management accounts of the Group for the 10 months ended 31 January 2022 and the information currently available to the Board as at 31 January 2022:

- (a) the Group is expected to record an increased net loss for the year ending 31 March 2022 compared with the same corresponding period in the last financial year ended 31 March 2021. The net loss for the same corresponding period last year was approximately HK\$360 million;

- (b) the net loss as shown in the unaudited consolidated management accounts of the Group for the 10 months ended 31 January 2022 increased by HK\$38 million as compared with the net loss for the same corresponding period last year;
- (c) as at 31 January 2022, the unaudited cash and bank balance of the Group is approximately HK\$13 million. Such unaudited cash and bank balance of the Group as at 31 January 2022 is lower than the cash and bank balance of the Group as at 30 September 2021. As shown in the Interim Report for the six months ended 30 September 2021 published by the Company, the cash and bank balance of the Group as at 30 September 2021 was approximately HK\$32 million.

Based on the information currently available, the Directors are of the preliminary view that the expected increase of the net loss of the Group may be attributable to:

- COVID-19 led to global surge of freight and cargo charges during the period under review.
- Significant drop of sales of the Group due to the continuous COVID-19 and Omicron pandemic. Our production has been affected by the global supply shortage and delayed delivery time of certain critical parts and components and as a result, we were unable to accept certain sales orders intended to be placed by our customers, which in turn affected our revenue and profitability.
- Significant reduction of sales revenue, due to strategic migration since 2017 from our traditional OEM/ODM manufacturing business for AV and other electronic consumer products to our self-branded computers. As at the 6-month period ended 30 September 2021, the ratio of our traditional OEM/ODM manufacturing business was only 16% of the Group's total sales revenue.
- Substantial increase in impairment losses in inventory, trade and other receivables.

The information contained in this announcement is only based on the information of the unaudited consolidated management accounts of the Group for the 10 months ended 31 January 2022. The audit of the accounts of the Group for the year ending 31 March 2022 has not yet been commenced by the auditors.

CONSIDERED MEASURES TO BE ADOPTED

The Directors are diligently reviewing the business activities and operation of the Group in order to formulate business plan and strategy for future business development and improvement of the Group's profitability. The Company has engaged professional financial advisers to assist the Board to review its capital structure and cash flow condition, negotiating with bankers and evaluating all available strategic and financial options. The options include considering and already implementing the following measures to ease the cash flow issues, including but not limited to, (i) possible disposal of the property premise in Shatin with a fair value of approximately HK\$135 million as at 28 February 2022; (ii) strategic downsizing number of staff and overhead; (iii) realisation of inventories (in particular the long aging ones), which has a carrying value of approximately HK\$609 million as at 30 September 2021; (iv) outsourcing the production of our self-branded computers to ODM manufactures; (v) negotiation with banks and seeking further financial support.

The Company has been in active pursuit of professional financial advisers to assist the Board to review its capital structure and cash flow condition, negotiating with bankers and evaluating all available strategic and financial options. The Group is taking a comprehensive review and assessment of its overall financial condition, considering the interests of all stakeholders, upholding the principles of fairness and legality, for the benefit of all stakeholders.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Alco Holdings Limited
CHUNG Hau Yeung
Acting Chief Executive Officer &
Executive Director

Hong Kong, 7 March 2022

As at the date of this announcement, the executive Directors are Mr. LEUNG Kam Fai, Peter, Mr. YIU Wang Tsun, Mr. CHUNG Hau Yeung and Mr. YIP Wing Shing. The independent non-executive Directors are Mr. LEE Tak Chi, Mr. CHEUNG, Johnson and Mr. WU Zhi-Ling.