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## **ALCO HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

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

**(Stock Code: 328)**

### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022**

Reference is made to the annual report of Alco Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 March 2022 (the “**2022 Annual Report**”) dated 27 July 2022.

This announcement is made to provide supplemental information on the disclaimer of opinion on the 2022 Annual Report issued by the auditor of the Company (the “**Auditor**”), Shinewing (CPA) Limited (the “**Disclaimer Opinion**”).

Regarding the Disclaimer Opinion, the audit committee of the Company (the “**Audit Committee**”) held discussions with the Auditor, and generally understood the concerns of the Auditor and the reasons for the Disclaimer Opinion. Nonetheless, the Audit Committee has reviewed and agreed with the management’s position concerning their judgment in major areas including the going concern assumptions on the basis that (i) the management has been and still is actively negotiating restructuring of the Group’s debts; and (ii) neither the Company nor any of its operating subsidiaries is the subject of any winding-up proceedings. Accordingly, the Audit Committee agreed that it was appropriate to use a going concern assumption to prepare the 2022 Annual Report.

Save for the plans disclosed in the notes to the consolidated financial statements of the 2022 Annual Report under the section headed “General Information and Basis of Preparation”, the Group has taken and will continue to take the following actions to improve its liquidity position:

**(I) TIGHTENING COST CONTROLS**

- To optimise product mix by shifting out of lower margin products (e.g. the AV products) to focus on higher margin and demanding products (e.g. the notebook products);
- To carry out cost and benefit analysis for each client with a view to cultivating key accounts with good credit and order track record;
- To cross-train employees in an effort to reduce labour costs and boost bottom line;
- To take prudent cost and inventory management measures;
- To impose stringent selling and administration expenses control;
- To centralise procurement for negotiation for better price and longer credit period;
- To optimise production schedule to improve utilisation rate;
- To improve general productivity by seeking constant enhancements in every aspect of production including raw materials, process management, etc.;
- To carefully review the Group’s positioning and strategies before committing further resources; and
- To impose stringent cost controls across all aspects of the operations, ranging from human resources to marketing expenses.

## **(II) NEGOTIATIONS WITH BANKS**

Throughout the year ended 31 March 2022 and up to the date of this announcement, the Company continues to make efforts to reach debt restructuring agreement with Shanghai Commercial Bank Limited (the “SCB”) and Heng Sang Bank (the “HSB”). During the period, several debt restructuring proposals were submitted to SCB for its consideration but the parties have yet to come to an agreement on issues of contention such as the total settlement amount and the repayment schedule. Given it is an unsecured loan, the Company anticipates that it will take the parties additional time to come to an agreement acceptable to both sides. As at the date hereof, no agreement has been reached and negotiations are on-going. Nevertheless, the Company is targeting to complete such debt restructuring by the first quarter of 2023.

In respect of the loan with HSB, several meetings were held to discuss about the restructuring proposal. The Company has been actively in search of opportunities to dispose of the pledged properties and repay the outstanding loan.

## **(III) BUSINESS PLAN FOR STRENGTHENING ITS CAPITAL BASE**

The Company has been exploring ways to strengthen its capital base, including but not limited to seek the possibility of share placements and discuss with potential investors who might be interested in either debt financing or equity financing of the Company or a combination of both. On 23 September 2022, the Company completed a placing of 72,324,000 shares of the Company. The Company will keep on exploring for fundraising activities and further announcement will be made once the opportunity arises. The relevant fund arising therefrom will be used for the settlement of the outstanding liabilities.

## **(IV) TREATMENT OF THE LOANS FROM SHAREHOLDERS OF THE COMPANY**

The management of the Company has several discussions with the shareholder’s loan providers. Mrs. Leung, the wife of Mr. Leung Wai Sing (“Wilson”), is in the process of applying for the estate administrator of Wilson’s estate. She believes that she will be officially appointed as the estate administrator of Wilson and she is willing to discuss the extension of the shareholder’s loan on behalf of Wilson. The other shareholders also indicate to extend their shareholders’ loan accordingly.

The Company and Audit Committee had a meeting with the Auditor on 31 August 2022 about the plan to address the audit modification. The Auditor is of the view that whether the action plan mentioned above is not the single and only solution. Whether the modification can be addressed relies on the satisfaction of the Company's ability to continue as a going concern. The Company can demonstrate such ability even without meeting all the plans above but with other solutions. Therefore, the Auditor would need to revisit the situation on a dynamic basis with solid audit evidence showing the Company's ability to continue as a going concern before removing the audit modification next year.

The directors of the Company believe if the action plan mentioned in the 2022 Annual Report and the above measures carry out successfully, the Company's financial position would be improved significantly and therefore could demonstrate the ability to continue as a going concern. Accordingly, the Disclaimer Opinion is expected to be removed in the next year's annual report.

By Order of the Board  
**Alco Holdings Limited**  
**LEI KAM CHAO**  
*Chairman*

Hong Kong, 27 October 2022

*As at the date of this announcement, the executive directors of the Company are Mr. LEI Kam Chao and Mr. CHUNG Hau Yeung. The non-executive director of the Company is Ms. HONG Ting. The independent non-executive directors of the Company are Mr. CHU Hoi Kan, Mr. LAM Chi Wing and Mr. TANG Sher Kin.*