WISE ALLY

**Wise Ally International Holdings Limited**
**麗年國際控股有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 9918)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

**HIGHLIGHTS**

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2020** | 2019 | |
| | **(Unaudited)** | (Audited) | |
| | ***HK$'000*** | *HK$'000* | Changes |
| Revenue | **283,136** | 527,594 | -46.3% |
| Gross profit | **44,243** | 122,688 | -63.9% |
| Gross profit margin | **15.6%** | 23.3% | -770 bps |
| Operating (loss)/profit | **(19,102)** | 33,197 | N/A |
| (Loss)/profit for the period attributable to equity holders of the Company | **(22,425)** | 18,449 | N/A |
| Basic and diluted (loss)/earnings per share | **(1.1) HK cents** | 1.2 HK cents | N/A |

## INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Wise Ally International Holdings Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 together with the comparative figures for the six months ended 30 June 2019 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

*For the six months ended 30 June 2020*

| | *Note* | **Six months ended 30 June 2020 (Unaudited) *HK$'000*** | Six months ended 30 June 2019 (Audited) *HK$'000* |
|---|---|---|---|
| Revenue | *4* | **283,136** | 527,594 |
| Cost of sales | | **(238,893)** | (404,906) |
| **Gross profit** | | **44,243** | 122,688 |
| Other gains/(losses), net | *5* | **666** | (2,648) |
| Other income | *5* | **129** | 1,177 |
| Selling and distribution expenses | | **(20,466)** | (32,986) |
| Administrative expenses | | **(43,674)** | (55,034) |
| **Operating (loss)/profit** | | **(19,102)** | 33,197 |
| Finance income | *6* | **721** | 35 |
| Finance costs | *6* | **(6,957)** | (9,570) |
| Finance costs, net | *6* | **(6,236)** | (9,535) |
| **(Loss)/profit before income tax** | | **(25,338)** | 23,662 |
| Income tax credit/(expense) | *7* | **2,913** | (5,213) |
| **(Loss)/profit for the period attributable to equity holders of the Company** | | **(22,425)** | 18,449 |
| **Other comprehensive losses:** | | | |
| *Item that may be subsequently reclassified to profit or loss* | | | |
| Currency translation differences | | **(284)** | (243) |
| *Item that will not be subsequently reclassified to profit or loss* | | | |
| Actuarial gain on long service payment scheme | | **5** | 10 |
| **Total other comprehensive losses for the period** | | **(279)** | (233) |
| **Total comprehensive (loss)/income for the period attributable to equity holders of the Company** | | **(22,704)** | 18,216 |
| **(Loss)/earnings per share attributable to equity holders of the Company** | | | |
| Basic and diluted (2019: Unaudited) | *9* | **(1.1) HK cents** | 1.2 HK cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

| | *Note* | **30 June 2020 (Unaudited) *HK$'000*** | 31 December 2019 (Audited) *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Properties, plant and equipment | | **90,786** | 103,909 |
| Intangible assets | | **2,802** | 3,438 |
| Deposits and prepayments | | **3,911** | 4,669 |
| Deferred tax assets | | **8,953** | 5,078 |
| | | **106,452** | 117,094 |
| **Current assets** | | | |
| Inventories | | **146,587** | 126,878 |
| Trade receivables | *10* | **170,399** | 203,375 |
| Prepayments, deposits and other receivables | | **9,857** | 12,790 |
| Amounts due from related companies | | **1,399** | 2,932 |
| Pledged bank deposits | | **10,000** | 10,000 |
| Cash and cash equivalents | | **209,798** | 138,623 |
| | | **548,040** | 494,598 |
| **Total assets** | | **654,492** | 611,692 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | *13* | **20,000** | 10 |
| Reserves | | **89,796** | 52,145 |
| **Total equity** | | **109,796** | 52,155 |

| | *Note* | **30 June 2020 (Unaudited)** *HK$'000* | 31 December 2019 (Audited) *HK$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long service payment scheme | | **25** | 30 |
| Bank borrowings | *12* | **–** | 45,000 |
| Deferred government grants | | **299** | 428 |
| Lease liabilities | | **28,584** | 34,737 |
| | | **28,908** | 80,195 |
| **Current liabilities** | | | |
| Trade payables | *11* | **124,902** | 113,364 |
| Other payables and accruals | | **78,180** | 87,708 |
| Deferred government grants | | **1,149** | 1,149 |
| Lease liabilities | | **12,928** | 13,214 |
| Bills payables | | **26,740** | 30,399 |
| Bank borrowings | *12* | **269,409** | 221,593 |
| Current income tax liabilities | | **2,480** | 11,915 |
| | | **515,788** | 479,342 |
| **Total liabilities** | | **544,696** | 559,537 |
| **Total equity and liabilities** | | **654,492** | 611,692 |

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION:

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 January 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company and the Group is principally engaged in the manufacturing and sales of electronic products. The ultimate controlling shareholders are Mr. Chu Wai Cheong Wilson ("**Mr. Wilson Chu**") and Mr. Chu Wai Hang Raymond ("**Mr. Raymond Chu**") (collectively, the "**Controlling Shareholders**") who have been controlling the group companies since their incorporation.

The shares of the Company were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of Hong Kong public offering and international placing (the "**Global Offering**") on 10 January 2020 (the "**Listing Date**").

The consolidated financial information is presented in thousands of Hong Kong Dollar ("**HK$'000**"), which is the Company's functional currency and the Group's presentation currency, unless otherwise stated.

### 2. BASIS OF PREPARATION

The consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial information has been prepared in accordance with the same accounting policies adopted in the Group's consolidated financial statements for the year ended 31 December 2019 (the "**2019 financial statements**"). The consolidated financial information and notes thereon do not include all of the information required for the preparation of a full set of financial statements in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, and should be read in conjunction with the 2019 financial statements.

## 3. ADOPTION OF NEW AND REVISED STANDARDS AND AMENDMENTS

The adoption of the below new and revised standards and amendments, which were effective as of 1 January 2020, did not result in significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies.

- Amendments to HKFRS 3 – Definition of a Business
- Amendments to HKFRS 9, HKAS39 and HKFRS 7 – Interest Rate Benchmark Reform
- Amendments to HKAS 1 and HKAS 8 – Definition of Material
- Conceptual Framework of Financial Reporting 2018 – Revised Conceptual Framework of Financial Reporting

**New standard and amendments to existing standards issued but not yet adopted by the Group**

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| HKFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendment to HKFRS 16 | Covid-19 Related Rent Concessions | 1 June 2020 |

The Group will adopt the above new standard and amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standard and amendments.

## 4. REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in the manufacturing and sales of electronic products.

The chief operating decision maker has been identified as the Chief Executive Officer ("**CEO**") of the Company. The CEO reviews the Group's internal reporting in order to assess performance and allocate resources. The CEO has determined the operating segment based on these reports.

The CEO considers the Group's operation from a business perspective and determines that the Group has one reportable operating segment being manufacturing and sales of electronic products.

The CEO assesses the performance of the operating segment based on a measure of revenue and gross profit.

During the six months ended 30 June 2020 and 2019, all of the Group's revenues were from contracts with customers and were recognised at a point in time.

**(a) Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group**

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Customer A | **44,042** | 76,429 |
| Customer B | **43,441** | 54,689 |
| Customer C | **42,292** | 165,186 |
| Customer D | **38,199** | 54,759 |

**(b) Segment revenue by customers' geographical location**

The Group's revenue by geographical location, which is determined by the delivery location, is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| United States ("**U.S.**") | **139,015** | 322,629 |
| United Kingdom | **48,398** | 106,780 |
| Ireland | **42,411** | 11,269 |
| Hong Kong | **16,610** | 29,533 |
| People's Republic of China ("**PRC**") | **9,881** | 16,596 |
| France | **113** | 7,546 |
| Others *(Note)* | **26,708** | 33,241 |
| | **283,136** | 527,594 |

*Note:* Others mainly include (i) European countries such as Estonia, Germany, Italy, Netherlands, Norway and Switzerland; and (ii) Australia, Belize, Canada, India, Korea, Mexico, New Zealand, Singapore and Taiwan.

**(c) Non-current assets by geographical location**

The total amounts of non-current assets, other than deferred tax assets, of the Group as at 30 June 2020 and 31 December 2019 are located in the following regions:

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **11,922** | 15,072 |
| PRC | **85,577** | 96,944 |
| | **97,499** | 112,016 |

## 5. OTHER GAINS/(LOSSES), NET AND OTHER INCOME

### (a) Other gains/(losses), net

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Loss on disposal of properties, plant and equipment | **(263)** | (1,423) |
| Exchange gains/(losses) | **929** | (1,225) |
| | **666** | (2,648) |

### (b) Other income

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Government grants | **129** | 1,177 |

## 6. FINANCE COSTS, NET

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Interest income on bank deposits | **(721)** | (35) |
| Finance income | **(721)** | (35) |
| Interest expenses on bank borrowings | **5,444** | 7,673 |
| Interest expenses on lease liabilities | **1,513** | 1,897 |
| Finance costs | **6,957** | 9,570 |
| Finance costs, net | **6,236** | 9,535 |

## 7. INCOME TAX (CREDIT)/EXPENSE

During the six months ended 30 June 2019 and 2020, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

During the six months ended 30 June 2019, the Group's subsidiary in the PRC was subject to corporate income tax ("**CIT**") at a standard rate of 25%. No provision for CIT has been recognised for the six months ended 30 June 2020 as the subsidiary has no assessable profit.

During the six months ended 30 June 2019 and 2020, no overseas profits tax has been calculated as the Group did not have income assessable to income tax in the Cayman Islands or the British Virgin Islands.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Current income tax expense | **992** | 5,335 |
| Deferred income tax credit | **(3,905)** | (122) |
| Income tax (credit)/expense | **(2,913)** | 5,213 |

## 8. DIVIDENDS

During the six months ended 30 June 2019, interim dividend payable to the then immediate holding company amounting to HK$54,000,000 was settled by way of offsetting the amount due from the then immediate holding company.

During the six months ended 30 June 2020, final dividend for the year ended 31 December 2019 of HK$0.01 per ordinary share amounting to a total of HK$20,000,000 was approved and paid.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020.

## 9. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

In determining the weighted average number of ordinary shares deemed to be in issue during the period ended 30 June 2019, 1,500,000,000 ordinary shares, after taking into account the capitalisation issue that took place on 10 January 2020 and the issue of shares pursuant to the reorganisation, were deemed to have been issued since 1 January 2019. Details of these events were stated in the 2019 financial statements.

The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue which took place on 10 January 2020.

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Unaudited) |
| (Loss)/profit for the period attributable to equity holders of the Company *(HK$'000)* (2019: Audited) | **(22,425)** | 18,449 |
| Weighted average number of ordinary shares in issue *('000)* | **1,975,275** | 1,500,000 |
| Basic and diluted (loss)/earnings per share *(HK cents)* | **(1.1)** | 1.2 |

There was no difference between the basic and diluted (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding throughout both periods.

## 10. TRADE RECEIVABLES

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **170,399** | 204,931 |
| Less: provision for impairment of trade receivables | **–** | (1,556) |
| | **170,399** | 203,375 |

As at 30 June 2020 and 31 December 2019, the carrying amounts of trade receivables approximated their fair values.

The Group's sales are made on credit terms ranging from 15 to 120 days.

As at 30 June 2020 and 31 December 2019, the aging analysis of trade receivables, net of impairment, based on invoice date, were as follows:

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **87,030** | 100,298 |
| 31 to 60 days | **40,770** | 41,829 |
| 61 to 90 days | **17,474** | 28,782 |
| 91 to 180 days | **10,035** | 26,096 |
| 181 to 365 days | **13,624** | 3,360 |
| Over 365 days | **1,466** | 3,010 |
| | **170,399** | 203,375 |

## 11. TRADE PAYABLES

As at 30 June 2020 and 31 December 2019, the aging analysis of trade payables, based on invoice date, were as follows:

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **56,142** | 49,588 |
| 31 to 60 days | **35,709** | 32,243 |
| 61 to 90 days | **18,974** | 16,420 |
| 91 to 180 days | **9,761** | 9,875 |
| 181 to 365 days | **164** | 984 |
| Over 365 days | **4,152** | 4,254 |
| | **124,902** | 113,364 |

## 12. BANK BORROWINGS

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| **Non-current portion** | | |
| Bank loans | | |
| – 1 to 2 years | **–** | 28,500 |
| – 2 to 5 years | **–** | 16,500 |
| | **–** | 45,000 |
| **Current portion** | | |
| Bank loans | | |
| – within 1 year | **–** | 6,000 |
| – repayable on demand | **269,409** | 215,593 |
| | **269,409** | 221,593 |
| | **269,409** | 266,593 |

The borrowings were repayable, without taking into account the repayable on demand clauses, as follows:

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Within 1 year | **244,909** | 221,593 |
| Between 1 and 2 years | **11,000** | 28,500 |
| Between 2 and 5 years | **13,500** | 16,500 |
| | **269,409** | 266,593 |

## 13. SHARE CAPITAL

| | Number of shares *'000* | Nominal value *HK$'000* |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| At 15 January 2019 (date of incorporation) | – | – |
| Issuance of shares | 1,000 | 10 |
| At 31 December 2019 and 1 January 2020 (Audited) | 1,000 | 10 |
| Capitalisation issue *(Note 1)* | 1,499,000 | 14,990 |
| Issuance of shares upon listing *(Note 2)* | 500,000 | 5,000 |
| At 30 June 2020 (Unaudited) | 2,000,000 | 20,000 |

*Notes:*

1. Pursuant to the written resolution passed by the shareholders on 10 December 2019, a total of 1,499,000,000 shares of HK$0.01 each were allotted and issued at par value to the shareholders as of 10 January 2020 on a pro rata basis by way of capitalisation of HK$14,990,000 from the Company's share premium account on the Listing Date.

2. On 10 January 2020, pursuant to the Global Offering, the Company issued a total of 500,000,000 ordinary shares at a price of HK$0.25 per share for a total gross proceed (before related share issuance costs) of HK$125,000,000.

## 14. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is no material subsequent event after the reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

As mentioned in the Company's profit warning announcement dated 8 July 2020, the Group experienced a material decrease in revenue for first half of 2020, largely due to the unprecedented Novel Coronavirus ("**COVID-19**") pandemic, which affected many countries such as the PRC, the U.S., the United Kingdom, the European Union and other major countries of the world, where our major customers and suppliers are located. These countries have adopted measures such as closure of external borders, prohibition of non-essential travelling and other preventive policies and consequently, the daily operations of some of our customers and suppliers have been adversely affected and in turn led to (i) postponement of delivery of some of our products; (ii) further extension in materials lead time; and (iii) disruptions in our logistics and supply chain. Moreover, the global economic slowdown has also adversely affected demand for our products.

The Group's revenue was HK$283.1 million for first half of 2020, reflecting a decrease of HK$244.5 million, or 46.3% as compared to the same period last year. For first half of 2020, our products were shipped to over 20 (first half of 2019: 19) countries and regions, and the U.S. continued to be our largest market, which contributed HK$139.0 million (first half of 2019: HK$322.6 million), or 49.1% (first half of 2019: 61.1%) of our total revenue. During the same period, sales to the United Kingdom and Ireland contributed HK$48.4 million (first half of 2019: HK$106.8 million), or 17.1% (first half of 2019: 20.2%) and HK$42.4 million (first half of 2019: HK$11.3 million), or 15.0% (first half of 2019: 2.1%) of our total revenue, respectively. The significant increase in sales to Ireland was mainly due to the change of distribution strategy of one of our major customers from other European countries to Ireland. Hong Kong, France, the PRC and other countries and regions together contributed HK$53.3 million (first half of 2019: HK$86.9 million), or 18.8% (first half of 2019: 16.6%) of our total revenue.

### Revenue

The Group recorded revenue of HK$283.1 million for first half of 2020, reflecting a decrease of HK$244.5 million, or 46.3% as compared to revenue of HK$527.6 million for first half of 2019. The decrease was mainly due to the impacts from the COVID-19 pandemic as disclosed above.

### Cost of sales

Cost of sales decreased by HK$166.0 million, or 41.0% from HK$404.9 million for first half of 2019 to HK$238.9 million for first half of 2020. Our cost of sales mainly comprised of costs of materials, labour costs and factory overhead. The overall decrease in the amount was generally in line with the drop in revenue during the first half of 2020.

**Gross profit and gross profit margin**

Gross profit decreased by HK$78.5 million, or 63.9% from HK$122.7 million for first half of 2019 to HK$44.2 million for first half of 2020 while the gross profit margin decreased from 23.3% for first half of 2019 to 15.6% for first half of 2020. The decrease in gross profit and gross profit margin were mainly due to the drop in revenue as a result of the COVID-19 pandemic while the drop in our factory overhead was not significant due to the majority being fixed costs in nature.

**Selling and distribution expenses**

Selling and distribution expenses decreased by HK$12.5 million, or 37.9% from HK$33.0 million for first half of 2019 to HK$20.5 million for first half of 2020. The decrease was primarily due to the decrease in sales commission expenses and freight and custom declarations expenses, which were generally in line with the drop in revenue.

**Administrative expenses**

Administrative expenses decreased by HK$11.3 million, or 20.5% from HK$55.0 million for first half of 2019 to HK$43.7 million for first half of 2020. The decrease was primarily due to the absence of listing expenses in first half of 2020 (first half of 2019: HK$9.0 million) and decrease in employee benefit costs and other administrative expenses attributable to our cost control measures in response to the COVID-19 pandemic, such as the implementation of up to 30% reduction in the remuneration of our executive Directors and senior management for a period of three months from April 2020 to June 2020.

**Finance costs, net**

Net finance costs decreased by HK$3.3 million, or 34.7% from HK$9.5 million to HK$6.2 million. The decrease was mainly due to the combined effect of (i) the decrease in interest expenses on bank borrowings of HK$2.2 million; (ii) the decrease in interest expenses on lease liabilities of HK$0.4 million; and (iii) the increase in interest income of HK$0.7 million.

**Income tax credit/(expense)**

Income tax credit for first half of 2020 was HK$2.9 million primarily due to the deferred tax credit of HK$3.9 million from tax losses. Our effective tax rate for first half of 2019 was 22.0%. After excluding the listing expenses of HK$9.0 million recognised in administrative expenses, which are not tax deductible, our effective tax rate for first half of 2019 became 16.0%.

### Loss for the period

As a result of the foregoing, loss for first half of 2020 was HK$22.4 million (first half of 2019: profit of HK$18.4 million).

## PROSPECTS

The unprecedented COVID-19 pandemic has spread in many countries and our customers and suppliers are impacted by different stages of lockdown. In addition, the increase in the trade tensions between the U.S. and the PRC led to the slowdown of global economy and has adversely affected the demand for our products. Despite the business outlook for the second half of 2020 remains challenging and the future development of the COVID-19 pandemic remains uncertain, the management expects there will be reasonable recovery in the second half of 2020.

As an established electronics manufacturing services ("**EMS**") provider that offers full turnkey solutions to our customers, we will continue our efforts in developing and exploring new product applications and segments, such as healthcare and medical products and internet-of-things ("**IoT**") connected devices for industrial and commercial applications. We expect to kick-off new product introduction process in the second half of 2020 with initial shipment in 2021.

As stated in our annual results announcement dated 27 March 2020, we intend to set up a production facility in South East Asia region (the "**New Asia Plant**") with potential joint venture partner to expand our production capacity outside of the PRC. Due to the lockdown and disruptions caused by the COVID-19 pandemic, the negotiation process has slowed down and the set-up of the New Asia Plant will be deferred to the second half of 2020 and we expect the New Asia Plant will commence operations in the first half of 2021. This timeline will be dependent on a number of factors, such as the negotiation progress with the potential joint venture partner and possible disruptions in business and operations due to the COVID-19 pandemic.

The Group will continue to exercise stringent cost controls and resources management, assess the risks and uncertainties relating to the COVID-19 pandemic, closely monitor the changes to market demand and actively mitigate such risks and challenges to be brought to the operations of the Group. Despite the challenging business environment and uncertainties in the global economy, the Group will continue to maintain close relationship with our customers, suppliers and business partners and to intensify our sales and marketing efforts to major consumer EMS industry players in North America, Europe and the PRC.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its liquidity and capital requirements primarily through a combination of internally generated funds from its operating activities and bank borrowings. As at 30 June 2020, the Group's bank borrowings were HK$269.4 million (31 December 2019: HK$266.6 million), representing a slight increase of HK$2.8 million or 1.1%. The Group's total net debt decreased by HK$68.4 million, or 53.4% from HK$128.0 million as at 31 December 2019 to HK$59.6 million as at 30 June 2020. Such decrease was primarily due to the significant increase in cash and cash equivalents by HK$71.2 million or 51.4% from HK$138.6 million as at 31 December 2019 to HK$209.8 million as at 30 June 2020.

The Group's total equity increased from HK$52.2 million as at 31 December 2019 to HK$109.8 million as at 30 June 2020. As a result, the Group's net gearing ratio decreased from 245.2% as at 31 December 2019 to 54.3% as at 30 June 2020.

Net gearing ratio is calculated as total borrowings net of cash and cash equivalents divided by total equity and multiplied by 100%.

The Group has adequate liquidity to meet its current and future working capital requirements.

## CAPITAL EXPENDITURES AND COMMITMENTS

For the six months ended 30 June 2020, the Group incurred total capital expenditures of HK$3.9 million for additions of properties, plant and equipment and intangible assets. As at 30 June 2020, the Group had capital commitments in relation to toolings and production equipment contracted but not provided for in the amount of HK$3.7 million.

## CONTINGENT LIABILITIES

As at 30 June 2020, to the best knowledge of the Board, the Group was not involved in any legal proceeding pending or, threatened against our Group which could have a material adverse effect on the Group's business or operations. Besides, the Group did not have any significant contingent liabilities as at 30 June 2020.

## CHARGES ON ASSETS

As at 30 June 2020, the Group had certain bank deposits pledged to secure the Group's banking facilities in the amount of HK$10.0 million.

## FOREIGN EXCHANGE AND RISK MANAGEMENT

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising primarily with respect to the United States dollars ("**USD**") and Chinese Renminbi ("**RMB**"). Most of the Group's sales proceeds are received in USD and approximately 50% of the Group's purchases and operating expenses are denominated in RMB. The Group did not enter into any derivative instrument to hedge against its foreign exchange exposure during the six months ended 30 June 2020.

The Group closely monitors its overall foreign exchange exposure from time to time and will adopt a proactive but prudent approach to minimize the relevant exposures.

## INTERIM DIVIDEND

The Directors do not recommend to declare any interim dividend for the six months ended 30 June 2020.

## CAPITAL STRUCTURE

The shares of the Company were listed on the Main Board of the Stock Exchange on 10 January 2020. Since the issue of shares on the Listing Date, there has been no change in the issued share capital of the Company.

As at 30 June 2020, the Group's capital structure consists of bank borrowings and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

## EMPLOYEES

As at 30 June 2020, the Group employed approximately 1,100 (31 December 2019: 1,500) employees. The Group adopts a remuneration policy which is commensurate with job nature, qualification and experience of employees. In addition to the provision of annual bonuses and employee related insurance benefits, discretionary bonuses are also rewarded to employees based on individual performance. The remuneration packages and policies are reviewed periodically. The Group also provides in-house and external training programs to its employees. The emoluments of the Directors are decided by the Board and the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

The Group has also adopted a share option scheme on 10 December 2019 for the purpose of providing incentives to eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to the Group.

## USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 10 January 2020 by way of Global Offering and the net proceeds raised from the Global Offering, after deducting the underwriting fees and other related listing expenses, amounted to approximately HK$74.0 million. As of the date of this announcement, the Company does not anticipate any change on its plan on the use of proceeds as stated in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 27 December 2019.

As at 30 June 2020, the net proceeds had been utilised as follows:

| **Intended use of proceeds** | **Proposed use of proceeds**<br>*HK$ million* | **Utilised**<br>*HK$ million* | **Unutilised**<br>*HK$ million* |
|---|---|---|---|
| Increasing production capacity by expanding manufacturing platform in South East Asia region and the PRC | 26.1 | – | 26.1 |
| Enhancing production efficiency and capability by acquiring new machinery and equipment and upgrading the production facility at our existing production plant in Dongguan | 19.4 | – | 19.4 |
| Strengthening research capability for the development and provision of IoT related solutions | 4.0 | – | 4.0 |
| Increasing marketing efforts in North America and Europe | 4.3 | – | 4.3 |
| Enhancing manufacturing execution system and information technology infrastructure | 2.5 | (0.2) | 2.3 |
| Repayment of a capital expenditure bank loan | 10.8 | – | 10.8 |
| Our general working capital | 6.9 | (6.9) | – |
| | 74.0 | (7.1) | 66.9 |

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 30 June 2020.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company had complied with all the applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules throughout the period from the Listing Date to 30 June 2020.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by the Directors in the securities of the Company and other matters covered by the Model Code.

Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required provisions set out in the Model Code throughout the period from the Listing Date to 30 June 2020.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Ms. Ling Imma Kit Sum (Chairlady of the Audit Committee), Mr. Lee Wa Lun Warren and Mr. Szeto Yuk Ting. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with the management including a review of the unaudited condensed consolidated financial statements and the interim results for the six months ended 30 June 2020.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's website at ***www.wiseally.com.hk*** and the Stock Exchange's website at ***www.hkexnews.hk***. The 2020 interim report will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

By Order of the Board
**Wise Ally International Holdings Limited**
**Chu Wai Hang Raymond**
*Chairman and Executive Director*

Hong Kong, 28 August 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Chu Wai Hang Raymond, Mr. Tsang Ming Chit Stanley and Mr. Chan Chi Ming; and the independent non-executive directors of the Company are Ms. Ling Imma Kit Sum, Mr. Lee Wa Lun Warren and Mr. Szeto Yuk Ting.*