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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 328)

DISCLOSEABLE TRANSACTION DISPOSAL OF A SUBSIDIARY

On 18 October 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, an Independent Third Party has entered into the Disposal Agreement pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares at the consideration of RMB4,000,000.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL AGREEMENT

Date

18 October 2023 (signed by parties after trading hours)

Parties

- (1) Asia Dragon Investments Limited, an indirect wholly-owned subsidiary of the Company (as Vendor)
- (2) Mr. Long Sheng (龍勝) (as Purchaser)

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Purchaser is an Independent Third Party.

Subject Matter

The Vendor has agreed to sell the Sale Shares to the Purchaser. The Sale Shares represent 100% of the registered capital of the Target Company.

The Disposal

Immediately prior to the entering into of the Disposal Agreement, the Target Company was an indirect wholly-owned subsidiary of the Company. Under the Disposal Agreement, the Purchaser has agreed to purchase the Sale Shares from the Vendor.

Consideration

Pursuant to the terms of the Disposal Agreement, the total Consideration is in the sum of RMB4,000,000 and shall be paid by the Purchaser by way of cash to the Vendor in two installments. The first payment of RMB1,000,000 shall be paid immediately upon signing the Disposal Agreement. The remaining RMB3,000,000 shall be paid within forty-five calendar days upon signing the Disposal Agreement.

The Consideration of the Disposal was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the valuation of the total equity interest and asset and liabilities of the Target Company as at 30 June 2023.

Conditions Precedent

Completion of the Disposal is conditional upon the satisfaction of, among others, the following conditions:

- (a) the Vendor having completed all necessary procedures and complied with all legal and regulatory requirements as required by the Disposal Agreement;
- (b) the Purchaser having completed the due diligence and being satisfied with the business, financial, tax and legal issues of the Target Company;
- (c) the Purchaser having secured the fund raising to settle all the incumbrances of the investment properties held by the Target Company;
- (d) the Purchaser having obtained necessary approvals from banks regarding the Sale Shares under this Disposal Agreement;
- (e) the Purchaser having completed all necessary procedures and complied with all legal and regulatory requirements as required by the Disposal Agreement.

Completion

Completion shall take place on the effective date of change of business registration in respect of the Sale Shares to the Purchaser.

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, the Group will cease to hold any interest in the Target Company.

INFORMATION ON THE PARTIES

Information about the Vendor and the Purchaser

The Vendor

The Vendor is a limited liability company established in Hong Kong in 1993 and is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of the Company.

The Purchaser

The Purchaser is a PRC citizen and merchant. The Purchaser has extensive experience in the commerce and trade industries and principally engaged in trading business.

Information on the Target Company

The Target Company is a limited liability company established in the PRC in 2001 and is principally engaged in designing and developing mobile communication products and audio-visual equipment. During the year ended 31 March 2023, the Target Company demobilized all its employees in June 2022 and ceased its operation in this regard. The Target Company holds investment properties in Shenzhen and has changed its principal business to property holding since July 2022.

The Target Company is the registered and beneficial owner of a property and the property is the main asset of the Target Company. The property is located at 深圳市福田區皇崗路與濱河路交界東南皇城廣場大廈 2101, 2104, 2301, 2302A, 2302, 2303, 2304 and has a saleable area of total about 2,005 square metres. The Property is a residential property held for investment and rental purposes.

The unaudited net asset value of the Target Company was approximately RMB4.8 million as at 30 June 2023. The audited financial results of the Target Company for the two years ended 31 March 2023 and the unaudited financial results for the 3 months ended 30 June 2023 are as follows:

	For the year ended 31 March		for the 3 months ended
	2022	2023	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before and after income tax	2,336	3,975	6,976

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Subject to final audit, it is expected that the Group will realise a loss on disposal of approximately RMB0.8 million, which is calculated by reference to the unaudited carrying value of the Target Company as at 30 June 2023.

The proceeds from the Disposal are currently intended to be used by the Group for general corporate purposes.

Upon completion of the Disposal, the Group will no longer have any interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Group.

REASONS FOR THE DISPOSAL

Considering the financial performance and after reviewing the business and operation status of the Target Company, the Board considers that it is appropriate for the Group to proceed with the Disposal. The Disposal, when materialized, strengthen the cash flow of the Group allowing the Group to improve its liquidity and allow the Group to reallocate its resources for future development.

As the Disposal is being carried out after arm's length negotiation and on normal commercial terms, the Directors are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole to settle a portion of overdue PRC banking facilities and the terms of the Disposal Agreement were fair and reasonable and on normal commercial terms.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios exceed 5% but less than 25%, the execution of the Disposal Agreement constitutes a discloseable transaction for the Company and is therefore subject to the requirements of notification and announcement but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of Directors of the Company;
“Company”	Alco Holdings Limited, a company incorporated in the Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 328);
“Completion”	completion of the Disposal under the Disposal Agreement;
“Director(s)”	the director(s) of the Company;
“Disposal”	the sale of the Sale Shares by the Vendor to the Purchaser;
“Disposal Agreement”	the share transfer agreement dated 18 October 2023 between the Vendor and the Purchaser in relation to the Disposal;

“Group”	the Company and its subsidiaries;
“Independent Third Party(ies)”	a person or a company which is a third party, independent of the Company and its connected person(s) ascribed to it in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Purchaser”	Mr. Long Sheng (龍勝);
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	100% of the registered capital of the Target Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	愛高電子(深圳)有限公司 (Alco Electronics (Shenzhen) Limited*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as at the date of the Disposal Agreement;
“Vendor”	Asia Dragon Investments Limited, a limited liability company established in Hong Kong and a wholly-owned subsidiary of the Company;
“%”	per cent.

By Order of the Board
Alco Holdings Limited
LEI KAM CHAO
Executive Director

Hong Kong, 18 October 2023

As at the date of this announcement, the executive directors of the Company are Mr. LEI Kam Chao and Mr. HO Chak Yu and Mr. LIANG Yanan. Independent non-executive directors of the Company are Mr. CHU Hoi Kan, Mr. LAM Chi Wing and Mr. TANG Sher Kin.

* *For identification purpose only*