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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 328)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

PERFORMANCE HIGHLIGHTS

	2022	2021
– Revenue (<i>HK\$</i>)	591m	1,279m
– Loss attributable to owners (<i>HK\$</i>)	527m	360m

The directors of Alco Holdings Limited (the “Company”) announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Revenue	3	591,292	1,278,686
Cost of goods sold	5	(820,023)	(1,340,994)
Gross loss		(228,731)	(62,308)
Other income, gain and loss	4	36,267	45,958
Selling expenses	5	(102,210)	(111,943)
Administrative expenses	5	(114,543)	(113,789)
Research and development expenses	5	(63,855)	(79,518)
Other operating expenses	5	(2,227)	(13,523)
(Provision for)/reversal of impairment losses on trade and other receivables		(5,999)	5,025
Provision for impairment of property, plant and equipment	9	(4,194)	(14,896)
Provision for impairment of right-of-use assets	9	(15,787)	(914)
Provision for impairment of intangible assets	9	(3,500)	(6,010)
		(504,779)	(351,918)
Finance income		3,339	2,750
Finance costs		(25,887)	(11,471)
Loss before income tax		(527,327)	(360,639)
Income tax credit	6	–	199
Loss for the year		<u>(527,327)</u>	<u>(360,440)</u>
Attributable to:			
– Owners of the Company		(527,308)	(360,463)
– Non-controlling interests		(19)	23
		<u>(527,327)</u>	<u>(360,440)</u>
Loss per share attributable to owners of the Company			
– Basic	7	(HK72.9 cents)	(HK49.8 cents)
– Diluted	7	(HK72.9 cents)	(HK49.8 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	(527,327)	(360,440)
Other comprehensive (expense)/income, net of tax:		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>(8,539)</u>	<u>9,706</u>
Total comprehensive expense for the year	<u>(535,866)</u>	<u>(350,734)</u>
Attributable to:		
– Owners of the Company	(535,847)	(350,757)
– Non-controlling interests	<u>(19)</u>	<u>23</u>
Total comprehensive expense for the year	<u>(535,866)</u>	<u>(350,734)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		133,963	130,882
Investment properties		53,430	46,788
Right-of-use assets		71,582	63,631
Prepayments, deposits and other receivables	<i>10</i>	5,570	33,754
		264,545	275,055
Current assets			
Inventories		421,206	623,877
Trade and other receivables	<i>10</i>	203,068	351,089
Other current assets		602	459
Income tax recoverable		1,421	14,484
Bank balances and cash		10,202	98,149
		636,499	1,088,058
Current liabilities			
Trade and other payables	<i>11</i>	337,414	398,137
Income tax liabilities		6,853	6,642
Lease liabilities		62,352	47,407
Bank and other borrowings	<i>12</i>	284,967	288,661
Loans from shareholders	<i>13</i>	401,966	13,000
		1,093,552	753,847
Net current (liabilities)/assets		(457,053)	334,211
Total assets less current liabilities		(192,508)	609,266

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Capital and reserves attributable to owners of the Company			
Share capital		72,324	72,324
Reserves		(277,330)	258,493
		(205,006)	330,817
Non-controlling interests		(650)	(631)
Total (deficit)/equity		(205,656)	330,186
Non-current liabilities			
Other payables	<i>11</i>	11,455	6,766
Lease liabilities		1,693	4,845
Bank and other borrowings	<i>12</i>	–	2,269
Loans from shareholders	<i>13</i>	–	265,200
		13,148	279,080
Total (deficit)/equity and non-current liabilities		(192,508)	609,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and basis of preparation

Alco Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in designing, manufacturing and selling of consumer electronic products including AV products and notebook products.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”), which is the Company’s functional and the Group’s presentation currency.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

Basis of preparation

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred loss for the year of HK\$527,327,000 and reported a net current liabilities of HK\$457,053,000 as at 31 March 2022.

The Group has failed to comply with certain financial covenants in respect of scheduled repayment of the bank borrowings with an outstanding balance of HK\$214 million as at 31 March 2022. Such non-compliance of covenants may give the relevant banks a right to cancel or suspend the facilities.

The directors of the Company consider that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

(i) Potential disposal of non-current assets

The Group has been actively negotiating with independent third parties to dispose the Group’s certain non-current assets including office premise, production facilities and investment properties in the Mainland China. In particular, the Group is finalising an agreement to dispose the investment properties before the announcement of the 2022 audited annual result on 18 July 2022. Upon successful disposals, the Group will have additional cashflow to repay certain borrowings and for additional working capital. The liquidity position of the Group will then be improved.

(ii) Future treatment of the shareholder loans

Out of the net current liabilities amounted to HK\$457 million, HK\$402 million are the loans from shareholders. Majority of the loans are provided by our deceased ex-chairman of the Group, Mr. Leung Wai Sing, Wilson (“Wilson”). As the estate of Wilson is frozen before the appointment of the estate administrator, the related loan agreement extension could not be arranged and the loans are therefore classified under current liabilities. The Company will discuss the treatment of the loans with the estate administrator once the administrator is appointed.

(iii) Potential investors

The Group has been facing continue pressure on the needs for funding and therefore is actively seeking new investors. Up to the reporting date, certain investors have been negotiating with the Group for investment opportunities in various ways, from extending banking facility or bringing in new business opportunities. In particular, the Group is finalizing a term sheet with a potential investor on licensing our own brands. The Directors of the Company is of the opinion that these potential investments can ease the situation and facilitate the future development of the Group.

(iv) Cash inflow from operations

The Group is taking measures to tighten cost controls over various costs and expenses and is adopting a more flexible procurement policy to control the purchase costs with the aim to attain gross profit and positive operating cash flow.

The Group will also continue to take active measures to improve profitability and cash flow through various initiatives including further strengthening its relationships with major suppliers to negotiate for lower cost of critical components and for better trading terms, and negotiate with its landlord for more favourable lease terms.

Based on the sales orders on hand for the notebook products up to June 2022, the directors of the Company expect an increase in sales in the coming months comparing to the corresponding period in the year ended 31 March 2022. The directors will continue with its effort in sales and marketing to promote the Group's notebook products in existing market and explore opportunities in other countries.

(v) Restructure of bank and other borrowings

The bank and other borrowings repayable within one year of the Group amounted to HK\$285 million as at 31 March 2022, which mainly include loans from Hang Seng Bank and Shanghai Commercial Bank in the amount of HK\$162 million and HK\$28 million, respectively.

The Group is in active negotiations with Hang Seng Bank for a debt restructuring. Considering that the valuation of the office premise and the investment properties pledged to Hang Seng Bank amounted to a total of HK\$168.5 million, with reference to valuation performed by independent qualified professional valuer and market data information, the management is of the view that the Group would have sufficient resources to meet its financial obligation with Hang Seng Bank.

The directors of the Company believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 March 2023. Furthermore, the directors of the Company expect that upon completion of the disposal of the office premise, investment properties, production facilities and certain pledged asset under other borrowing agreements, the Group will be able to fully repay the bank and other borrowings. However, should the above financing be unavailable, if the Group is not able to generate the expected cash inflows from its operations and to refinance its borrowings, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

2. Application of new and amendments to HKFRSs

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 April 2021:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform – Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

Except as described below, the application of the amendments to HKFRSs in the current year 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 consolidated financial statements.

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”).

As at 1 April 2021, the Company has financial liabilities, the interests of which are indexed to benchmark rates that will be subject to interest rate benchmark reform. The following table shows the total amount of outstanding contracts. The amount of financial liabilities is shown at their carrying amounts.

	London Interbank Offered Rate (“LIBOR”)
Financial liabilities	
Loans from shareholders	<u>401,966,000</u>

The amendments have had no impact on the consolidated financial statements as none of the above contract has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for loans from shareholders measured at amortised cost.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. Segment information

(a) Segment analysed by products

The Group mainly operates in Mainland China, Taiwan and Hong Kong and is principally engaged in designing, manufacturing and selling of consumer electronic product including AV products and notebooks products.

During the year, the chief operating decision-makers examine the Group's performance both from a product and geographic perspective and has identified two reportable segments of its business:

- AV products – Design, manufacture and sale of consumer electronic products, including audio, video and tablet products
- Notebook products – Design, manufacture and sale of commercial notebook and personal computer 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.

	2022				2021			
	AV products HK\$'000	Notebook products HK\$'000	Elimination HK\$'000	Total HK\$'000	AV products HK\$'000	Notebook products HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue								
External sales	122,063	469,229	–	591,292	646,973	631,713	–	1,278,686
Inter-segment sales	24,004	751	(24,755)	–	12,446	1,089	(13,535)	–
	146,067	469,980	(24,755)	591,292	659,419	632,802	(13,535)	1,278,686
Segment results	(100,079)	(384,719)	–	(484,798)	(127,732)	(208,376)	–	(336,108)
Provision for impairment of right-of-use assets				(15,787)				(914)
Provision for impairment of property, plant and equipment				(4,194)				(14,896)
Finance income				3,339				2,750
Finance costs				(25,887)				(11,471)
Loss before income tax				(527,327)				(360,639)

(b) *Segment analysed by geographical area*

The segment revenue for the years ended 31 March 2022 and 2021 are as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i>
North America	43,545	619,745
Asia	466,170	500,630
Europe	73,179	124,223
Others	8,398	34,088
	591,292	1,278,686

The analysis of revenue by geographical area is based on the destination to which the shipments are made.

4. Other income, gain and loss

	2022 HK\$'000	2021 <i>HK\$'000</i>
Rental income from investment properties	2,016	2,017
Sub-lease income	16,535	13,022
Fair value gain on investment properties	4,568	23,386
Rent concession	1,552	2,399
Sub-contracting income	4,300	3,880
Exchange gain	5,718	–
Others	1,578	1,254
	36,267	45,958

5. 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:

	2022	2021
	HK\$'000	HK\$'000
Amortisation of intangible assets	875	1,503
Auditor's remuneration	1,500	1,380
Cost of inventories	617,165	1,237,535
Provision for impairment of inventories	130,928	23,053
Depreciation of property, plant and equipment	20,332	21,223
Depreciation of right-of-use assets	22,074	1,835
Employee benefit expenses (including directors' emoluments)	197,328	206,765
Severance payment	1,109	1,774
Loss on disposal of plant and equipment	217	6
Short-term lease expenses	2,115	4,437

6. Income tax credit

Hong Kong profits tax has been provided at the rate 16.5% on the estimated assessable profit for the year. Corporate income tax on profit from subsidiaries operating in Mainland China have been calculated at 25% in accordance with the relevant Mainland China tax law and regulations. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Groups operates.

	2022	2021
	HK\$'000	HK\$'000
Current income tax credit		
– Overseas corporate income tax	–	(199)
Deferred income tax expense	–	–
Income tax credit	<u>–</u>	<u>(199)</u>

7. Loss per share

Basic

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

	2022	2021
Loss attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>(527,308)</u>	<u>(360,463)</u>
Number of ordinary shares in issue	<u>723,244,650</u>	<u>723,244,650</u>
Basic loss per share (<i>HK cents</i>)	<u>(72.9)</u>	<u>(49.8)</u>

Diluted

There were no dilutive potential ordinary shares during the years ended 31 March 2022 and 2021. Therefore, the diluted loss per share is the same as basic loss per share.

8. Dividends

No dividend was paid or prepared by the Company during the years ended 31 March 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

9. Impairment of non-financial assets

For impairment assessment, the Group assesses the recoverable amount of the property, plant and equipment, right-of-use assets and intangible assets with reference to the higher of the assets' fair value less costs to disposal and value in use. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. As a result, the Group made an additional provision for impairment of approximately HK\$4,194,000, HK\$15,787,000 and HK\$3,500,000 (2021: HK\$14,896,000, HK\$914,000, HK\$6,010,000) in respect of property, plant and equipment, right-of-use assets and intangible assets respectively for the year ended 31 March 2022.

10. Trade receivables, prepayments, deposits and other receivables

At 31 March 2022 and 2021, the ageing analysis of the trade receivables based on shipping terms is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	4,669	110,807
31 – 60 days	4,244	96,276
61 – 90 days	2,777	36,485
Over 90 days	<u>167,106</u>	<u>57,675</u>
	<u><u>178,796</u></u>	<u><u>301,243</u></u>

11. Trade and other payables

At 31 March 2022 and 2021, the ageing analysis of the trade payables based on invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	16,203	57,884
31 – 60 days	2,061	1,401
61 – 90 days	5,121	–
Over 90 days	<u>184,168</u>	<u>232,095</u>
	<u><u>207,553</u></u>	<u><u>291,380</u></u>

12. Bank and other borrowings

As at 31 March 2022, bank and other borrowings were interest-bearing at fixed rates from 5.2% to 13.2% per annum or a margin over HIBOR, Lender's Costs of Funds or loan prime rate (2021: interest-bearing at fixed rates from 5.2% to 10% per annum or a margin over HIBOR, Lender's Costs of Funds or loan prime rate).

13. Loans from shareholders

As at 31 March 2022, 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\$401,966,000 would be repayable within one year or repayable on demand.

14. Event after the reporting period

Subsequent to the end of reporting period, the Group received several writs of summons issued by suppliers in respect of outstanding sums due and owing by the Group. Details are set out in the announcement of the Company dated 7 June 2022.

15. Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 March 2022 (31 March 2021: Nil).

DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Group results and dividends

For the year under review, the Group recorded a 54% decrease in turnover from HK\$1,279 million (in 2021) to HK\$591 million and a 46% increment in net loss attributable to shareholders from HK\$360 million (in 2021) to HK\$527 million.

The strategy of the Group over the last few years is to focus on developing our own brand notebook business instead of on the traditional OEM/ODM business on AV products, the OEM/ODM business although can provide a bigger revenue will also require more working capital to transact them. With more resources spent on our own brand notebook business we are giving up the orders from the big retailers especially from the US market.

The net loss was partly the result of a decline in sales of approximately 54% as explained above. Furthermore, the continuous effect of COVID-19 throughout the year had huge cost impact on our logistic and delivery of materials and products for the year. Continuous and substantial investments in advertising and promotions for AVITA, Nexstgo and VAIO notebook computers together with costs incurred in developing more variety of notebook models for different price points in different markets further impacted our bottom line.

Other reasons for the net loss was the impairment of inventories, trade and other receivables and certain non-current assets. For inventories, in addition to the provisions made in prior years, a further impairment of HK\$131 million was made mainly on aged raw materials due to cessation of producing certain AV and non profitable products. As the Group's business has continued to incur losses, the Group has to assess the recoverable amounts of its underlying assets, pursuant to requirements of relevant accounting standards, an impairment provision of HK\$29.5 million was made further on certain property, plant and equipment, right-of-use assets, intangible assets and trade and other receivables.

The directors do not recommend the payment of a final dividend (2021: Nil) for the financial year ended 31 March 2022.

Review of Operations

Our strategy of developing own brand notebook business require heavy investment on marketing promotion and product development. This in the past has relied heavily on the funding support of our esteem ex-Chairman Mr. Leung Wai Sing, Wilson, unfortunately due to the sudden pass away of Wilson in December 2021, the continuous funding has been ceased and this has created a huge disruption to our business plan and operation. On the second half of 2021 the Group is still expanding its production and sales, and has purchased additional SMT machineries, UV printers and assembly equipment, Windows key and other critical components, and continue on marketing promotion campaign and with many new products developments. With the limitation on working capital we are unable to continue fully on our productions, unable to fully utilize our excessive materials purchased and as a result created excessive wastage on materials and production capacity.

The latter half of the year was particularly difficult for the Group, we not only suffered from the lack of working capital, we also lost the direction of Wilson who has been with the Group his entire life, his management guidance and valuable input in engineering has been the cornerstone for all of the facets of the development of the Group.

At the initial outbreak of COVID-19, the demand for notebook computers were significant, the demand for notebook computers rising multiple folds within a matter of weeks, the supply chains for these devices' critical components, as well as in some cases even supply chains for normally non-critical and low-value components, became virtually broken and unable to cope. As such even though the sales demand was good we have to spend substantially higher raw materials cost in order to meet the delivery. This further add up to the costs of nurturing a young brand. Although materials price started to stabilize in the latter half of the year, the demand for notebook computer also slowly fell. The number of Covid cases remain high in many countries, most of them have adopted a somewhat "living with Covid" policy as they generally believe the new variant of Covid is not as detrimental as its predecessor virus. So after an unprecedented period of pandemic-led demand in the face of component shortages, the global PC market is starting to cool down.

The significant and continue drop in sales have left the factory with excessive production capacity and non fully utilized labour force. The Group has started laying off excessive workers and office staff from the beginning of the year and to sublease any excessive factory space to other parties.

Prospects

Facing an extremely difficult situation the Group is undergoing the followings:

- Revisit the corporate strategy in developing our own brand notebook – as the investment in building a computer brand is significant we will need to partner with other investors in building it, either through licensing the brand or jointly invested with other investors, for this we made some promising progress in the discussion with other investors who may be able to provide additional banking facilities and working capital to support our sales and production;
- To dispose the investment properties, production facilities and land and buildings in order to generate more working capital and to reduce borrowings;
- To further streamline the operation of the Group by reducing headcounts both in the offices and in the factory, and to adopt more cost saving outsourcing services;
- To explore different strategies in creating more values from the factory e.g. renting or selling production facilities and machinery, doing subcontracting work for other notebook and electronic manufacturers; and
- To discuss with Wilson's estate administrator (yet to be appointed) on the treatment of the shareholders loans.

Our goal is to try minimizing the loss as quickly as possible and to turnaround the business into a positive cashflow operation, at the same time looking for investors to invest in our brand and business.

Liquidity and financial resources

The Group's total deficit and total deficit per share as at 31 March 2022 were HK\$206 million (2021: total equity HK\$330 million) and HK\$0.28 (2021: total equity per share HK\$0.46) respectively.

As at 31 March 2022, we had bank balances and cash of HK\$10 million (2021: HK\$98 million). After deducting bank and other borrowings of HK\$285 million (2021: HK\$291 million), loans from shareholders of HK\$402 million (2021: HK\$278 million) and lease liability of HK\$64 million (2021: HK\$52 million), we had net borrowing of HK\$741 million (2021: HK\$523 million).

As at 31 March 2022, our inventory was HK\$421 million (2021: HK\$624 million), which consisted of HK\$254 million (2021: HK\$353 million) of raw material, HK\$16 million (2021: HK\$26 million) of work-in-progress and HK\$151 million (2021: HK\$245 million) of finished goods. We take a cautious approach to monitor the inventory level especially during this environment with uncertainty.

Trade receivables as at 31 March 2022 were HK\$179 million (2021: HK\$301 million). Some of the customers have counter claims on the Group which have been included in other payables. We are actively following the receivable with our customers for payments.

Trade payables as at 31 March 2022 were HK\$208 million (2021: HK\$291 million).

Capital expenditure on fixed assets during the year was HK\$26.1 million (2021: HK\$23 million). As at 31 March 2022, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery and renovation amounting to HK\$1 million (2021: HK\$3 million).

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 financial year.

Employees

As at 31 March 2022, the Group had approximately 625 (2021: 950) employees in Mainland China, Taiwan and Hong Kong. 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, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the 12 months ended 31 March 2022, except with deviation from code provision A.2.1; rules 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the Corporate Governance Code of the Listing Rules.

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 9 June 2022, Mr. LIU Hoi Keung ("Mr. Liu") 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. Liu has considerable industry experience.

Following the resignation of Mr. WU Zhi Ling on 7 June 2022, the number of independent non-Executive directors of the Company did not meet the requirement under rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). In addition, the composition of the audit committee, the remuneration committee, and the nomination committee of the Company no longer satisfies the requirements under rules 3.21, 3.25 and code provision A.5.1 of the Corporate Governance Code of the Listing Rules, respectively. On 16 June 2022, with the appointment of Ms. CHOI Ka Ying, Mr. LAM Chi Wing and Mr. TANG Sher Kin, Kelvin as Independent non-Executive Directors, the audit committee, the remuneration committee and the nomination committee of the Company has since complied with the requirements of relevant Listing Rules above, details of their biography has been disclosed in the Company’s announcement dated 16 June 2022.

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 the directors of the Company. Having made specific enquiry of 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 year ended 31 March 2022.

AUDIT COMMITTEE

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 year ended 31 March 2022.

The Audit Committee currently comprises three independent non-executive directors of the Company, namely Ms. CHOI Ka Ying, Mr. LAM Chi Wing, Mr. TANG Sher Kin, Kelvin.

PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

Due to the recent Coronavirus outbreak, the Company's auditing process for the year ended 31 March 2022 had been disrupted and not yet completed, in particular, due to certain audit evidence have not yet been obtained, including: i) alternative supporting documents for non-reply external bank, receivables and payables confirmations with significant amount; ii) supporting documents for subsequent settlement of receivable and payable balances; iii) inventory net realisable value analysis/valuation not completed; iv) supporting documents for financial forecast, to the auditor of the Company, SHINEWING (HK) CPA Limited (the "Auditor"), to complete the audit procedures. These unaudited annual results for the Year contained herein have not been agreed with the Company's auditors but have been reviewed by the Audit Committee. It is currently expected that the audited annual results will be agreed with its external auditors, by 18 July 2022. Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited annual results for the year ended 31 March 2022 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting will be held; and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

LIST OF DIRECTORS

As at the date of this announcement, the Board of Directors comprises four executive directors, namely Mr. LIU Hoi Keung, Mr. CHUNG Hau Yeung, Mr. LEUNG Kam Fai, Peter and Mr. YIP Wing Shing, one non-executive director, namely Ms. HONG Ting and three independent non-executive directors, namely Mr. TANG Sher Kin Kelvin, Ms. CHOI Ka Ying and Mr. LAM Chi Wing.

By order of the Board
Alco Holdings Limited
Executive Director
LIU HOI KEUNG

Hong Kong, 30 June 2022