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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

HIGHLIGHTS

	For the year ended 31 December		
	2020	2019	
	HK\$'000	HK\$'000	Changes
Revenue	819,503	980,844	-16.4%
Gross profit	156,892	226,191	-30.6%
Gross profit margin	19.1%	23.1%	-400 bps
Operating profit	14,692	63,253	-76.8%
Profit for the year attributable to equity holders of the Company	1,451	33,390	-95.7%
Basic and diluted earnings per share	0.07 HK cent	2.23 HK cents	-96.9%

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Wise Ally International Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (“**FY2020**”) together with the comparative figures for the year ended 31 December 2019 (“**FY2019**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	3	819,503	980,844
Cost of sales		(662,611)	(754,653)
Gross profit		156,892	226,191
Other losses, net	4	(9,829)	(1,769)
Other income	4	4,800	6,850
Selling and distribution expenses		(48,241)	(59,951)
Administrative expenses		(87,474)	(108,068)
Impairment losses on financial assets		(1,456)	–
Operating profit		14,692	63,253
Finance income		783	69
Finance costs		(11,980)	(19,362)
Finance costs, net		(11,197)	(19,293)
Profit before income tax		3,495	43,960
Income tax expense	5	(2,044)	(10,570)
Profit for the year attributable to equity holders of the Company		1,451	33,390
Other comprehensive income/(losses):			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		3,749	(1,982)
<i>Item that will not be subsequently reclassified to profit or loss</i>			
Actuarial gain on long service payment scheme		5	30
Total other comprehensive income/(losses) for the year		3,754	(1,952)
Total comprehensive income for the year attributable to equity holders of the Company		5,205	31,438
Earnings per share attributable to equity holders of the Company			
Basic and diluted (<i>HK cents</i>)	6	0.07	2.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Properties, plant and equipment		92,740	103,909
Intangible assets		2,460	3,438
Deposits and prepayments		8,249	4,669
Deferred tax assets		5,068	5,078
		108,517	117,094
Current assets			
Inventories		135,954	126,878
Trade receivables	8	255,800	203,375
Prepayments, deposits and other receivables		10,919	12,790
Amounts due from related companies		–	2,932
Pledged bank deposits		–	10,000
Cash and cash equivalents		234,376	138,623
		637,049	494,598
Total assets		745,566	611,692
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	11	20,000	10
Reserves		117,705	52,145
Total equity		137,705	52,155

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Long service payment scheme		25	30
Bank borrowings	<i>10</i>	–	45,000
Deferred government grants		170	428
Deferred tax liabilities		1,164	–
Lease liabilities		24,489	34,737
		<hr/> 25,848	<hr/> 80,195
Current liabilities			
Trade payables	<i>9</i>	180,228	113,364
Contract liabilities, other payables and accruals		102,495	87,708
Deferred government grants		1,033	1,149
Lease liabilities		14,296	13,214
Bills payables		20,328	30,399
Bank borrowings	<i>10</i>	261,456	221,593
Amount due to a related company		126	–
Current income tax liabilities		2,051	11,915
		<hr/> 582,013	<hr/> 479,342
Total liabilities		<hr/> 607,861	<hr/> 559,537
Total equity and liabilities		<hr/> 745,566	<hr/> 611,692

NOTES:

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 and Mr. Chu Wai Hang Raymond (collectively, the “**Controlling Shareholders**”) who have been controlling the group companies since their incorporation.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 January 2020 (the “**Listing Date**”).

The consolidated financial statements are presented in thousands of Hong Kong Dollar (“**HK\$’000**”), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the directors of the Company to exercise their judgement in the process of applying the Group’s accounting policies.

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period beginning 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform – Phase 1
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amended standards did not have any significant impact on the Group’s accounting policies and did not require retrospective adjustments.

(b) New and amended standards issued but not yet adopted by the Group

The following new and amended standards have been issued but are not effective for the Group's financial periods beginning 1 January 2020 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
Amendments to HKFRS 16	COVID-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvement Project	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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.

3. 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 years ended 31 December 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**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	<u>154,134</u>	<u>273,967</u>
Customer B	<u>138,572</u>	<u>N/A*</u>
Customer C	<u>N/A*</u>	<u>156,327</u>
Customer D	<u>87,601</u>	<u>113,095</u>

* The corresponding customers did not contribute over 10% of the total revenue of the Group for the denoted years.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
United States ("U.S.")	439,680	565,412
United Kingdom ("U.K.")	96,706	207,606
Ireland	71,517	35,762
Philippines	59,412	–
People's Republic of China ("PRC")	33,292	24,904
Hong Kong	20,812	55,061
Others (<i>Note</i>)	<u>98,084</u>	<u>92,099</u>
	<u>819,503</u>	<u>980,844</u>

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

(c) **Details of contract liabilities**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract liabilities (<i>Notes</i>)	<u>22,257</u>	<u>–</u>

Notes:

- (i) Contract liabilities represent advanced payments received from the customers for goods of which their controls have not yet been transferred to the customers.

(ii) Unsatisfied performance obligation

As at 31 December 2020, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations were not disclosed.

(d) Non-current assets by geographical location

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong	11,219	15,072
PRC	92,230	96,944
	<u>103,449</u>	<u>112,016</u>

4. OTHER LOSSES, NET AND OTHER INCOME

(a) Other losses, net

	2020 HK\$'000	2019 HK\$'000
Losses on disposal of properties, plant and equipment	(731)	(2,291)
Exchange (losses)/gains	(9,100)	522
Gain on lease modification	2	–
	<u>(9,829)</u>	<u>(1,769)</u>

(b) Other income

	2020 HK\$'000	2019 HK\$'000
Government grants	4,800	1,348
Other (Note)	–	5,502
	<u>4,800</u>	<u>6,850</u>

Note: During the year ended 31 December 2019, due to the termination of business relationship with a former customer, the Group received compensation amounting to HK\$5,502,000, primarily for handling of certain excess materials and the cross-border transfer of certain product equipment previously consigned in the Group's premises.

5. INCOME TAX EXPENSE

During the year ended 31 December 2020, the Group's subsidiary in Hong Kong has no assessable profit under Hong Kong profits tax. During the year ended 31 December 2019, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

During the years ended 31 December 2020 and 2019, the Group's subsidiary in the PRC is subject to corporate income tax ("CIT") at a standard rate of 25%.

During the year ended 31 December 2020, a 5% withholding tax was levied on dividend declared by the Company in the PRC to its foreign shareholder.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
– PRC CIT	–	4,201
– Hong Kong profits tax	–	6,151
	–	10,352
Under/(over)-provision in prior year		
– PRC CIT	30	–
– Hong Kong profits tax	(193)	(623)
	(163)	(623)
Total current income tax	(163)	9,729
Deferred income tax	2,207	841
Income tax expense	2,044	10,570

6. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

In determining the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2020 and 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.

	Year ended 31 December 2020	2019
Profit for the year attributable to equity holders of the Company (<i>HK\$'000</i>)	1,451	33,390
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,987,705	1,500,000
Basic and diluted earnings per share (<i>HK cents</i>)	0.07	2.23

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the year.

7. DIVIDENDS

During the year ended 31 December 2019, interim dividend payable to the then immediate holding company amounting to HK\$104,000,000 was settled by way of offsetting the amount due from the then immediate holding company.

At the board meeting held on 27 March 2020, the Directors recommended the payment of a final dividend of HK\$0.01 per ordinary share for the year ended 31 December 2019, amounting to a total of HK\$20,000,000. The dividends were paid during the year ended 31 December 2020.

The directors of the Company do not recommend the payment of an interim dividend for the year ended 31 December 2020.

At the board meeting held on 29 March 2021, the Directors recommended the payment of a final dividend of HK\$0.005 per ordinary share for the year ended 31 December 2020, amounting to a total of HK\$10,000,000. The final dividend was not reflected as dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021 after receiving shareholders' approval at the forthcoming annual general meeting.

8. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	257,256	204,931
Less: provision for impairment of trade receivables	<u>(1,456)</u>	<u>(1,556)</u>
	<u>255,800</u>	<u>203,375</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 90 days	241,248	170,909
91 to 365 days	12,107	29,456
Over 365 days	<u>2,445</u>	<u>3,010</u>
	<u>255,800</u>	<u>203,375</u>

Movements of the provision for impairment of trade receivables were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of the year	1,556	1,556
Provision for impairment of trade receivables on an individual basis	1,304	–
Provision for impairment of trade receivables on a collective basis	152	–
Written-off	(1,556)	–
	<u>1,456</u>	<u>1,556</u>
At end of the year	<u>1,456</u>	<u>1,556</u>

9. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 90 days	168,145	98,251
91 to 365 days	7,994	10,859
Over 365 days	4,089	4,254
	<u>180,228</u>	<u>113,364</u>

10. BANK BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current portion		
– 1 to 2 years	–	28,500
– 2 to 5 years	–	16,500
	–	45,000
Current portion		
– within 1 year	–	6,000
– repayable on demand	261,456	215,593
	<u>261,456</u>	<u>221,593</u>
	<u>261,456</u>	<u>266,593</u>

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

	2020 HK\$'000	2019 HK\$'000
Within 1 year	244,956	221,593
Between 1 and 2 years	6,000	28,500
Between 2 and 5 years	10,500	16,500
	<u>261,456</u>	<u>266,593</u>

11. 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
	<u>1,000</u>	<u>10</u>
At 31 December 2019 and 1 January 2020	1,000	10
Capitalisation issue (<i>Note a</i>)	1,499,000	14,990
Issuance of shares upon listing (<i>Note b</i>)	500,000	5,000
	<u>2,000,000</u>	<u>20,000</u>
At 31 December 2020	2,000,000	20,000

Notes:

- (a) Pursuant to the written resolution passed by the shareholders of the Company 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 of the Company 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.
- (b) On 10 January 2020, pursuant to the Hong Kong public offering and international placing (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 proceeds (before related share issuance costs) of HK\$125,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The unprecedented Novel Coronavirus (“**COVID-19**”) pandemic has spread in many countries, where our major customers and suppliers are located, and has adversely affected the global economy. In addition, the intense trade tensions between the U.S. and the PRC have continued to affect the market demand for our products. As mentioned in the Company’s 2020 interim report, the combined impact of these factors has adversely affected the Group’s financial performance in the first half of FY2020. The Group’s revenue was HK\$283.1 million and the Group suffered from a loss of HK\$22.4 million for the first half of FY2020. Amid the challenges and difficult operating conditions, there were signs of reasonable recovery and the Group experienced rebound in orders from some of our major customers in the second half of FY2020. With our resilient manufacturing capabilities and our efforts in overcoming the challenges, we achieved revenue of HK\$536.4 million and profit of HK\$23.9 million in the second half of FY2020. As a result, the Group recorded a total revenue of HK\$819.5 million for FY2020, reflecting a decrease of HK\$161.3 million or 16.4% as compared to revenue of HK\$980.8 million for FY2019, despite the adverse impacts from the COVID-19 pandemic.

PROSPECTS

In the past few months, the new variants of COVID-19 have spread quickly and resulted in new lockdown measures in the U.S., the U.K. and other major countries where our customers and suppliers are located. While the deployment of vaccines may keep the virus under control, it is likely that the global economy and operating conditions will remain challenging and full of uncertainties in 2021. It may need some time before the global economy and business activities to resume to pre-pandemic levels.

We continued our efforts in developing and exploring new product applications and segments, such as Internet of Things (“**IoT**”) connected devices for industrial and commercial applications and healthcare products and medical products used for rapid infectious disease testing. Some of these products are in the final stage of the new product introduction and obtaining regulatory approvals, where appropriate. We expect these products would commence mass production and initial shipment in 2021.

As stated in our 2020 interim report, we intended to set up a production facility in the South East Asia region (the “**New Asia Plant**”) with a potential joint venture partner to expand our manufacturing capability outside the PRC. The negotiation process of setting up the New Asia Plant was slow and certain preparation work was affected by the border controls and new lockdowns measures caused by the COVID-19 pandemic. Subject to the negotiation progress with the potential joint venture partner and possible further disruptions due to the COVID-19 pandemic, we expect to finalize the negotiation and commence the setup of the New Asia Plant in the first half of 2021 and to commence operations by the second half of 2021. As at the date of this announcement, no legally-binding agreement was entered into for the set-up of the New Asia Plant.

The year of 2021 will be challenging as it takes time for the global economy and business activities to gradually adjust to the new normal. Also, the business and operating environment will continue to be full of challenges and uncertainties, mainly due to fluctuations in Renminbi, disruptions in supply chain and logistics, and surge in materials and commodity prices. Having said that, with our extensive industry experience, strong technical knowledge and resilient manufacturing capabilities along with strong relationship with our customers and suppliers, we are confident that we could tackle the uncertainties and continue to provide quality services and products to our customers and maximize our values to our shareholders.

FINANCIAL REVIEW

The Group recorded revenue of HK\$819.5 million for FY2020 (FY2019: HK\$980.8 million), reflecting a decrease of HK\$161.3 million, or 16.4%. Such decrease was mainly due to the adverse impacts from the COVID-19 pandemic as mentioned above.

For FY2020, our products were shipped to over 24 (FY2019: 21) countries and regions. The U.S. continued to be our largest market, which contributed to HK\$439.7 million (FY2019: HK\$565.4 million), or 53.7% (FY2019: 57.6%) of our total revenue. The decrease in sales to the U.S. was in line with the overall drop in the Group's sales due to the adverse impacts caused by the COVID-19 pandemic. The changes in sales mix to other major countries of the world were mainly the combined impact of the COVID-19 pandemic and change of distribution strategy from some of our major customers between countries.

Gross profit amounted to HK\$156.9 million (FY2019: HK\$226.2 million), representing a decrease of HK\$69.3 million, or 30.6%, while the gross profit margin decreased from 23.1% for FY2019 to 19.1% for FY2020. 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 and decrease in sales of products with higher margins while the drop in our factory overhead was not significant due to the majority being fixed costs in nature.

The selling and distribution and administrative expenses amounted to HK\$135.7 million (FY2019: HK\$168.0 million), reflecting a decrease of HK\$32.3 million or 19.2%. The decrease was primarily due to the absence of listing expenses in FY2020 (FY2019: HK\$17.3 million) and the decrease in employee benefit costs and other selling and distribution and administrative expenses attributable to our cost control measures in response to the COVID-19 pandemic.

Net finance costs decreased by HK\$8.1 million, or 42.0% from HK\$19.3 million for FY2019 to HK\$11.2 million for FY2020. The decrease was mainly due to the combined effects of (i) the decrease in interest expenses on bank borrowings of HK\$6.7 million; (ii) the decrease in interest expenses on lease liabilities of HK\$0.7 million; and (iii) the increase in interest income of HK\$0.7 million.

As a result of the foregoing, profit for the year attributable to equity holders of the Company for FY2020 amounted to HK\$1.5 million (FY2019: HK\$33.4 million). The decrease in profit for FY2020 was mainly attributable to the loss suffered in the first half of FY2020 as a result of the COVID-19 pandemic, which was offset by the profit attained in the second half of FY2020 when the global economy had been gradually adapting to the conditions of the COVID-19 pandemic.

DIVIDEND

The Board recommends the payment of a final dividend of HK\$10.0 million (2019: HK\$20.0 million), representing HK\$0.005 (2019: HK\$0.01) per ordinary share for the year ended 31 December 2020. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Tuesday, 1 June 2021 (the “**2021 AGM**”), the proposed final dividend is expected to be paid on or before Wednesday, 23 June 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 8 June 2021.

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 31 December 2020, the Group’s bank borrowings were HK\$261.5 million (31 December 2019: HK\$266.6 million) while the Group’s cash and cash equivalents were HK\$234.4 million (31 December 2019: HK\$138.6 million).

As at 31 December 2020, the Group’s total net borrowings amounted to HK\$27.1 million (31 December 2019: HK\$128.0 million) while its total equity amounted to HK\$137.7 million (31 December 2019: HK\$52.2 million), resulting in a net gearing ratio of 19.7% (31 December 2019: 245.2%). The 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

The Group incurred total capital expenditures of HK\$19.4 million during FY2020 (FY2019: HK\$19.4 million) for additions of properties, plant and equipment and intangible assets.

As at 31 December 2020, the Group had capital commitments in relation to the purchase of plant and machinery contracted but not provided for in the amount of HK\$4.9 million (31 December 2019: HK\$2.2 million).

CONTINGENT LIABILITIES

As at 31 December 2020, to the best knowledge of the Board, the Group was not involved in any legal proceedings pending or threatened against our Group which could have a material adverse effect on our business or operations. Besides, the Group did not have any significant contingent liabilities as at 31 December 2020.

CHARGES ON ASSETS

As at 31 December 2020, there was no charges over the assets of the Group while as at 31 December 2019, the Group had certain bank deposits pledged to secure the Group’s banking facilities in the amount of HK\$10.0 million.

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 year ended 31 December 2020.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, there was no significant investments held by the Group.

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 some of the Group’s purchases and operating expenses are denominated in RMB. 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.

The Group did not enter into any derivative instruments to hedge against its foreign exchange exposure during the year ended 31 December 2020.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is no significant events occurring after the end of the reporting period.

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 the shares on the Listing Date, there has been no change in the issued share capital of the Company.

As at 31 December 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. There was no material change in capital structure of the Group during the year.

EMPLOYEES

As at 31 December 2020, the Group employed approximately 1,500 (31 December 2019: 1,500) employees in Hong Kong and the PRC. Total staff costs for FY2020 amounted to HK\$160.8 million (FY2019: HK\$195.4 million). 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 executive Directors agreed to waive 30% of their emoluments for a period of three months from April 2020 to June 2020.

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.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021, both dates inclusive, during which period no transfer of share(s) will be registered. In order to be eligible to attend and vote at the 2021 AGM, unregistered holder(s) of share(s) of the Company shall ensure that all transfer document(s) accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 26 May 2021.

For determining the entitlement to the proposed final dividend (subject to the approval by the shareholders of the Company at the 2021 AGM), the register of members of the Company will be closed from Monday, 7 June 2021 to Tuesday, 8 June 2021, both days inclusive, during which period no transfer of share(s) of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holder(s) of share(s) of the Company should ensure that all transfer document(s) accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 4 June 2021.

USE OF PROCEEDS

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 31 December 2020, the net proceeds had been utilised and unutilised as follows:

Intended use of proceeds	Proposed use of proceeds <i>HK\$ million</i>	Utilised <i>HK\$ million</i>	Unutilised <i>HK\$ million</i>	Expected timeline of full utilisation of the unutilised proceeds
Increasing production capacity by expanding manufacturing platform in South East Asia region and the PRC	26.1	–	26.1	By the end of 2023 (<i>Note 1</i>)
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	By the end of 2023 (<i>Note 1</i>)
Strengthening research capability for the development and provision of IoT related solutions	4.0	(0.1)	3.9	By the end of 2022
Increasing marketing efforts in North America and Europe	4.3	–	4.3	By the end of 2022
Enhancing manufacturing execution system and information technology infrastructure	2.5	(0.4)	2.1	By the end of 2022
Repayment of a capital expenditure bank loan	10.8	(10.8)	–	
Our general working capital	6.9	(6.9)	–	
	<u>74.0</u>	<u>(18.2)</u>	<u>55.8</u>	

Note 1:

Due to the border controls, travel restrictions and disruptions in supply chain caused by the COVID-19 pandemic, the unutilised proceeds for these expansion plans and enhancement projects are expected to be utilised by the end of 2023.

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 and up to 31 December 2020.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the period from the Listing Date to 31 December 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 during the period from the Listing Date to 31 December 2020.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float from the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**"), comprising three independent non-executive Directors, namely Ms. Ling Imma Kit Sum (chairperson of Audit Committee), Mr. Lee Wa Lun Warren and Mr. Szeto Yuk Ting, has reviewed with the management and the Board the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Tuesday, 1 June 2021. A notice convening the 2021 AGM will be published and sent to the shareholders of the Company in due course. The notice of the 2021 AGM and the proxy form will also be available on the Company's website at www.wiseally.com.hk and the Stock Exchange's website at www.hkexnews.hk in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 annual 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, 29 March 2021

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.