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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 328)

SUPPLEMENTAL ANNOUNCEMENT RELATING SHAREHOLDERS' AGREEMENT

Reference is made to the circular of Alco Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 17 March 2023 which included a shareholders’ agreement of one of the subsidiary of the Company dated 26 September 2022(the “**Shareholders’ Agreement**”) entered into by a wholly owned subsidiary of the Company namely Nexstgo Link Company Limited (“**Nexstgo Link**”), a former sales agent of the subsidiary of the Company namely Mr. Wong Wing Chun (“**Mr. Wong**”) and an investor namely Jasmy Incorporated (“**Jasmy**”) which specialize in blockchain technology and cryptocurrency applications, in relation to, among other things, the cooperation and share structure between shareholders. Both Jasmy and Mr. Wong were independent third party before signing of the Shareholders’ Agreement. Unless otherwise defined, capitalised terms used in this announcement shall have the meanings as those defined in the Circular and the Shareholders’ Agreement.

The Company would like to clarify and supplement with further details of the Shareholders’ Agreement and the background and structure of Avita Tech on the following:

Avita Tech was newly incorporated on 6 June 2022 with share capital of HKD100 divided into 100 shares. In July 2022, Nexstgo link and Mr. Wong acquired 51 shares and 49 shares from the vendor with consideration of HKD51 and HKD49 respectively. In September 2022, Jasmy committed to invest USD100,000 into Avita Tech and acquired 34% interest of Avita Tech. Avita Tech was incorporated as a new sales channel for the Company’s new product line of notebooks. This strategic move was made in order to expand the market reach of the Company’s notebooks and to reach new customers. As of now, the Company holds the majority 51% shareholding interest in Avita Tech, while Jasmy and Mr. Wong hold 34% and 15%, respectively.

One of the shareholders of Avita Tech, Mr. Wong, was a business partner providing sales agency service to the subsidiaries of the Company since January 2019 through a company called Acumen Electronics Company owned by Mr. Wong. He had experience in distributing the Company's products but the cooperation was terminated in September 2021 before the signing of the Shareholders' Agreement. Avita Tech invited Mr. Wong to join as a shareholder by share subscription in July 2022 with his contribution of sales network. Currently he does not hold any director or management role of the Group, nor is he involved in daily operation of Avita Tech. Additionally, Mr. Wong did not receive any monetary benefit for the role in Avita Tech and no connected transaction between Mr. Wong and the Company took place after the signing of the Shareholders' Agreement.

In September 2022, Avita Tech invited Jasmy to become a shareholder. Jasmy is a Japan based company which develops and provides an Internet of Things platform. The cooperation is expected to bring significant benefits to the Company and the Group as a whole with Jasmy's advanced data management solution and unique software with blockchain technology. Avita Tech will leverage Jasmy's expertise in software industry to improve its market position and expand its customer base.

As of 31 January 2023, Avita Tech contributed around 1% and 3% of the Group's revenue and asset respectively according to the Company's management accounts. It is important to note that the core business of the Company is still and will continued to be held by other wholly owned subsidiaries of the Company, including Nexstgo Company Limited and Alco International Limited, whose product lines and business model are different from Avita Tech.

Avita Tech acts as sales channel to synergize the foundation of the Group to achieve new heights with the new products. Nexstgo Company Limited will still maintain business and the Company intends to actively seek opportunity in the market and may establish other specialized subsidiaries if needed. The incorporation of Avita Tech is part of the Group's overall strategy to expand its business operations and reach new customers. As at the date of the subscription of Mr. Wong and Jasmy, there was no operation in Avita Tech and accordingly there is no deemed disposal of the Company's business nor transfer of core business of the Company.

Sales target agreement was mentioned in the Shareholders' Agreement with the aim to boost performance of Avita Tech but is still under negotiation and yet signed as of the date of this announcement.

In substance, the current board structure of Avita Tech consists of three directors, one appointed by the Company, one by Mr. Wong and the other by Jasmy. The chairman of the board is appointed with the consent of the board of Avita Tech and currently, the position is held by Mr. Ando who is the director appointed by Jasmy. Mr. Ando does not have a casting vote as the date of this announcement. The director appointed by Mr. Wong is also the director of the other wholly owned subsidiaries of the Company. While the Group is entitled to appoint one more director to the board of Avita Tech as stated in the Shareholders' Agreement, but currently the Company has no intention or needs to appoint one more director.

The Company has made an enquiry to the auditor regarding the factors used to determine the control over Avita Tech. After considering the following factors, the Board of the Company considers that the Company has control over Avita Tech: i) the Company holds a 51% shareholding interest in Avita Tech; ii) the Company has control over the relevant activities of Avita Tech: Based on the Shareholders' Agreement, which grants Shareholder A, a wholly owned subsidiary of the Company the right to enter into agreements with Avita Tech that enable Avita Tech to conduct business by sales and marketing, development and manufacturing of products. As these business activities are the "relevant activity" and are controlled by the approval from the Company and thus the Company has control over Avita Tech. Accordingly, Avita Tech is consolidated into the Group's financial statement, and the auditor of the Company does not have disagreement on the Company's view on this regard based on the above factors.

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

Hong Kong, 19 April 2023

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