



ALCO Holdings Limited

A MEMBER OF THE ALCO GROUP

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*To the Qualifying Shareholders, and for information only,
to the Non-Qualifying Shareholders,*

Dear Sir/Madam,

**(1) PROPOSED 2026 RIGHTS ISSUE ON THE BASIS OF
FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) SHARE
HELD AT THE CLOSE OF BUSINESS ON THE RECORD DATE ON
A NON-UNDERWRITTEN BASIS
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement of the Company dated 24 March 2026 in relation to, among other things, the 2026 Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the 2026 Rights Issue, the Placing Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the 2026 Rights Issue; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2026 Rights Issue; (iv) other information required under the Listing Rules; and (v) the notice of the SGM.

PROPOSED 2026 RIGHTS ISSUE

The Board proposes to conduct the 2026 Rights Issue on the basis of four (4) Rights Shares for every one (1) Share held as at the Record Date. Set out below are the details of the 2026 Rights Issue statistics.

Issue statistics

Basis of the 2026 Rights Issue	:	Four (4) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.55 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	57,278,430 Shares
Number of Rights Shares to be issued pursuant to the 2026 Rights Issue	:	Up to 229,113,720 Shares
Aggregate nominal value of the Rights Shares	:	Up to HK\$2,291,137.2
Total number of Shares in issue immediately upon completion of the 2026 Rights Issue	:	Up to 286,392,150 Shares
Maximum funds raised before expenses	:	Up to approximately HK\$126.0 million (assuming all the Rights Shares will be taken up)

As at the Latest Practicable Date, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into the Shares.

Assuming no Shares are issued or repurchased on or before the Record Date, the maximum number of 229,113,720 Rights Shares to be issued pursuant to the terms of the proposed 2026 Rights Issue represents approximately 400% of the total number of the existing

issued Shares as at the Latest Practicable Date and approximately 80.00% of the total number of the issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the 2026 Rights Issue.

Subscription Price

The Subscription Price is HK\$0.55 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the 2026 Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares. According to the relevant Bermuda laws, the Company shall not issue Shares at a price below its par value.

The Subscription Price represents:

- (i) a discount of approximately 20.3% to the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 24.2% to the average closing price of HK\$0.726 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 4.8% to the theoretical ex-rights price of HK\$0.578 per Share based on the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 16.67% to the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 21.0%, represented by the theoretical diluted price of approximately HK\$0.589 per Share to the benchmarked price of approximately HK\$0.746 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the Placing Agreement (i.e. 24 March 2026) of HK\$0.69 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Placing Agreement of HK\$0.746 per Share; and
- (vi) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) in aggregation with the 2025 Rights Issue represented by a discount of approximately 24.1%, represented by the cumulative theoretical diluted price of approximately HK\$3.05 per Share to the theoretical benchmarked price of HK\$4.02 per Share in respect of the 2026 Rights Issue. (as defined under Rule 7.27B of the Listing Rules, taking into account the benchmarked price of the rights issue, being HK\$0.746 per Share).

The Subscription Price was determined with reference to (i) the recent market price and the low trading volume of the Shares; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of the 2026 Rights Issue as discussed in this circular.

The Board (excluding the members of the Independent Board Committee whose opinion will be set out after considering the advice from the independent financial adviser) considers that the terms of the 2026 Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Non-underwritten basis

Subject to the fulfilment of the conditions of the 2026 Rights Issue, the 2026 Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

In the event that the 2026 Rights Issue is not fully subscribed, any Unsubscribed Shares together with the NQS Unsold Shares will be placed on a best effort basis by the Placing Agent to independent placees under the Placing. Any Unsubscribed Shares or NQS Unsold Shares which remain not placed under the Placing will not be issued by the Company and the size of the 2026 Rights Issue will be reduced accordingly.

The Bermuda legal adviser of the Company has confirmed that there is no minimum subscription amount required to be raised from the 2026 Rights Issue under Bermuda law.

As the 2026 Rights Issue will proceed on a non-underwritten basis, a Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the 2026 Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the 2026 Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

The Company conducted an evaluation of potential underwriting arrangements for the Rights Issue, approaching a number of securities firms to assess their interest in acting as underwriter. However, only the Placing Agent expressed interest and willingness to participate as a placing agent, with no other underwriters prepared to commit to a full underwriting agreement.

Given the lack of underwriting interest, the Board determined that proceeding on a non-underwritten basis, combined with the Placing Agreement, represents the most viable and efficient approach to meet the Company's funding objectives.

Furthermore, the Placing would provide a distribution channel of the Unsubscribed Shares and NQS Unsold Shares and a compensatory mechanism for No Action Shareholders and the Non-Qualifying Shareholders. After careful deliberation, the Board concluded that the terms of the Rights Issue, including the non-underwritten structure and the Placing, are fair, reasonable, and in the best interests of the Company and its Shareholders as a whole.

Conditions of the 2026 Rights Issue

The 2026 Rights Issue is conditional upon each of the following conditions being fulfilled:

- (i) the passing by more than 50% of the votes cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the 2026 Rights Issue to be effective in compliance with the Listing Rules, including but not limited to approving, confirming and/or ratifying the 2026 Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;
- (ii) the delivery of the Prospectus Documents to the Stock Exchange and the issue by the Stock Exchange on or before the Posting Date of a certificate authorising registration of the Prospectus Documents with the Registrar of Companies in Hong Kong;
- (iii) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders and the publication of the Prospectus Document on the website of the Stock Exchange on or before the Posting Date;
- (iv) the grant of listing of the Rights Shares (in both nil-paid and fully paid forms) by the Stock Exchange (either unconditionally or subject only to the allotment and despatch of the share certificates in respect thereof) and the grant of permission to deal in the nil-paid Rights Shares and the fully-paid Rights Shares by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked); and
- (v) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the 2026 Rights Issue and the transaction contemplated thereunder having been obtained and fulfilled.

None of the above conditions can be waived as the 2026 Rights Issue is subject to the above conditions, it may or may not proceed.

As at the date of the Latest Practicable Date, none of the conditions has been satisfied.

Undertakings

The Company has not received any information or irrevocable undertaking from any Shareholder of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the 2026 Rights Issue as at the date of this circular.

Basis of provisional allotment

The basis of the provisional allotment shall be four (4) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at close of business on the Record Date. There will be no excess application arrangements in relation to the 2026 Rights Issue.

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by lodging a duly completed PAL with a remittance for the Rights Shares being accepted with the Registrar by the Latest Time for Acceptance.

Qualifying Shareholders

The 2026 Rights Issue is only available to the Qualifying Shareholders. To qualify for the 2026 Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company prior to the closing of business on the Record Date, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Wednesday, 20 May 2026.

Rights of Overseas Shareholders (if any)

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the 2026 Rights Issue to Overseas Shareholders, if any. If, after making such enquiries, the Board considers that it would be necessary or expedient not to offer the Rights Shares to Overseas Shareholders on account of either the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in such relevant jurisdiction, the 2026 Rights Issue will not be extended to such Overseas Shareholders. In such circumstances, the 2026 Rights Issue will not be extended to the Non-Qualifying Shareholders.

The basis for excluding the Non-Qualifying Shareholders, if any, from the 2026 Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Non-Qualifying Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Based on the register of members of the Company as at the Latest Practicable Date, there is no Overseas Shareholder.

Overseas Shareholders should note that they may or may not be entitled to participate in the 2026 Rights Issue, subject to the results of the enquiries to be made by the Board pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Procedures in respect of the Unsubscribed Shares and the NQS Unsold Shares and the Compensatory Arrangements

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Shares and the NQS Unsold Shares by offering the Unsubscribed Shares and the NQS Unsold Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the 2026 Rights Issue. There will be no excess application arrangements in relation to the 2026 Rights Issue. On Tuesday, 24 March 2026, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of Unsubscribed Shares and the NQS Unsold Shares to independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company appointed the Placing Agent to place the Placing Shares during the Placing Period to independent placees on a best effort basis, any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Prohibited Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 6:00 p.m., on Friday, 3 July 2026, placees to subscribe for all (or as many as possible) of those Unsubscribed Shares and the NQS Unsold Shares. Any Unsubscribed Shares and the NQS Unsold Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the 2026 Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on a pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

Status of the Rights Shares

The Rights Shares (when allotted, fully-paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

No Fractional Entitlement

No fractional entitlements to the Rights Shares will be provisionally allotted to the Qualifying Shareholders. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and sold by the Company in the open market if a premium (net of expense) can be obtained. Any of these Rights Shares which are not sold in the market will not be issued by the Company and the size of the 2026 Rights Issue will be reduced accordingly.

Odd lot arrangement

In order to facilitate the trading of odd lots (if any) of the Shares, a designated broker will be appointed to stand in the market to match the purchase and sale of odd lots of the Shares at the relevant market price, on a best effort basis. Shareholders should note that matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangement is recommended to consult his/her/its own professional advisers.

Compensatory Arrangements

The Company has appointed the Placing Agent to place the Placing Shares after the Latest Time for Acceptance of the Rights Shares to independent Placees on a best effort basis. The Placing Agent will, on a best effort basis, procure, by not later than 6:00 p.m., on Friday, 3 July 2026, acquirers for all (or as many as possible) of those Placing Shares. Any premium over the Subscription Price and the expenses of procuring such acquirers (including commission and other related expenses/fees) that is realised will be paid to the No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. All Placing Shares which are not placed under the Placing will not be issued by the Company and the size of the 2026 Rights Issue will be reduced accordingly.

Net Gain, being the premium paid by the Placees over the Subscription Price for the Unsubscribed Shares (if any) will be paid (without interest) on a pro-rata basis (on the basis of all Unsubscribed Shares) to the No Action Shareholders and the Non-Qualifying Shareholders (but rounded down to the nearest cent after deduction of a proportionate share of the placing commission payable). It is proposed that only Net Gain to any of the No Action Shareholder(s) and the Non-Qualifying Shareholder(s) of HK\$100 or more will be paid to them in Hong Kong Dollars and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders and the Non-Qualifying Shareholders may or may not receive any Net Gain.

Placing Agreement for Unsubscribed Shares and the NQS Unsold Rights Shares

Details of the Placing Agreement are summarised below:

Date : Tuesday, 24 March 2026 (after trading hours)

Issuer : The Company

Placing Agent : Advent Securities (Hong Kong) Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on the best effort basis, placees to subscribe for the Unsubscribed Shares and NQS Unsold Shares during the Placing Period.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not the Shareholder; and (ii) they are Independent Third Parties.

Placing Period : The period commencing from Tuesday, 23 June 2026 and end at 6:00 p.m. on Friday, 3 July 2026.

- Commission and Expenses : The Placing Agent shall be entitled to a commission fee equal to 1.5% of the amount which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent.
- Placing price : The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.
- Placees : The Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) such that the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing in order to safeguard the minimum public flow requirement.
- Ranking of the Placing Shares : The Placing Shares (when placed, allotted, issued and fully paid), shall rank *pari passu* in all respects among themselves and with the Shares in issue at the date of completion of the Placing.
- Conditions Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;
 - (ii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
 - (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof.

The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i) above) by notice in writing to the Company.

The Company shall use its best endeavours to procure the fulfillment of such conditions precedent to the Placing Agreement. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Placing Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfillment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

Termination : The Placing Agreement shall end on Friday, 3 July 2026 or any other date by mutual written agreement between the Placing Agent and the Company.

The engagement of the Placing Agent may also be terminated by the Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

The engagement between the Company and the Placing Agent in respect of the Placing Shares (including the commission and expenses payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the 2026 Rights Issue, and the current and expected market conditions. The Board considers that the terms of Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the Unsubscribed Shares and NQS Unsold Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Shares and NQS Unsold Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders. The Company will ensure compliance with the public float requirements under Rule 8.08 of the Listing Rules following completion of the 2026 Rights Issue and the Placing. After the Placing Period, it is expected that none of the placees will become a substantial Shareholder. If any of the placees will become a substantial Shareholder after completion of the Placing and 2026 Rights Issue, further announcement(s) will be made by the Company.

The Board considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's Shareholders because:

- (a) they are in compliance with Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Shares and NQS Unsold Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agents and the related fees and expenses in relation to such placing will be borne by the Company;
- (b) the Compensatory Arrangements would provide (a) a distribution channel of the Placing Shares to the Company; (b) an additional channel of participation in the 2026 Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders; and (c) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders. Besides, the 2026 Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company. As such, the Board considered that the absence of excess application arrangement is acceptable; and
- (c) the terms of the Placing Agreement, including the placing commission, are on normal commercial terms.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the 2026 Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

The nil-paid and fully-paid Rights Shares will be traded in board lots of 2,000 Shares.

Eligibility for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Share certificates and refund cheques for the 2026 Rights Issue

Subject to fulfilment of the conditions of the 2026 Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Monday, 13 July 2026 to those entitled thereto at their registered addresses by ordinary post at their own risk. If the 2026 Rights Issue does not become unconditional, refund cheques without interest are expected to be posted on or before Monday, 13 July 2026 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 May 2026 to Thursday, 28 May 2026 (both days inclusive) for determining the entitlements to the 2026 Rights Issue. No transfer of Shares will be registered during this period.

REASONS FOR AND BENEFITS OF THE 2026 RIGHTS ISSUE AND USE OF PROCEEDS

The Company is principally engaged in the design and distribution of consumer electronic products under its “AVITA” brand, with manufacturing operations outsourced to original equipment manufacturers (OEMs); it is also involved in software and e-commerce development, as well as product recycling.

The Group was previously also engaged in self-manufacturing operations through its former wholly-owned subsidiary, Alco Electronics Limited, which held the Group’s PRC factory operations. Due to the prolonged adverse impact of the COVID-19 pandemic and the cessation of the Group’s self-manufacturing business, the PRC factory was closed down and Alco Electronics Limited suspended its operations. A winding-up order was subsequently granted by the High Court of Hong Kong against Alco Electronics Limited on 28 June 2023, following which it ceased to be a subsidiary of the Company.

Through the implementation of its financing arrangements, the Company has successfully utilised its available cash resources over the past few years to repay debts to various parties, settling the Company’s major liabilities since the passing of the former Chairman, including provisions for financial guarantees, bank borrowings and shareholder loans. As part of the Group’s liability settlement plan subsequent to 30 September 2025, a substantial portion of the historical financial guarantee obligations was settled by utilising part of the proceeds from the 2025 Rights Issue together with proceeds from the disposal of the Group’s property asset. Since there were remaining balances due to the commercial bank after the Company utilised the proceeds from the 2025 Rights Issue and disposal of property, the Company was urged by the commercial bank to settle as it was overdue for a few years, the Company obtained an additional unsecured and unguaranteed borrowing from Proyan Consultancy Limited, an Independent Third Party, which carried interest at 20% per annum to settle the remaining balance as mentioned above.

The Company will continue to maintain operations and strive for survival during these challenging times, whilst prudently utilising cash resources to expand its business and enhance the Company’s profitability. In light of the Group’s operational needs and financial position, the Board considers that it is appropriate for the Company to strengthen its capital base and improve its financial flexibility through the 2026 Rights Issue.

As disclosed in the interim report of the Group for the six months ended 30 September 2025, the Group recorded net current liabilities and net liabilities position. Following completion of the 2025 Rights Issue, the Group has applied the net proceeds of HK\$60.0 million in accordance with the intended use to settle the bank borrowings, loan from shareholders and part of the provision of financial guarantee and trade and other payables, which significantly reduced the Group’s outstanding indebtedness.

The provision of financial guarantee represented a financial guarantee provided by the Company in favour of a bank in respect of banking facilities granted to a former subsidiary of the Company. Such financial guarantee obligation, together with the related accrued interest, has been fully settled subsequent to 30 September 2025 through a combination of proceeds

from the 2025 Rights Issue, proceeds from disposal of a property and additional borrowings obtained by the Group. The loan from shareholders together with the related accrued interest have also been fully settled as at the Latest Practicable Date.

Subsequent to the settlement of the aforesaid liabilities, in order to support its ongoing business operations and funding needs, the Group has obtained additional borrowing of approximately HK\$42 million from Proyan Consultancy Limited, a company incorporated in Hong Kong and an Independent Third Party. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Proyan Consultancy Limited and its ultimate beneficial owner(s) are Independent Third Parties.

Such additional borrowing is unsecured, unguaranteed, bearing interest of 20% per annum, and primarily utilised for, among others, settlement of the remaining financial guarantee obligations and related interest, settlement of accrued interest on loan from shareholders, payment of deposits to OEM suppliers to procure component parts, secure production scheduling and capacities, acquisition of property, plant and equipment, and general working capital purposes.

The Group operates under an order-driven business model and generally commences production after obtaining customer orders. As such, the Group maintains minimal inventory level and the inventory turnover period is not significant. However, in recent periods, due to the skyrocketed demand of RAM and hard disk storage from AI boom, OEM suppliers have generally required shorter credit periods and, in certain cases, advance payments or deposits in order to secure their procurement costs for computer parts to hedge the fluctuating component prices and secure the production scheduling and capabilities prior to commencement of production. The Group has entered into strategic contractual arrangements with our major OEM suppliers to procure component parts, secure production scheduling and capacities for a period of up to two years, pursuant to which all the deposits will eventually convert into the Group's procurements and subcontracting costs during the contract term and is considered to be a temporary measure for the Group to match the latest changes in the market.

On the other hand, the Group grants credit terms to its customers in line with industry practice. As a result, there is an inherent timing mismatch between cash outflows to suppliers (including deposits and trade payables) and cash inflows from customers (trade receivables). The Directors consider that such timing difference is a normal working capital characteristic of the Group's business model. The settlement of trade and other payables using part of the proceeds from the 2026 Rights Issue is intended to address such working capital timing mismatch and support the Group's ongoing operations. It does not represent the funding of the Group's operating losses. The Group has maintained a satisfactory track record in managing its trade receivables, with minimal bad debt experience in recent years.

Assuming full subscription of the Rights Shares, the net proceeds of the 2026 Rights Issue and the Placing (after deduction of expenses) are estimated to be approximately HK\$121.8 million. The Company intends to apply the net proceeds as follows:

- (i) approximately HK\$50.0 million (approximately 41%) of the net proceeds will be used for the repayment of the other borrowing and related finance costs owing to Proyan Consultancy Limited. The repayment of such borrowing is expected to reduce finance costs, improve the Group's capital structure and enhance its financial stability. The above proceeds are expected to be fully utilised by September 2026.
- (ii) approximately HK\$22.0 million (approximately 18%) of the net proceeds will be used for settlement of overdue amounts due to OEM suppliers, subcontractors, software licensors, logistics and service providers. As at 28 February 2026, the ageing of such overdue amounts was:
 - approximately HK\$0.6 million with no overdue;
 - approximately HK\$13.1 million overdue for 0–30 days;
 - approximately HK\$4.8 million overdue for 31–60 days;
 - approximately HK\$3.0 million overdue for 61–90 days; and
 - approximately and HK\$1.5 million overdue for over 90 days.

Such overdue amounts arose from a combination of tighter supplier credit terms and deposit requirements, timing mismatch between receivable collection and supplier settlement, and prioritisation of settlement of legacy liabilities following the 2025 Rights Issue. The settlement of such creditors and liabilities is expected to improve the Group's operational efficiency and strengthen its working relationships with key business partners, which is important in the fast-paced consumer electronics market. The above proceeds are expected to be fully utilised by September 2026;

- (iii) approximately HK\$31.5 million (approximately 26%) of the net proceeds will be used for development and strengthen our Asia-Pacific region markets and enhancement of the Group's product design capabilities for notebook and tablet products. The Group intends to establish physical stores in key Asia-Pacific region sales points to enhance the brand's recognition and loyalty in these markets and subcontract local qualified service centers to strengthen the product warranty and after-sales service network. The development in Asia-Pacific region markets in the medium term helps the Group to reduce reliance on external distributors and achieve cost efficiencies. Apart from that, the Group intends to procure new 3D printing and scanning equipment to shorten the product development lead times, enhance efficiency and reduce the subcontracting mould costs. The above proceeds are expected to be fully utilized by October 2026; and

(iv) approximately HK\$18.3 million (approximately 15%) of the net proceeds will be used for the general working capital, comprising approximately HK\$2.0 million for staff costs and salaries; HK\$3.0 million for sales commissions; HK\$2.0 million for shipping and logistics expenses; HK\$2.0 million for rental and office expenses; HK\$1.0 million for professional and compliance fees; HK\$1.3 million for IT, system and administrative expenses; and HK\$7.0 million for contingency buffer and general operating cashflow reserve. The Directors believe that the proceeds will help to replenish the working capital of the Group to support its ongoing operations. The above proceeds are expected to be fully utilized by December 2026.

The above allocation of proceeds has been determined by the Board after taking into account the Group's current operational requirements and financial position. The Board believes that the proposed use of proceeds will support the Group's ongoing business operations and enhance the Group's financial position.

The Company has considered other fund-raising alternatives before resolving to the 2026 Rights Issue, including but not limited to debt financing, placing of new Shares and open offer.

Prior to proceeding with the 2026 Rights Issue, the Company had approached commercial banks and financial institutions regarding possible debt financing. However, following the disposal of the Group's property asset and in light of the Group's then net liabilities position, the Company was unable to obtain financing on acceptable commercial terms, as lenders generally required pledged assets and/or stronger balance sheet metrics. The Directors therefore considered that further debt financing would result in additional finance costs and would not be as suitable as equity financing.

The 2025 Rights Issue was primarily utilised to resolve the Group's legacy liabilities, including bank borrowings, shareholder loans, financial guarantee obligations and creditors, while part of the proceeds was also applied towards the establishment of the Group's physical store and service centre in Malaysia, which has since commenced operations. The Group is also progressing its Indonesia expansion plan, with expected commencement of operations around June 2026.

Following substantial completion of the above liability settlement, the 2026 Rights Issue is intended to refinance the high-cost bridge borrowing from Proyan Consultancy Limited, normalise supplier settlement cycles and support the Group's Asia-Pacific sales expansion and product development plans.

The management has been striving to streamline the burden arising from the overdue liabilities and the related finance costs. Upon completion of the 2025 Rights Issue and the 2026 Rights Issue, the Group expects that substantially all overdue liabilities will be fully settled and its financial position will be materially improved. This will enhance the Group's financial flexibility and may enable the Group to explore other debt financing alternatives as and when appropriate in the future. Therefore, the Board considers the short interval between the 2025 Rights Issue and the 2026 Rights Issue represents the most suitable fundraising option and is in the interests of the Company and the Shareholders as a whole.

The Company has no present intention to conduct further equity fundraising activities in the next 12 months.

In view of the above, the Board (excluding the members of the Independent Board Committee whose opinion will be rendered after considering the advice from the independent financial adviser) considers that as compared to raising fund by other means, raising funds by way of the 2026 Rights Issue, which will allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro-rata shareholding interests in the Company and dealing with the Shares, is an appropriate fundraising method and is fair, cost effective, efficient and beneficial to the Company and its shareholders as a whole.

SHAREHOLDER STRUCTURE

To the best knowledge of the Directors, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the 2026 Rights Issue Completion assuming full acceptance by all Qualifying Shareholders under 2026 Rights Issue (“**Scenario 1**”); and (iii) immediately after the 2026 Rights Issue Completion and the Placing Completion, assuming no subscription by the Qualifying Shareholders and all the Placing Shares are placed to Independent Third Parties under the Placing (“**Scenario 2**”):

	As at the date of this circular		Scenario 1 (Note 1)		Scenario 2 (Note 1, 2)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Public Shareholders						
— Public Shareholders	57,278,430	100.0	286,392,150	100.0	57,278,430	20.0
— The Placees	—	—	—	—	229,113,720	80.0
Total	<u>57,278,430</u>	<u>100.0</u>	<u>286,392,150</u>	<u>100.0</u>	<u>286,392,150</u>	<u>100.0</u>

Notes:

- These scenarios are for illustrative purposes only. The Company has entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Placing Shares.
- In the extreme case as illustrated in Scenario 2 above, assuming that (a) no subscription by the Qualifying Shareholders; and (b) the Placing Agent successfully places all the Placing Shares to one single Placee under the Placing, upon Completion, only 57,278,430 Shares will be held by public Shareholders, representing approximately 20.0% of the total issued Shares as enlarged by the allotment of the Rights Shares, which falls below the minimum Public Float Requirements under Rule 8.08(1). In such case, the Placing Agent will determine to scale down the number of Shares to be subscribed by such single Placee in order to ensure the compliance with the Public Float Requirements. In other situation, when there are more than one Placees, depending on Placees’ subscription situation, if the Public Float Requirements could not be met, the restriction that Placees shall not be substantial shareholders will apply. Upon receipt of subscription applications from Placees under the Placing, the Placing Agent shall be obliged to thoroughly review such applications to ensure that the Public Float Requirements are complied.

3. Pursuant to the Placing Agreement, depending on placees' subscription situations, placees shall not be substantial shareholders in order to ensure that the Public Float Requirements are complied. The Placing Shares are expected to be placed to placees, who are third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any directors or substantial shareholders of the Company or its subsidiaries or any of their respective associates; and none of the placees shall be obliged to make a mandatory general offer to the other Shareholders under the Takeovers Code.

If a Qualifying Shareholder does not accept the Rights Shares provisionally allotted to him/her/it in full under the 2026 Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company had conducted the following equity fund raising activities in the past twelve months immediately prior of the Latest Practicable Date:

Date of Announcement	Event	Net proceeds	Intended use of net proceed	Actual use of net proceeds as at the Latest Practicable Date
21 November 2025	Rights Issue of 45,822,744 new shares	HK\$143.938 million	i) approximately HK\$60.0 million for repayment of bank and other borrowings owed by the Group. ii) approximately HK\$65.5 million for repayment of creditors and other liabilities iii) approximately HK\$7.0 million for development of new business segment iv) approximately HK\$11.4 million for the general working capital of the Group	Fully utilised as intended

Save as disclosed above, the Company had not conducted any equity fund raising activities in the past twelve months immediately preceding the date of the Latest Practicable Date.

LISTING RULES IMPLICATIONS

2026 Rights Issue

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the 2026 Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the Latest Practicable Date, the 2026 Rights Issue is conditional upon the minority Shareholders' approval of at the SGM.

As at the Latest Practicable Date, the Company does not have any controlling shareholder as defined under the Listing Rules and none of the Directors and the chief executive of the Company and their respective associates holds any Share. Accordingly, no other Shareholder is required to abstain from voting at the SGM. No Shareholder has informed the Company that he/she/it intends to vote in favour of or against the proposed resolutions in connection with the 2026 Rights Issue as at the Latest Practicable Date.

The 2026 Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the 2026 Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The 2026 Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid Rights Shares. Please refer to the section headed "Conditions of the 2026 Rights Issue".

Shareholders and potential investors of the Company should note that each of the 2026 Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the 2026 Rights Issue and/or the Placing are not fulfilled, the 2026 Rights Issue and/or the Placing will not proceed.

SGM

A notice convening the SGM to be held at 24/F, OfficePlus @Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong on Friday, 15 May 2026 at 11:00 a.m. at which ordinary resolutions will be proposed to consider and approve the 2026 Rights Issue is set out on pages SGM-1 to SGM-3 of this circular. All the resolutions to be proposed at the SGM will be taken by poll and an announcement on the results of the SGM will be made by the Company after the SGM.

Whether or not you intend to attend the SGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon in any event no later than Wednesday, 13 May 2026 at 11:00 a.m. (Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof in person if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to the fulfilment of certain conditions of the Rights Issue including the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be despatched by the Company together with the PAL on or before Friday, 29 May 2026. The Prospectus is being made available and/or despatched (subject to Shareholders' election to receive physical copies) to the Shareholders. A copy of the Prospectus will also be made available on the websites of the Company (www.alco.com.hk) and the Stock Exchange (www.hkexnews.hk). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send the PAL to them.

The PAL, as an actionable corporate communication and a temporary document of title, will be despatched in printed form to the Qualifying Shareholder(s) only and entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein.

RECOMMENDATION

The Board considers that the 2026 Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages IFA-1 to IFA-26 of this circular in connection with the 2026 Rights Issue and the transactions contemplated thereunder and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the 2026 Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Shareholders are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser before deciding how to vote on the resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular.

By order of the Board
Alco Holdings Limited



Yu Ngai
Company Secretary