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## **ALCO HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

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

**(Stock Code: 328)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

#### **PERFORMANCE HIGHLIGHTS**

	<b>2023</b>	<b>2022</b>
– Revenue ( <i>HK\$</i> )	<b>86 million</b>	52 million
– Profit (loss) for the period – from continuing operations ( <i>HK\$</i> )	<b>572 million</b>	(49) million

The directors of Alco Holdings Limited (the “Company”) announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2023, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>			
Revenue	4	<b>85,686</b>	51,977
Cost of goods sold	6	<u>(81,160)</u>	<u>(53,315)</u>
Gross profit (loss)		<b>4,526</b>	(1,338)
Other income and gain	5	<b>613,382</b>	5,014
Selling expenses	6	<b>(7,941)</b>	(4,944)
Administrative expenses	6	<b>(37,404)</b>	(29,103)
Research and development expenses		<b>(40)</b>	(12,345)
Other operating expenses	6	<u>(122)</u>	<u>(1,476)</u>
Operating profit (loss)		<b>572,401</b>	(44,192)
Finance income		<b>1</b>	3
Finance costs		<u>(48)</u>	<u>(4,382)</u>
Profit (loss) before income tax		<b>572,354</b>	(48,571)
Income tax expense	7	<u>–</u>	<u>–</u>
<b>Profit (loss) for the period from continuing operations</b>		<u><b>572,354</b></u>	<u>(48,571)</u>
<b>Discontinued operation</b>			
Loss for the period from discontinued operation, net of tax	10	<u>–</u>	<u>(417,120)</u>
Profit (loss) for the period		<u><b>572,354</b></u>	<u>(465,691)</u>

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2023</b>	<b>2022</b>
<i>Note</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Profit (loss) for the period attributable to:</b>			
From continuing operations			
	– Owners of the Company	575,354	(48,571)
	– Non-controlling interests	<u>(3,000)</u>	<u>–</u>
		<b><u>572,354</u></b>	<b><u>(48,571)</u></b>
<b>Loss for the period attributable to:</b>			
From discontinued operation			
	– Owners of the Company	–	(417,120)
	– Non-controlling interests	<u>–</u>	<u>–</u>
		<b><u>–</u></b>	<b><u>(417,120)</u></b>
		<b><i>HK\$</i></b>	<b><i>HK\$</i></b>
			(Restated)
<b>Profit (loss) per share attributable to owners of the Company</b>			
From continuing and discontinued operations			
	– Basic	8      14.26	(31.72)
	– Diluted	8 <u>14.26</u>	<u>(31.72)</u>
From continuing operations			
	– Basic	8      14.26	(3.31)
	– Diluted	8 <u>14.26</u>	<u>(3.31)</u>
Dividends			
		9 <u>–</u>	<u>–</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 September 2023*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit (loss) for the period	<b>572,354</b>	(465,691)
Other comprehensive expense, net of tax:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>(14,369)</u>	<u>(7,849)</u>
Total comprehensive income (expense) for the period	<u><b>557,985</b></u>	<u>(473,540)</u>
<b>Total comprehensive income (expense) for the period</b>		
<b>attributable to:</b>		
– Owners of the Company	<b>560,985</b>	(473,540)
– Non-controlling interests	<u>(3,000)</u>	<u>–</u>
	<u><b>557,985</b></u>	<u>(473,540)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		Unaudited 30 September 2023 <i>HK\$'000</i>	Audited 31 March 2023 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		40,703	43,159
Investment properties		36,723	43,610
Right-of-use assets		58,365	58,854
Intangible assets		–	–
Prepayments, deposits and other receivables	12	826	826
		<u>136,617</u>	<u>146,449</u>
Current assets			
Inventories		31,924	38,496
Trade and other receivables	12	65,079	11,273
Other current assets		–	–
Income tax recoverable		1,724	1,724
Bank balances and cash		33,290	2,392
		<u>132,017</u>	<u>53,885</u>
Assets classified as held for sale		–	82,954
		<u>132,017</u>	<u>136,839</u>
Current liabilities			
Trade and other payables	13	141,514	96,040
Income tax payable		1,356	1,356
Lease liabilities		1,406	949
Bank borrowings	14	157,328	68,318
Loans from shareholders	15	85,553	85,553
		<u>387,157</u>	<u>252,216</u>
Liabilities associated with assets classified as held for sale		–	806,372
		<u>387,157</u>	<u>1,058,588</u>
Net current liabilities		<u>(255,140)</u>	<u>(921,749)</u>
Total assets less current liabilities		<u>(118,523)</u>	<u>(775,300)</u>

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2023</b>	2023
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Capital and reserves attributable to owners of the Company			
Share capital	<i>16</i>	<b>796</b>	79,557
Reserves		<b>(136,721)</b>	(867,161)
Reserves relating to assets and liabilities classified as held for sale		<u>—</u>	<u>(1,044)</u>
Equity attributable to owners of the Company		<b>(135,925)</b>	(788,648)
Non-controlling interests		<u>(9,022)</u>	<u>(6,022)</u>
Total deficit		<u>(144,947)</u>	<u>(794,670)</u>
Non-current liabilities			
Other payables	<i>13</i>	<b>25,899</b>	17,879
Lease liabilities		<u>525</u>	<u>1,491</u>
		<u><b>26,424</b></u>	<u>19,370</u>
Total deficit and non-current liabilities		<u><b>(118,523)</b></u>	<u>(775,300)</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2023*

## 1. Basis of preparation

The condensed consolidated financial statements of Alco Holdings Limited and its subsidiaries (collectively, the Group) for the six months ended 30 September 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## 2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2023 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2023:

Amendments to HKFRS 16	Property, Plant and Equipment: Proceeds before intended Use
Amendments to HKFRS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvement to HKFRSs 2018-2020	Amendments to HKFRS 9, HKFRS 16 and HKAS 41
Amendments to HKFRS 3	Reference to Conceptual Framework

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.

### 3. Other information

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

*i) Shareholders loan status*

The management of the Group 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.

*ii) Bank borrowings status*

The management of the Group continues to negotiate with banks and financial institutions, with reference to valuation performed by independent qualified professional valuers and market data information, whereby the majority of bank borrowing balances are being covered by the value of their corresponding pledged properties. During the period and up to the date of this announcement, the Group has repaid approximately HK\$20 million to the lenders by further shareholders' loan. The Board will continue its efforts to discuss and work out the repayment schedules with the lenders to reduce the bank borrowing balances and consider further sales of the remaining pledged properties to repay the loans.

*iii) Operation*

The Group had adopted multiple cost mitigation measures to streamline its core business activities and significantly cut down those redundant operations. During the period, the continuous groupwide migration to OEM/ODM production model has positive effect, the management is of the view that the date-to-date maintenance cost of the Group would be reduced significantly. The management has reassessed the geographical exposure and believes that the Group should focus on those overseas strategic markets and close down those unprofitable overseas operations, for which the related applications were in progress. The Group continued to restructure its operation across the Group, and cutting down redundant functions to free up the resources and redirect to other business segments which may have higher growth potential.

*iv) Liability analysis*

The Group recorded total liabilities of approximately HK\$414 million and net liabilities of approximately HK\$145 million as at 30 September 2023. The significant decrease of liability was attributed to the discontinued operations deconsolidated during the period. Among which the Bank borrowings of approximately HK\$157 million is covered by the value of pledged properties which reference to valuation performed by independent qualified professional valuers and market data information. Shareholders' loan of approximately HK\$86 million is related to the extension granted by shareholders whom indicated their intentions to continue supporting the Group.



The directors of the Company believe that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the period ending 30 September 2023. However, should the Group fail to achieve the above mentioned plans and measures, 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.

#### 4. Segment information

##### (a) Segment analysed by products

The Group mainly operates in the Asia Pacific and is principally engaged in designing, manufacturing and selling of consumer electronic products including AV products and notebook products.

AV and other products – Design and sale of consumer electronic products, including audio, video and other products

Notebook products – Design and sale of commercial notebook and personal computers 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.

	For the six months ended 30 September							
	2023				2022			
	Continuing operations				Continuing operations			
	AV and other products HK\$'000	Notebook products HK\$'000	Elimination HK\$'000	Total HK\$'000	AV and other products HK\$'000	Notebook products HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue								
External sales	-	85,686	-	85,686	-	51,977	-	51,977
Inter-segment sales	-	-	-	-	-	-	-	-
	<u>-</u>	<u>85,686</u>	<u>-</u>	<u>85,686</u>	<u>-</u>	<u>51,977</u>	<u>-</u>	<u>51,977</u>
Segment results	-	572,441		572,441	-	(31,847)		(31,847)
Research and development expenses				(40)				(12,345)
Finance income				1				3
Finance costs				(48)				(4,382)
Profit (loss) before income tax				572,354				(48,571)
Income tax expense				-				-
Profit (loss) for the period				<u>572,354</u>				<u>(48,571)</u>
Profit (loss) for the period attributable to								
- Owners of the Company				575,354				(48,571)
- Non-controlling interest				(3,000)				-
				<u>572,354</u>				<u>(48,571)</u>

(b) *Segment analysed by geographical areas*

The segment revenue for the six months ended 30 September 2023 and 2022 are as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
North America	–	–
Asia	<b>79,768</b>	40,822
Europe	<b>5,918</b>	6,636
Others	–	4,519
	<b>85,686</b>	<b>51,977</b>

The analysis of revenue by geographical area is based on the destination to which the goods are delivered. Information about the Group's non-current assets is presented based on the geographical location of the assets.

**5. Other income and gain**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Rental income from investment properties	<b>463</b>	2,128
Gain on deconsolidation of subsidiaries ( <i>Note 11</i> )	<b>612,574</b>	–
Others	<b>345</b>	2,886
	<b>613,382</b>	<b>5,014</b>

**6. 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of property, plant and equipment	<b>1,673</b>	2,375
Depreciation of right-of-use assets	<b>489</b>	857
Employee benefit expenses	<b>11,269</b>	14,291
Severance pay	–	328

## 7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period. Corporate income tax on profits generated from subsidiaries operating in the PRC has been calculated at 25% in accordance with the relevant PRC tax law and regulations. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
– PRC corporate income tax	—	—
Income tax expense	<u>—</u>	<u>—</u>

## 8. Earnings (loss) per share

### *Basic*

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
<b>Continuing and discontinued operations</b>		
Profit (loss) for the period attributable to owners of the Company (HK\$'000)	<u>575,354</u>	<u>(465,691)</u>
		(Restated)
Weighted average number of ordinary shares in issue	<u>40,333,416</u>	<u>14,682,682</u>
		(Restated)
Basic earnings (loss) per share (HK\$)	<u>14.26</u>	<u>(31.72)</u>
<b>Continuing operations</b>		
Profit (loss) for the period attributable to owners of the Company (HK\$'000)	<u>560,985</u>	<u>(48,571)</u>
		(Restated)
Basic earnings (loss) per share (HK\$)	<u>14.26</u>	<u>(3.31)</u>

## *Diluted*

There were no dilutive potential ordinary shares during the six months ended 30 September 2023 and 2022. Therefore, the diluted earnings (loss) per share is the same as the basic loss per share.

### **9. Dividends**

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2023 (2022: Nil).

### **10. Discontinued operation**

On 31 August 2022, the Board has made the strategic decision to cease the operation of the production line in Dongguan and has obtained the approval from the local government on the same date. The related deregistration and insolvency application is in progress with the assistance from the local government as at this announcement date. The disposal of self-owned contract processing manufacturing business line enables the Group to free up the resources and redirect its resources to other business segments which may have higher growth potential to maximise the benefit of the shareholders of the Group.

The results from the discontinued self-owned contract processing manufacturing business for the period ended 30 September 2022 are set out below:

	Unaudited 30 September 2022 HK\$'000
Revenue	5,637
Cost of goods sold	<u>(7,533)</u>
Gross loss	(1,896)
Other income and gain	63,997
Selling expenses	(13,418)
Administrative expenses	(70,084)
Impairment loss	(393,911)
Other operating expenses	(1,411)
Finance income	1
Finance costs	<u>(398)</u>
Loss before income tax	(417,120)
Income tax expense	<u>–</u>
Loss for the period from discontinued operation, net tax	<u><u>(417,120)</u></u>

During the period ended 30 September 2022, the discontinued operation occupied approximately HK\$(1,171,000) in respect of the Group's net operating cash flows, occupied approximately HK\$1,000 in respect of investing activities and contributed HK\$(398,000) in respect of financing activities.

## 11. Deconsolidation of subsidiaries

### *Deconsolidation of Alco Electronics Limited (“AEL”) and its subsidiaries (“AEL Group”)*

A winding up petition (the “Petition”) was filed with The High Court of the Hong Kong (the “Court”) on 28 June 2023 by Ching Kung Metal Products Manufactory Limited, being the petitioner, against AEL, an direct wholly-owned subsidiary of the Company, under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) applying for the winding up of AEL.

The Petition was filed against AEL on the principal ground that AEL has failed to pay its outstanding debt.

The Petition was heard before the Court on 28 June 2023. On 28 June 2023, AEL was ordered to be wound up by the Court and an official receiver be appointed as the provisional liquidator of AEL.

Accordingly, the Group had deconsolidated AEL Group as the Directors considered that the Group’s control over AEL had been lost on 28 June 2023.

*HK\$’000*

Assets held for disposal	82,954
Liabilities associated with assets classified as held for sale	(696,572)
Amounts due to Group Company	<u>(1,180,785)</u>
Net Liabilities	<u><u>(1,794,403)</u></u>
Gain on deconsolidation of AEL Group:	
Net liabilities deconsolidated	1,794,403
Amounts due from AEL Group	(1,180,785)
Release of exchange reserve upon deconsolidation	<u>(1,044)</u>
	<u><u>612,574</u></u>

## 12. Trade receivables, prepayments, deposits and other receivables

	<b>30 September 2023 HK\$'000</b>	31 March 2023 HK\$'000
Non-current		
Prepayments, deposits and other receivables	826	826
Less: loss allowance	<u>—</u>	<u>—</u>
	<u>826</u>	<u>826</u>
Current		
Trade receivables	54,527	14,415
Less: loss allowance	<u>(6,216)</u>	<u>(6,216)</u>
Trade receivables, net	<u>48,311</u>	<u>8,199</u>
Prepayments, deposits and other receivables	19,085	5,391
Less: loss allowance	<u>(2,317)</u>	<u>(2,317)</u>
Prepayments, deposits and other receivables, net	<u>16,768</u>	<u>3,074</u>
	<u><b>65,905</b></u>	<u><b>12,099</b></u>

The credit terms given to customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

The fair value of the trade and other receivables approximate to their carrying amounts.

The ageing analysis of trade receivables based on shipping terms is as follows:

	<b>30 September 2023 HK\$'000</b>	31 March 2023 HK\$'000
0 – 30 days	19,541	5,056
31 – 60 days	11,472	—
61 – 90 days	7,646	209
Over 90 days	<u>9,652</u>	<u>2,934</u>
	<u><b>48,311</b></u>	<u><b>8,199</b></u>

### 13. Trade and other payables

	<b>30 September 2023 HK\$'000</b>	31 March 2023 HK\$'000
Non-current		
Other payables	25,899	17,879
Current		
Trade payables	50,280	49,134
Other payables and accruals	89,761	45,433
Provision for warranty	1,473	1,473
	<u>141,514</u>	<u>96,040</u>
Total	<u><b>167,413</b></u>	<u><b>113,919</b></u>

The fair value of the trade and other payables approximate to their carrying amounts.

The ageing analysis of trade payables based on invoice date is as follows:

	<b>30 September 2023 HK\$'000</b>	31 March 2023 HK\$'000
0 – 30 days	2,726	1,396
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	47,554	47,738
	<u>50,280</u>	<u>49,134</u>

#### 14. Bank borrowings

	<b>30 September 2023 HK\$'000</b>	31 March 2023 HK\$'000
Bank borrowing, secured ( <i>Note i</i> )	133,068	68,318
Bank borrowings, unsecured ( <i>Note ii</i> )	<u>24,260</u>	<u>–</u>
	<u>157,328</u>	<u>68,318</u>
	<b><u>157,328</u></b>	<b><u>68,318</u></b>

*Note:*

- (i) As at 30 September 2023, the bank borrowing is secured by the Group's buildings, investment properties and leasehold land with aggregate carrying amounts of approximately HK\$97,227,000 (31 March 2023: HK\$143,041,000).
- (ii) The unsecured bank borrowings are guaranteed by the Company.

#### 15. Loans from shareholders

	<b>30 September 2023 HK\$'000</b>	31 March 2023 HK\$'000
Mr. Leung Wai Sing, Wilson (deceased)	50,052	50,052
Mr. Leung Wai Lap, David	13,000	13,000
Ms. Leung Ka Yan, Karen	20,000	20,000
Top Team Development Limited ( <i>Note</i> )	<u>2,501</u>	<u>2,501</u>
	<u>85,553</u>	<u>85,553</u>
	<b><u>85,553</u></b>	<b><u>85,553</u></b>

*Note:* Top Team Development Limited is 100% directly owned by Mr. Leung Wai Sing, Wilson (deceased).

The carrying amounts of the loans from shareholders approximate their fair values.

As at 30 September 2023, the loans from shareholders were interest-bearing at a fixed rate of 4% per annum or 1.3% over 1-month HIBOR or LIBOR per annum. Balances of HK\$85,553,000 would be repayable within one year or on demand.



## 16. Share capital

	<b>Company Ordinary Shares</b>	
	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 April 2022	800,000,000	80,000
Increase in authorised share capital	<u>2,200,000,000</u>	<u>220,000</u>
As at 31 March 2023 and 30 September 2023	<u><u>3,000,000,000</u></u>	<u><u>300,000</u></u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 April 2022	723,244,650	72,324
Placing of new share ( <i>Note i</i> )	<u>72,324,000</u>	<u>7,233</u>
As at 31 March 2023	795,568,650	79,557
Effect of capital reorganisation ( <i>Note ii</i> )	(779,657,277)	(77,965)
Effect of capital reduction ( <i>Note ii</i> )	–	(1,432)
Issue of shares upon rights issue ( <i>Note iii</i> )	<u>63,645,492</u>	<u>636</u>
As at 30 September 2023	<u><u>79,556,865</u></u>	<u><u>796</u></u>

### *Note:*

- (i) In September 2022, the Company issued a total of 72,324,000 ordinary shares with par value of HK\$0.1 each at a price of HK\$0.1 each. Further details were mainly set out in the announcement dated 23 September 2022.
- (ii) On 10 May 2023, every fifty (50) issued and unissued existing shares of par value of HK\$0.10 each in the authorised share capital of the Company be consolidated into one (1) ordinary share of par value of HK\$5.00 each. Canceled the paid-up share capital to the extent of HK\$4.99 on each issued consolidated share such that the par value of each issued consolidated share will be reduced from HK\$5.00 to HK\$0.01. Further details were mainly set out in the circular dated 17 March 2023.
- (iii) Allotment and issuance of Rights Shares on 24 July 2023 pursuant to the Rights Issue, details of which are set out in the prospectus of the Company dated 13 June 2023.

## 17. Contingent liabilities

The Company provided corporate guarantees in favour of the banks to secure general banking facilities granted to certain of its subsidiaries (*Note 14*).

## 18. Commitments

### (a) Capital commitments

	<b>30 September</b> <b>2023</b> <i>HK\$'000</i>	31 March 2023 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of moulds, plant and machinery contracted but not provided for in the condensed consolidated financial statements	<u>          -</u>	<u>          -</u>

### (b) Operating lease commitments (as lessor)

The Group leases various properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	<b>30 September</b> <b>2023</b> <i>HK\$'000</i>	31 March 2023 <i>HK\$'000</i>
Within one year	<b>1,241</b>	1,315
After one year but within two years	<b>1,197</b>	1,168
After two years but within three years	<u>        <b>613</b></u>	<u>        1,227</u>
	<u>        <b>3,051</b></u>	<u>        3,710</u>

The lease terms are from one to two years.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Group results and dividends

For the six months ended 30 September 2023, the Group recorded turnover of HK\$86 million (2022: HK\$52 million) and profit attributable to owners of HK\$575 million (2022: loss of HK\$49 million) for our continuing operation.

For the period under review, in terms of product segment, revenue of self-branded notebook computers increased 65% to HK\$86 million. The main reasons for the increase were the development of new products and markets.

During the period under review, the gross margin turnaround from (3)% to 5% compared to same period last year. The improving gross margin was mainly attributed to the reduction in cost of goods sold effected from the strategic transformation from previous self-owned contract processing production method to a more cost-effective OEM/ODM production model.

The turnaround in net result is from HK\$(49) million to HK\$572 million when, compared to the corresponding period last year. The improvement of net result is mainly due to the one-off gain on deconsolidation of subsidiaries wound up during the period as announced on 28 June 2023. Set aside the gain on deconsolidation of subsidiaries of around HK\$613 million, there is a net loss of HK\$40 million for the period.

The directors do not recommend the payment of an interim dividend (2022: Nil) for the 6 months period ended 30 September 2023.

### Review of Operations

While there has been a modest improvement in transitioning from in-house manufacturing to outsourcing Original Design Manufacturer (ODM) and Original Equipment Manufacturer (OEM) functions, yielding a gross profit, the Company remains in challenging business environment. Exploring new products and markets has become one of the most important mission for the Company to complete.

The Company still require additional resources to refine operations, including but not limited to strategically leveraging its network from business partners and investors. These collaborations aim to enhance operational efficiency and optimize processes, aligning with the Company's commitment to adaptability and growth.

It is crucial to note that the overall financial picture remains challenging. Disregarding the one-off gain from deconsolidation of subsidiaries, the company still faces a net loss for the period. Caution is advised in both operational and cash flow aspects, given the persistently grim business environment.

To address financial challenges, the company will continue relying on raising funds from the capital market. Although there's a slight improvement in ongoing operations, finding a stable and profitable mode of operation remains a focal point. Efforts will be devoted to navigating these challenges and securing a sustainable and resilient business model for the future.

## **Prospects**

To cope with the unpredictable business environment, the Group will continue to preserve and strive for more financial assets to survive through the hard time. Despite the challenges, the Group is pursuing the following:

- To minimize its operational fixed cost in all functions;
- To seek cooperation opportunities with business partners through the supply chain to share the financial obligation for operating our business;
- To dispose its investment properties, production equipment, lands and offices to generate positive cash flows for operation and to reduce the gearing of the Group;
- To leverage on its track record and explore different commercially viable and profit-making business opportunities;
- To raise funds through capital markets through issue of new shares and bonds.

## **Liquidity and financial resources**

The Group's total deficit and total deficit per share as at 30 September 2023 were HK\$145 million (31 March 2023: HK\$795 million) and HK\$1.82 (31 March 2023: HK\$52.22) respectively.

As at 30 September 2023, we had cash and deposits of HK\$33 million. After deducting bank borrowings of HK\$157 million, we had net bank borrowings of HK\$124 million (31 March 2023: net bank borrowings of HK\$66 million). In addition, we had loans from shareholders of HK\$86 million.

As at 30 September 2023, our inventory was HK\$32 million (31 March 2023: HK\$38 million). We take a cautious approach to monitor the inventory level especially during this environment with uncertainty.

Trade receivables as at 30 September 2023 were HK\$48 million (31 March 2023: HK\$8 million). It is our policy to deal with creditworthy customers and to adopt a prudent credit policy, and we have been closely monitoring credit risk.

Trade payables as at 30 September 2023 were HK\$50 million (31 March 2023: HK\$49 million).

Capital expenditure on fixed assets during the six months ended 30 September 2023 was nil (2022: HK\$Nil). As at 30 September 2023 and 31 March 2023, we had capital commitments contracted but not provided for in respect of property, moulds, plant and machinery and renovation amounting to HK\$Nil.

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 period.

## **Employees**

As at 30 September 2023, the Group had approximately 59 employees in Hong Kong, the PRC and Taiwan. 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 or sold any of the Company's shares for the six months ended 30 September 2023 and the Company did not redeem any of its shares during the same period.

## **CORPORATE GOVERNANCE**

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules for the six months ended 30 September 2023.

## **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 directors of the Company. Having made specific enquiry to 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 six months ended 30 September 2023.

## **AUDIT COMMITTEE**

The interim results of the Group have not been reviewed by external auditors. 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 six months ended 30 September 2023.

The Audit Committee currently comprises three independent non-executive directors of the Company, namely Mr. CHU Hoi Kan, Mr. LAM Chi Wing and Mr. TANG Sher Kin.

## **PUBLICATION OF INTERIM REPORT**

This interim report is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of Alco Holdings Limited at [www.alco.com.hk](http://www.alco.com.hk).

## **LIST OF DIRECTORS**

As at the date of this announcement, the Board of Directors comprises two executive directors, namely Mr. LIANG Yanan and Mr. HO Chak Yu, one non-executive director, namely Mr. YANG Min and five independent non-executive directors, namely Mr. CHU Hoi Kan, Mr. LAM Chi Wing, Mr. DENG Chaowan, Ms. MAK Suet Man and Mr. TANG Sher Kin.

By order of the Board  
**Alco Holdings Limited**  
**LIANG YANAN**  
*Chairman*

Hong Kong, 29 November 2023