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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

(Stock Code: 328)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

PERFORMANCE HIGHLIGHTS	2024	2023
Continuing operations		
– Revenue (<i>HK\$</i>)	148m	89m
– Profit (loss) attributable to owners (<i>HK\$</i>)	6m	(87m)

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 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Continuing operations			
Revenue	3	148,422	89,321
Cost of goods sold	5	<u>(139,558)</u>	<u>(100,273)</u>
Gross profit/(loss)		8,864	(10,952)
Other income, gain and loss	4	65,007	11,464
Selling expenses	5	(12,801)	(10,565)
Administrative expenses	5	(50,295)	(42,038)
Research and development expenses	5	(115)	(18,870)
Other operating expenses	5	(243)	(1,590)
Impairment losses on trade and other receivables		(4,031)	(7,678)
Impairment loss on property, plant and equipment	14	–	(3,043)
Impairment loss on right-of-use assets	14	<u>–</u>	<u>(1,717)</u>
		6,386	(84,989)
Finance income	6	2	28
Finance costs	6	<u>(9,458)</u>	<u>(6,958)</u>
Loss before income tax		(3,070)	(91,919)
Income tax expense	7	<u>–</u>	<u>–</u>
Loss for the year from continuing operations		<u>(3,070)</u>	<u>(91,919)</u>
Discontinued operations			
Profit/(loss) for the year from discontinued operations	8	<u>594,842</u>	<u>(423,695)</u>
Profit/(loss) for the year		<u>591,772</u>	<u>(515,614)</u>

	Notes	2024 HK\$'000	2023 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company			
– from continuing operations		5,850	(86,547)
– from discontinued operations		594,842	(423,695)
		<u> </u>	<u> </u>
Profit/(loss) for the year attributable to owners of the Company		600,692	(510,242)
		<u> </u>	<u> </u>
Loss for the year attributable to non-controlling interests			
– from continuing operations		(8,920)	(5,372)
– from discontinued operations		–	–
		<u> </u>	<u> </u>
Profit/(loss) for the year attributable to non-controlling interests		(8,920)	(5,372)
		<u> </u>	<u> </u>
		591,772	(515,614)
		<u> </u>	<u> </u>
			(Restated)
Earning/(loss) per share	<i>12</i>		
From continuing and discontinued operations			
– Basic (<i>HK\$</i>)		9.79	(33.18)
		<u> </u>	<u> </u>
– Diluted (<i>HK\$</i>)		9.79	(33.18)
		<u> </u>	<u> </u>
From continuing operations			
– Basic (<i>HK\$</i>)		0.10	(5.63)
		<u> </u>	<u> </u>
– Diluted (<i>HK\$</i>)		0.10	(5.63)
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	2024	2023
	HK\$'000	HK\$'000
Profit/(loss) for the year	591,772	(515,614)
Other comprehensive expense, net of tax:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>(8,775)</u>	<u>(13,113)</u>
Total comprehensive income/(expense) for the year	<u>582,997</u>	<u>(528,727)</u>
Total comprehensive income/(expense) for the year attributable to:		
– Owners of the Company	591,917	(523,355)
– Non-controlling interests	<u>(8,920)</u>	<u>(5,372)</u>
Total comprehensive income/(expense) for the year	<u>582,997</u>	<u>(528,727)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		39,356	43,159
Investment properties		–	43,610
Right-of-use assets		55,755	58,854
Intangible assets		–	–
Prepayments, deposits and other receivables	<i>15</i>	226	826
		<u>95,337</u>	<u>146,449</u>
CURRENT ASSETS			
Inventories		3,340	38,496
Trade and other receivables	<i>15</i>	59,869	11,273
Income tax recoverable		9	1,724
Bank balances and cash		23,855	2,392
		<u>87,073</u>	<u>53,885</u>
Assets classified as held for sale		<u>–</u>	<u>82,954</u>
		<u>87,073</u>	<u>136,839</u>
CURRENT LIABILITIES			
Trade and other payables	<i>16</i>	47,332	96,040
Income tax payable		–	1,356
Lease liabilities		–	949
Provision of financial guarantee	<i>11</i>	123,532	–
Bank and other borrowings	<i>17</i>	47,528	68,318
Loans from shareholders	<i>18</i>	38,052	85,553
		<u>256,444</u>	<u>252,216</u>
Liabilities associated with assets classified as held for sale		<u>–</u>	<u>806,372</u>
		<u>256,444</u>	<u>1,058,588</u>
Net current liabilities		<u>(169,371)</u>	<u>(921,749)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(74,034)</u>	<u>(775,300)</u>

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		95,467	79,557
Reserves		(168,052)	(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		(72,585)	(788,648)
NON-CONTROLLING INTERESTS		<u>(14,942)</u>	<u>(6,022)</u>
Total deficit		<u>(87,527)</u>	<u>(794,670)</u>
NON-CURRENT LIABILITIES			
Other payables	<i>16</i>	13,493	17,879
Lease liabilities		<u>–</u>	<u>1,491</u>
		<u>13,493</u>	<u>19,370</u>
TOTAL DEFICIT AND NON-CURRENT LIABILITIES		<u>(74,034)</u>	<u>(775,300)</u>

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 Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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. In current year, the Group discontinued the manufacturing operations as described in note 8.

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 (the “Board”) have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred loss from continuing operations of approximately HK\$3,070,000 for the year ended 31 March 2024 and net current liabilities of approximately HK\$169,371,000 as at 31 March 2024.

During the year ended 31 March 2024, the Group has failed to repay certain bank borrowings amounted to approximately HK\$47,528,000 according to their scheduled repayment date and remained outstanding as at 31 March 2024. Such default in repayment amounted to bank borrowings of approximately HK\$47,528,000 as at 31 March 2024 became immediately repayable if requested by the banks and the relevant banks have the right to cancel or suspend the facilities.

The Board considers that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

(i) Restructure of bank and other borrowings

The bank and other borrowings which are repayable on demand or within one year was defaulted in repayment amounted to approximately HK\$47,528,000 as at 31 March 2024.

The Group is negotiating with the banks for debt restructuring. The management is of the view that the Group will be able to obtain consent from the banks to extend the repayment of borrowings and continue to provide the banking facility to improve the liquidity position of the Group, considering the valuation of the office premise and investment properties of the Group amounting to approximately HK\$120,000,000, with reference to valuation performed by independent qualified professional valuers and market data information from bank, and other properties held by Mr. Leung Wai Sing, Wilson (“Wilson”) pledged to the banks.

(ii) Future treatment of the loans from shareholders

As at 31 March 2024, the Group has loans from past and existing shareholders of approximately HK\$38,052,000, of which approximately HK\$38,052,000 was loan from the deceased ex-chairman of the Group, Wilson. As the estate of Wilson is frozen before the appointment of the estate administrator, the extension agreements related to loans from Wilson could not be arranged. As the loans are repayable within one year, the Company will discuss the extension of the loans with the estate administrator once he/she is appointed.

(iii) Restructure of trade payables

As at 31 March 2024, trade payables amounted to approximately HK\$29,207,000. The Group will negotiate with creditors to further extend the repayment.

(iv) Cash inflow from operations

The Group is taking measures to streamline the product mix and production mode, 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.

Based on the sales orders on hand for the notebook products up to June 2024, the Board expects an increase in sales in the coming months comparing to the corresponding period for the year ended 31 March 2024. The directors of the Company 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.

The Board believes that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 March 2025. 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(S)”)

In the current year, the Group has applied, for the first time, the following amendments to 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 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies
HKAS 8 (Amendments)	Amendments to HKAS 8 – Definition of Accounting Estimates
HKAS 12 (Amendments)	Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
HKFRS 17 (Amendments)	Amendments to HKFRS 17 – Insurance Contracts

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.

Continuing operations

	2024				2023			
	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	-	148,422	-	148,422	-	89,321	-	89,321
Inter-segment sales	-	-	-	-	-	-	-	-
	<u>-</u>	<u>148,422</u>	<u>-</u>	<u>148,422</u>	<u>-</u>	<u>89,321</u>	<u>-</u>	<u>89,321</u>
Segment results	-	(67,621)	-	(67,621)	-	(27,919)	-	(27,919)
Unallocated income				65,007				11,464
Unallocated corporate expenses				13,031				(59,705)
Impairment losses on trade and other receivables				(4,031)				(4,069)
Impairment loss on right-of-use assets				-				(1,717)
Impairment loss on property, plant and equipment				-				(3,043)
Finance income				2				28
Finance costs				(9,458)				(6,958)
Loss before tax				<u>(3,070)</u>				<u>(91,919)</u>

(b) Geographical information

The Group's revenue analysed by geographical area are as follows:

	2024 HK\$'000	2023 HK\$'000
Continuing operations		
Asia	105,435	60,479
Europe	37,998	23,695
Others	4,989	5,147
	<u>148,422</u>	<u>89,321</u>

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

(c) **Information about major customers**

Detail of the customer accounting for 10% or more of total revenue from continuing operations is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A ¹	42,700	–
Customer B ¹	33,134	27,294
Customer C ¹	–	14,794
Customer D ¹	–	10,336
	<u> </u>	<u> </u>

¹ Revenue from Notebook products segment

4. **OTHER INCOME, GAIN AND LOSS**

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations		
Rental income from investment properties	463	1,452
Sub-lease income	–	766
Fair value loss on investment properties	(6,887)	(2,631)
Government grant (note)	–	82
Gain on termination of lease	1,491	2,655
Gain on deconsolidation of subsidiaries	77,713	–
Loss on disposal of subsidiary	(8,321)	–
Exchange gains, net	302	8,524
Others	246	616
	<u> </u>	<u> </u>
	<u>65,007</u>	<u>11,464</u>

Note: During the year 31 March 2023, the Group recognised government grants respect of COVID-19-related subsidies, of which amounted to approximately HK\$82,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations		
Auditor's remuneration	750	780
Cost of inventories	139,224	91,352
Impairment of inventories	–	2,671
Depreciation of property, plant and equipment	3,777	2,337
Depreciation of right-of-use assets	3,099	4,248
Employee benefit expenses (including directors' emoluments)	17,438	30,085
Bad debts written-off on other receivable	–	1,471
Short-term lease expenses	–	3,080
	<u> </u>	<u> </u>

6. FINANCE INCOME AND FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations		
Finance income:		
– Bank interest income	<u>2</u>	<u>28</u>
Finance costs:		
– Interest expense on bank and other borrowings	8,140	5,052
– Interest expense on loans from shareholders	1,248	1,858
– Interest expense on lease liabilities	<u>70</u>	<u>48</u>
	<u>9,458</u>	<u>6,958</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax, the People's Republic of China corporate income tax and oversea corporate income tax for continuing operations have been made as there are no assessable profits for the years ended 31 March 2024 and 2023.

8. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

On 31 August 2022, the Board has made the strategic decision to cease the operation of the production line in Dongguan (the "Disposal Group") 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 report 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 assets and liabilities attributable to the production line, which is expected to be disposed of within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below).

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.

	<i>HK\$'000</i>
Assets held for disposal	82,954
Liabilities associated with assets classified as held for sale	(802,372)
Amounts due to Group Company	<u>(1,180,785)</u>
Net Liabilities	<u><u>(1,900,203)</u></u>
Gain on deconsolidation of AEL Group:	
Net liabilities deconsolidated	1,900,203
Amounts due from AEL Group	(1,180,785)
Provision for financial guarantee	(121,984)
Release of exchange reserve upon deconsolidation	<u>(1,044)</u>
	<u><u>596,390</u></u>

The results of the Disposal Group for the year were as follows:

	2024	2023
	HK\$'000	<i>HK\$'000</i>
Revenue	-	-
Cost of goods sold	-	(271,715)
Other income, gain and loss	-	83,905
Selling expenses	-	(11,579)
Administrative expenses	-	(203,961)
Other operating expenses	-	(1,881)
Impairment losses on trade and other receivables	-	(2,045)
	-	(407,276)
Finance income	-	1
Finance costs	(1,548)	(16,420)
	-	(423,695)
Loss before tax	-	(423,695)
Income tax expense	-	-
	-	(423,695)
Loss for the year	-	(423,695)
Gain on deconsolidation of Disposal Group	596,390	-
Gain/(loss) for the year from discontinued operation	594,842	(423,695)

Loss for the year from discontinued operating include the following:

	2024	2023
	HK\$'000	<i>HK\$'000</i>
Cost of inventories	-	-
Impairment of inventories	-	271,588
Depreciation of property, plant and equipment	-	11,861
Depreciation of right-of-use assets	-	9,665
Gain on termination of lease	-	48,860
Loss on disposal of property, plant and equipment	-	8,047
Bad debt written-off on other receivable	-	28,230
Bad debt written-off on trade receivable	-	93,259
Employee benefit expenses	-	16,565
Severance payment	-	339
Interest expenses on lease liabilities	-	882
Rental concession	-	-

The major classes of assets and liabilities of the Disposal Group as at 31 March 2023, which have been presented separately in the consolidated statement of financial position, are as follows:

	2023 HK\$'000
Property, plant and equipment	52,677
Right-of-use assets	–
Inventories	1,185
Trade and other receivables (<i>note a</i>)	25,892
Restricted bank balances	2,652
Bank balances and cash	<u>548</u>
Total assets classified as held for sale	<u>82,954</u>
Trade and other payables (<i>note b</i>)	279,323
Income tax payable	4,856
Bank and other borrowings	131,556
Loans from shareholders	<u>390,637</u>
Total liabilities associated with assets classified as held for sale	<u>806,372</u>
Reserves relating to assets and liabilities classified as held-for-sale	<u>(1,044)</u>

As at 31 March 2023, the loans from shareholders are repayable within one year.

- a) As at 31 March 2023, the ageing analysis of the trade receivables based on revenue recognition dates:

	2023 HK\$'000
0-30 days	–
31-60 days	–
61-90 days	–
Over 90 days	<u>1,071</u>
	<u>1,071</u>

- b) As at 31 March 2023, the ageing analysis of the trade payable based on invoice dates:

	2023 HK\$'000
0-30 days	–
31-60 days	–
61-90 days	–
Over 90 days	<u>145,804</u>
	<u>145,804</u>

9. DISPOSAL OF SUBSIDIARY

Disposal of Alco Electronics (Shenzhen) Limited

During the year ended 31 March 2024, the Group disposed of its 100% equity interest in its subsidiary, Alco Electronics (Shenzhen) Limited (“SZAEL”), 愛高電子(深圳)有限公司, to an independent third party for a consideration of approximately HK\$4,320,000. The above transactions are accounted for as disposal of subsidiary. Details of the net assets disposed of in respect of the above transactions are summarised below:

	<i>HK\$'000</i>
Consideration satisfied by:	
Cash	<u>4,320</u>
Analysis of assets and liabilities over which control was lost:	
Investment properties	36,723
Trade and other receivables	533
Bank balance and cash	30
Trade and other payables	(32,263)
Amount due from group companies	<u>1,349</u>
Net assets disposed of	<u>6,372</u>
Gain on disposal of subsidiary:	
Consideration received	4,320
Net assets disposed of	(6,372)
Amount due to SZAEL	1,349
Release of exchange reserve upon disposal	<u>(7,618)</u>
Loss on disposal of subsidiary	<u>(8,321)</u>
Net cash inflow arising on disposal:	
Cash consideration	4,320
Bank balance and cash disposed of	<u>(30)</u>
	<u>4,290</u>

10. DECONSOLIDATION OF SUBSIDIARIES

Deconsolidation of Nexstgo Company Limited (Nexstgo) and its subsidiary (Nexstgo Group)

A winding up petition (the “Petition”) was filed with The High Court of the Hong Kong (the “Court”) on 10 January 2024 by Fortune Fountains (Asia) Limited, being the petitioner, against Nexstgo, an indirect 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 Nexstgo. The Petition was filed against Nexstgo on the principal ground that Nexstgo has failed to pay its outstanding debt. On 10 January 2024, Nexstgo was ordered to be wound up by the Court and an official receiver be appointed as the provisional liquidator of Nexstgo. Accordingly, the Group had deconsolidated Nexstgo as the Directors considered that the Group’s control over Nexstgo had been lost on 10 January 2024.

Analysis of assets and liabilities over which control was lost:

	<i>HK\$’000</i>
Property, plant and equipment	26
Prepayments, deposits and other receivables	600
Inventories	27,970
Trade and other receivables	6,143
Income tax recoverable	1,716
Bank balances and cash	645
Trade and other payables	(59,566)
Income tax liabilities	(1,355)
Loan from shareholders	(47,501)
Amount due from group companies	822,209
	<hr/>
Net assets	750,887
	<hr/> <hr/>
Gain on deconsolidation of Nexstgo Group:	
Net assets deconsolidated	(750,887)
Amount due to Nexstgo Group	822,209
Release of exchange reserve upon deconsolidation	6,391
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Gain on deconsolidation	77,713
	<hr/> <hr/>
Net cash outflow arising on deconsolidation:	
Bank balances and cash of Nexstgo Group	(645)
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11. PROVISION OF FINANCIAL GUARANTEE

	2024	2023
	<i>HK\$’000</i>	<i>HK\$’000</i>
Financial guarantee issued	123,532	–
	<hr/> <hr/>	<hr/> <hr/>

The Group had undertaken to indemnify certain lenders of the former subsidiaries for borrowings and related interest payables to the maximum extent of HK\$123,532,000. As at 31 March 2024, provision for these financial guarantee contracts amounted to HK\$123,532,000 has been recognized.

12. EARNING/(LOSS) PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit/(loss)		
Profit/(loss) attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>600,692</u>	<u>(510,242)</u>
Number of shares		
	2024	2023 (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earning/(loss) per share	<u>61,326,638</u>	<u>15,379,747</u>

For the year ended 31 March 2024, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the rights issue in July 2023, the share placing in July 2024 and share consolidation effective on 10 May 2023.

Comparative figures of the weighted average number of shares for calculating basic loss per share has been adjusted on the assumption that the share consolidation had been effective in prior year.

There were no dilutive potential ordinary shares during the years ended 31 March 2024 and 2023. Therefore, the diluted loss per share is the same as basic loss per share.

For continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (Restated)
Profit/(loss) attributable to owners of the Company for the purpose of basic and diluted loss per share from continuing operations	<u>5,850</u>	<u>(86,547)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic earning per share for the discontinued operation is HK\$9.70 per share (2023: HK\$27.55 loss per share) and diluted earning per share for the discontinued operation is HK\$9.70 per share (2023: HK\$27.55 loss per share), based on the profit for the year from the discontinued operations of HK\$594,842,000 (2023: HK\$423,695,000 loss for the year) and the denominators detailed above for both basic and diluted loss per share.

13. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 March 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

14. IMPAIRMENT OF NON-FINANCIAL ASSETS

For impairment assessment, the Group assesses the recoverable amount of the cash-generating units for which the property, plant and equipment, right-of-use assets and intangible assets were allocated with reference to the higher of the fair value less costs to disposal and value in use. An impairment loss from continuing operations is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. As a result, the Group made an impairment loss from continuing operations of approximately HK\$3,043,000, HK\$1,717,000 and nil against the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets respectively for the year ended 31 March 2023.

15. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current		
Prepayments, deposits and other receivables	226	826
Less: loss allowance	—	—
	<u>226</u>	<u>826</u>
Current		
Trade receivables	44,850	14,415
Less: loss allowance (<i>note a</i>)	(6,471)	(6,216)
	<u>38,379</u>	<u>8,199</u>
Trade receivables, net	<u>38,379</u>	<u>8,199</u>
Prepayments, deposits and other receivables	23,974	5,391
Less: loss allowance (<i>note b</i>)	(2,484)	(2,317)
	<u>21,490</u>	<u>3,074</u>
Prepayments, deposits and other receivables, net	<u>21,490</u>	<u>3,074</u>
	<u><u>60,095</u></u>	<u><u>12,099</u></u>

As at 31 March 2024 and 2023, the ageing analysis of the trade receivables based on revenue recognition dates:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0-30 days	22,643	5,056
31-60 days	4,811	—
61-90 days	5,210	209
Over 90 days	5,715	2,934
	<u>38,379</u>	<u>8,199</u>

16. TRADE AND OTHER PAYABLES

	2024 HK\$'000	2023 HK\$'000
Non-current		
Other payables	<u>13,493</u>	<u>17,879</u>
Current		
Trade payables	29,207	49,134
Other payables and accruals	18,125	45,433
Provision for warranty	<u>–</u>	<u>1,473</u>
	<u>47,332</u>	<u>96,040</u>
	<u>60,825</u>	<u>113,919</u>

As at 31 March 2024 and 2023, the ageing analysis of the trade payables based on invoice date:

	2024 HK\$'000	2023 HK\$'000
0-30 days	1,056	1,396
31-60 days	441	–
61-90 days	157	–
Over 90 days	<u>27,553</u>	<u>47,738</u>
	<u>29,207</u>	<u>49,134</u>

17. BANK AND OTHER BORROWINGS

As at 31 March 2024, bank and other borrowings were interest-bearing at fixed rates from 1.3% to 5.2% per annum or a margin over Hong Kong Interbank Offered Rate (“HIBOR”), Lender’s Costs of Funds or loan prime rate (2023: fixed rates from 5.2% to 13.2% per annum or a margin over HIBOR, Lender’s Costs of Funds or loan prime rate) and are repayable within one year.

18. LOANS FROM SHAREHOLDERS

	2024	2023
	HK\$'000	HK\$'000
Current		
Mr. Leung Wai Sing, Wilson (deceased)	38,052	50,052
Mr. Leung Wai Lap, David	–	13,000
Ms. Leung Ka Yan, Karen	–	20,000
Top Team Development Limited	–	2,501
	<u>38,052</u>	<u>85,553</u>

As at 31 March 2024 and 2023, the loans from shareholders are repayable within one year.

19. EVENTS AFTER THE REPORTING PERIOD**Litigation**

On 21 June 2024, the Company received a winding-up petition (the “Petition”) filed by Shanghai Commercial Bank Limited (“SCB”) against the Company, under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) in the High Court of Hong Kong. The Petition was filed on the basis of the guarantee by the Company to repay all outstanding loan indebtedness due and payable by Alco Electronics Limited (“AEL”), a former indirect wholly owned subsidiary of the Company. The outstanding loan amount due and payable is the sum of HK\$2,624,507.29 and US\$2,521,039.09, and default interest accrued thereon. The Petition is scheduled to be heard on 28 August 2024.

DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2024 (2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results and Dividends

The revenue of the continuing operations of the Group was HK\$148 million for the year ended 31 March 2024 as compared to HK\$89 million for the year ended 31 March 2023, represented a 66% increase in revenue. Gross profit of the continuing operations of HK\$9 million was recorded for the year ended 31 March 2024 as compared to the gross loss of HK\$11 million for the year ended 31 March 2023. The profit for the year ended 31 March 2024 of HK\$592 million was mainly attributable to the gain on deconsolidation of Disposal Group from discontinued operations of HK\$596 million, while the loss for the year ended 31 March 2023 of HK\$516 million was mainly attributable to the loss for the year from discontinued operations of HK\$424 million.

The directors do not recommend the payment of a final dividend for the financial year ended 31 March 2024 (2023: Nil).

Review of Operations

The core business of the Group during the period under review was focused on the development and sales of own brand notebooks and tablets.

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 missions 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 year. 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

Looking ahead, the Group remains committed to its strategic objectives and will continue to pursue opportunities for growth and profitability. The following prospects outline the key focus areas for the Group:

- **Operational optimization:** The Group will continue to implement measures to improve operational efficiency, including ongoing downsizing initiatives, process enhancements, and cost control measures.
- **Business cooperation:** The Group will actively explore opportunities for business cooperation, including strategic partnerships, technological innovation, and product diversification, to enhance competitiveness and capture new market opportunities.
- **Capital market financing:** The Group intends to explore capital market financing options, including rights issues, to raise funds for strategic investments and future growth initiatives.

The Group remains cautiously optimistic about its prospects, driven by the ongoing efforts to improve operational efficiency, reduce debts, and pursue growth opportunities. The focus on financial stability, strategic partnerships, and transformative initiatives positions the Group for long-term success in a rapidly evolving market landscape.

Liquidity and financial resources

The Group's total deficit as at 31 March 2024 was HK\$88 million (2023: HK\$795 million). As at 31 March 2024, we had bank balances and cash of HK\$24 million (2023: HK\$2 million). After deducting bank and other borrowings of HK\$48 million (2023: HK\$68 million), provision of financial guarantee of HK\$124 million (2023: nil), loans from shareholders of HK\$38 million (2023: HK\$86 million) and lease liability of nil (2023: HK\$2 million), we had net borrowing of HK\$186 million (2023: HK\$154 million).

As at 31 March 2024, our inventory was HK\$3 million (2023: HK\$38 million). We take a cautious approach to monitor the inventory level especially during this environment with uncertainty. Trade receivables as at 31 March 2024 were HK\$38 million (2023: HK\$8 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 2024 were HK\$29 million (2023: HK\$49 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 2024, the Group had approximately 15 (2023: 59) 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 2024.

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 C1 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 2024.

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 C3 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 2024.

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 2024.

The Audit Committee currently comprises five independent non-executive directors of the Company, namely Mr. Chu Hoi Kan, Mr. Lam Chi Wing, Mr. Tang Sher Kin, Mr. Deng Chaowen and Ms. Mak Suet Man.

SCOPE OF WORK OF THE AUDITORS OF THE COMPANY

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Company's auditor, Global Link CPA Limited ("Global Link"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2024 as approved by the Board of Directors on 28 June 2024. The work performed by Global Link in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Global Link on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Global Link, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 March 2024.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Alco Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As described in Note 1 to the consolidated financial statements, the Group incurred loss from continuing operations of approximately HK\$3,070,000 for the year ended 31 March 2024 and net current liabilities of approximately HK\$169,371,000 as at 31 March 2024. During the year ended 31 March 2024, the Group has failed to repay certain bank borrowings amounted to approximately HK\$47,528,000 according to their scheduled repayment date and remained outstanding as at 31 March 2024. Such default in repayment amounted to bank borrowings of approximately HK\$47,528,000 as at 31 March 2024 became immediately repayable if requested by the banks and the relevant banks have the right to cancel or suspend the facilities. The current liabilities also included a provision of financial guarantee of approximately HK\$123,532,000 for former subsidiaries for borrowings and related interest payables. As at 31 March 2024, the Group's bank balances and cash amounted to approximately HK\$23,855,000 only. These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been formulating and undertaking a number of plans and measures to mitigate the Group's liquidity pressure, to improve the financial position of the Group and to remediate the delayed repayments to lenders and creditors.

The consolidated financial statements had been prepared on a going concern basis, the validity of which depends on the outcome of those plans and measures as mentioned in Note 1 to the consolidated financial statements, which are subject to multiple uncertainties.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the events or conditions underpinning the cash flow forecast of the Group for going concern assessment are reasonable and supportable because of (i) the lack of sufficient supporting basis from the management on the successfulness of negotiation with the remaining lenders and creditors on restructuring or extension of repayment terms of shareholders' loan, bank and other borrowings and trade payables; and (ii) the lack of sufficient supporting basis that the improvement of future operating results and cash flows would be realised, in particular, the uncertainty of outcome of those plans and measures and how variability in outcome would affect the future cash flows of the Group. Hence, we were unable to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements by the management of the Group.

Should the Group fail to achieve its plans and measures as mentioned in Note 1 to the consolidated financial statements, it might not be able to continue as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

The consolidated financial statements of the Group for the year ended 31 March 2023 were audited by another auditor who expressed a disclaimer of opinion on those statements on 27 June 2023. Any adjustments to the balances as at 31 March 2023 would affect the balances of these financial statements items as at 1 April 2023 and the corresponding movements, if any, during the year ended 31 March 2024. The balances as at 31 March 2023 and the amounts for the year then ended are presented as corresponding figures in the consolidation financial statements for the year ended 31 March 2024. In view of the significance of and the potential interaction of the multiple uncertainties described above and their possible cumulative effects on the consolidated financial statements, we disclaimed our audit opinion on the consolidated financial statements relating to the going concern issue only and not any other issues for the year ended 31 March 2024 and also for the possible effect of the comparability of the current year's figures and the corresponding figures.

Other Matters

The consolidated financial statements of the Group for the year ended 31 March 2023, were audited by another auditor who expressed a disclaimer of opinion on those statements on 27 June 2023.

Had we not disclaimed our opinion, we would have issued a qualified opinion on the basis that the scope limitation on the gain on deconsolidation of the Disposal group as disclosed in the discontinued operation, the comparative figure of assets and liabilities classified as held for sale for the year ended 31 March 2023 and the corresponding balances instead of a disclaimer of opinion. The other issues mentioned below do not form part of paragraphs in relation to the disclaimer of opinion or the basis of disclaimer of opinion.

As set out in note 8 to the consolidated financial statements, on 31 August 2022, the directors of the Company have 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. In August 2023 (the Deconsolidation Date”, the Company had been informed by the Court that the Court held that the creditor’s application complied with the legal requirements and accepted the creditor’s application for bankruptcy and liquidation against the Disposal Group. In addition, the books and records of the Disposal Group were kept and maintained by the bankruptcy administrator of the Disposal Group, which were not made available to the Group’s management subsequent to the Deconsolidation Date. The related deregistration and insolvency application is in progress with the assistance from the local government as at this report date.

The results of the discontinued operation for the year ended 31 March 2024 and 2023 and the balances of assets and liabilities related to the discontinued operation as at 31 March 2024 and 2023 are set out in note 8 to the consolidated financial statements.

As the books and records of the Disposal Group were kept and maintained by the bankruptcy administrator of the Disposal Group. Accordingly, we were not able to obtain sufficient appropriate audit evidence to verify the gain on deconsolidation of the Disposal Group, amount of loss for the year from discontinued operations, assets classified as held for sale and liabilities associated with assets classified as held for sale shown as comparative figure on the consolidated statement of profit or loss and the consolidated statement of financial position and related note 8 to the consolidated financial statements.

Given the above scope limitation, we were unable to obtain sufficient appropriate audit evidence with respect to the result of the Group’s discontinued operation for the year ended 31 March 2024, the carrying values of the assets and liabilities classified as held for sale shown as comparative figure as at 31 March 2023 as well as their corresponding comparative figures as set out in note 8. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments were necessary in respect of the Group’s gain for the year from discontinued operations of HK\$594,842,000, assets classified as held for sale of HK\$82,954,000 and certain liabilities associated with assets classified as held for sale of HK\$90,782,000 shown as corresponding comparative figures.

MANAGEMENT VIEW ON GOING CONCERN

The Board have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Board considers that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

(i) Restructure of bank and other borrowings

The bank and other borrowings which are repayable on demand or within one year or was defaulted in repayment amounted to approximately HK\$47,528,000 as at 31 March 2024.

The Group is negotiating with the banks for debt restructuring. The management is of the view that the Group will be able to obtain consent from the banks to extend the repayment of borrowings and continue to provide the banking facility to improve the liquidity position of the Group, considering the valuation of the office premise and investment properties of the Group amounting to approximately HK\$120,000,000, with reference to valuation performed by independent qualified professional valuers and market data information from bank, and other properties held by Mr. Leung Wai Sing, Wilson (“Wilson”) pledged to the banks.

(ii) Future treatment of the loans from shareholders

As at 31 March 2024, the Group has loans from past and existing shareholders of approximately HK\$38,052,000, of which approximately HK\$38,052,000 was loan from the deceased ex-chairman of the Group, Wilson. As the estate of Wilson is frozen before the appointment of the estate administrator, the extension agreements related to loans from Wilson could not be arranged. As the loans are repayable within one year, the Company will discuss the extension of the loans with the estate administrator once he/she is appointed.

(iii) Restructure of trade payables

As at 31 March 2024, trade payables amounted to approximately HK\$29,207,000. The Group will negotiate with the creditors to further extend the repayment.

(iv) Cash inflow from operations

The Group is taking measures to streamline the product mix and production mode, 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.

Based on the sales orders on hand for the notebook products up to June 2024, the Board expects an increase in sales in the coming months comparing to the corresponding period for the year ended 31 March 2024. The directors of the Company 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.

The Board believes that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 March 2025. 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.

The Audit Committee has reviewed the Disclaimer of Opinion relating to the going concern, the management views on going concern, the plans and measures of the Group, and concurs with the Board's view.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of Alco Holdings Limited at www.alco.com.hk. The annual report of the Company containing all the information required by the Listing Rules will be published on the above websites in due course.

LIST OF DIRECTORS

As at the date of this announcement, the Board of Directors comprises two executive directors, namely Ms. Liao Liping 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. Tang Sher Kin, Mr. Deng Chaowen and Ms. Mak Suet Man.

By Order of the Board
Alco Holdings Limited
Chairman and Executive Director
Liao Liping

Hong Kong, 28 June 2024