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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 328)

PROFIT WARNING

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 preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 March 2022, it is expected that the Group is likely to record consolidated net loss within the range of approximately HK\$500 million to HK\$550 million for the year ended 31 March 2022 as compared to a consolidated net loss of HK\$360.4 million for year ended 31 March 2021.

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**”).

It is expected that the Group will incur consolidated net loss within the range of approximately HK\$500 million to \$550 million for the year ended 31 March 2022 compared to the consolidated net loss of HK\$360.4 million for the year ended 31 March 2021.

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

- COVID-19 led to global surge of freight and cargo charges during the period.
- 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 only accounted for approximately 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 year ended 31 March 2022 and is not based on any figure or information that has been reviewed or audited by the auditor of the Company. Shareholders and potential investors are advised to read carefully the annual results announcement of the Group for the year ended 31 March 2022 for further details, which is expected to be announced by end of June 2022.

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; (ii) strategic downsizing number of staff and reducing overhead expenses; (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 and disclosed in the Company's interim report 2021; (iv) outsourcing the production of our self-branded computers to ODM manufactures; and (v) negotiation with banks and seeking further financial support.

Since Mr. Wilson Leung, the previous Chairman and director of the Group, passed away in December 2021, the Directors had actively contacted potential investors to provide further financial support to the Group. However, up to the date of this announcement, there is no concrete plan of financial support from potential investors acceptable to the Directors.

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
LEUNG Kam Fai, Peter
Executive Director

Hong Kong, 7 June 2022

As at the date of this announcement, the executive Directors are Mr. LEUNG Kam Fai, Peter, Mr. CHUNG Hau Yeung and Mr. YIP Wing Shing. The independent non-executive Directors are Mr. LEE Tak Chi and Mr. WONG Siu Kee.