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 2022

HIGHLIGHTS

	Six months ended 30 June		
	2022	2021	
	(Unaudited)	(Unaudited)	
	HK$'000	*HK$'000*	Changes
Revenue	**547,825**	421,320	30.0%
Gross profit	**73,513**	70,709	4.0%
Gross profit margin	**13.4%**	16.8%	(340 bps)
Operating profit/(loss)	**9,266**	(5,954)	N/A
Profit/(loss) for the period attributable to equity holders of the Company	**3,504**	(7,921)	N/A
Basic and diluted earnings/(loss) per share	**0.18 HK cent**	(0.40) HK cent	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 2022 together with the comparative figures for the six months ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
	Note	**2022 (Unaudited) *HK$'000***	2021 (Unaudited) *HK$'000*
Revenue	*4*	**547,825**	421,320
Cost of sales		**(474,312)**	(350,611)
Gross profit		**73,513**	70,709
Other gains/(losses), net	*5*	**3,412**	(7,644)
Other income	*5*	**3,179**	1,617
Selling and distribution expenses		**(20,167)**	(24,235)
Administrative expenses		**(50,671)**	(46,401)
Operating profit/(loss)		**9,266**	(5,954)
Finance income	*6*	**19**	20
Finance costs	*6*	**(4,081)**	(4,004)
Finance costs, net	*6*	**(4,062)**	(3,984)
Share of net loss of joint venture	*14*	**(37)**	–
Profit/(loss) before income tax		**5,167**	(9,938)
Income tax (expense)/credit	*7*	**(1,663)**	2,017
Profit/(loss) for the period attributable to equity holders of the Company		**3,504**	(7,921)
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(2,054)**	2,085
Total other comprehensive (loss)/income for the period		**(2,054)**	2,085
Total comprehensive income/(loss) for the period attributable to equity holders of the Company		**1,450**	(5,836)
Earnings/(loss) per share attributable to equity holders of the Company			
Basic and diluted *(HK cent)*	*9*	**0.18**	(0.40)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	**30 June 2022 (Unaudited) *HK$'000***	31 December 2021 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Properties, plant and equipment		**107,210**	90,433
Intangible assets		**633**	935
Deposits and prepayments		**1,708**	2,905
Investment in joint venture	*14*	**1,963**	–
Financial asset at fair value through profit or loss	*15*	**22,000**	–
Deferred tax assets		**3,977**	4,121
		137,491	98,394
Current assets			
Inventories		**304,067**	288,728
Trade receivables	*10*	**306,498**	275,183
Prepayments, deposits and other receivables		**23,234**	27,632
Cash and cash equivalents		**209,489**	207,272
		843,288	798,815
Total assets		**980,779**	897,209
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**20,000**	20,000
Reserves		**129,194**	132,744
Total equity		**149,194**	152,744

	Note	**30 June 2022 (Unaudited)** ***HK$'000***	31 December 2021 (Audited) *HK$'000*
LIABILITIES			
Non-current liabilities			
Long service payment scheme		**25**	25
Deferred government grants		**222**	132
Deferred tax liabilities		**3,855**	2,170
Lease liabilities		**34,406**	15,741
		38,508	18,068
Current liabilities			
Trade payables	*11*	**267,757**	233,494
Contract liabilities, other payables and accruals		**199,625**	200,896
Deferred government grants		**905**	1,171
Lease liabilities		**22,067**	17,158
Bills payables		**48,859**	15,680
Bank borrowings	*12*	**244,890**	249,900
Amount due to a related company		**551**	636
Current income tax liabilities		**7,406**	7,462
Derivative financial instruments	*13*	**1,017**	–
		793,077	726,397
Total liabilities		**831,585**	744,465
Total equity and liabilities		**980,779**	897,209

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 Hang Raymond ("**Mr. Raymond Chu**") and Mr. Chu Wai Cheong Wilson ("**Mr. Wilson Chu**") 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 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 2021 (the "**2021 financial statements**") except for the accounting policies of joint venture, financial asset at fair value through profit or loss and derivative financial instruments set out in Notes 3(c), 3(d) and 3(e) respectively. 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 2021 financial statements.

3. ADOPTION OF NEW AND REVISED STANDARDS AND AMENDMENTS

(a) Amended standards and accounting guideline adopted by the Group

The Group has adopted the following amended standards and accounting guideline for the first time for the current reporting period beginning 1 January 2022:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018 to 2020
Amendments to Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The amendment to standards and accounting guideline did not have material impact on the Group's accounting policies and did not require any adjustments.

(b) Impact of new and amended standards and interpretation issued but not yet adopted by the Group

The following new and amended standards and interpretation that are not effective for periods commencing on or after 1 January 2022 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	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 or amended standards and interpretation 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 new and amended standards and interpretation.

(c) Joint venture

Investment in joint venture

Under the equity method of accounting, investment in joint venture is accounted for using the equity method after initially being recognised at cost in the condensed consolidated statement of financial position and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint venture are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Financial asset at fair value through profit or loss

Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value through profit or loss, and those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(b) Recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

(ii) FVTPL

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss.

(d) *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

(e) Derivative financial instruments

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit or loss.

Derivative financial assets are classified as current assets if they are expected to be realised within 12 months after the balance sheet date. Derivative financial liabilities are classified as current liabilities if they are due to be settled within 12 months after the balance sheet date.

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 2022 and 2021, 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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**66,417**	76,842
Customer B	**65,442**	48,024
Customer C	**N/A***	43,051
Customer D	**N/A***	42,309

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

(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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
United States ("**U.S.**")	**192,448**	192,734
Ireland	**57,985**	53,824
United Kingdom	**53,780**	45,202
Philippines	**100,874**	39,391
People's Republic of China ("**PRC**")	**16,415**	16,844
Hong Kong	**13,801**	2,707
Switzerland	**23,433**	15,062
Mexico	**21,876**	2,564
Netherlands	**15,844**	10,850
Germany	**14,855**	9,387
Others *(Note)*	**36,514**	32,755
	547,825	421,320

Note: Others mainly include (i) European countries such as Norway, Italy, France and Estonia; and (ii) Thailand, Malaysia, Turkey, Taiwan, New Zealand, Australia, Canada, Israel, India and Singapore.

(c) Details of contract liabilities

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Contract liabilities *(Notes)*	**42,778**	61,161

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 30 June 2022, 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 financial instruments and deferred tax assets, of the Group as at 30 June 2022 and 31 December 2021 are located in the following regions:

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**14,574**	15,494
The PRC	**96,940**	78,779
	111,514	94,273

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

(a) Other gains/(losses), net

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gain/(loss) on disposal of properties, plant and equipment	**32**	(433)
Exchange gains/(losses)	**4,397**	(7,211)
Losses on derivative financial instruments	**(1,017)**	–
	3,412	(7,644)

(b) Other income

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Freight and rework charges	**1,984**	–
Government grants	**681**	1,476
Others	**514**	141
	3,179	1,617

6. FINANCE COSTS, NET

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income on bank deposits	**(19)**	(20)
Finance income	**(19)**	(20)
Interest expenses on bank borrowings	**2,678**	2,667
Interest expenses on lease liabilities	**1,403**	1,337
Finance costs	**4,081**	4,004
Finance costs, net	**4,062**	3,984

7. INCOME TAX (EXPENSE)/CREDIT

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department of Hong Kong from the year of assessment 2019/20 onwards, the first HK$2 million of assessable profits for the Group's subsidiary in Hong Kong under Hong Kong profits tax is subject to a tax rate of 8.25%. The remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%.

During the six months ended 30 June 2021 and 2022, the Group's subsidiary in the PRC is subject to corporate income tax ("**CIT**") at a standard rate of 25%.

5% withholding tax is levied on dividend declared by the Group's subsidiary in the PRC to its foreign shareholder. No dividend was declared during the six months ended 30 June 2021 or 2022.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax expense	**(1,684)**	(401)
Deferred income tax credit	**21**	2,418
Income tax (expense)/credit	**(1,663)**	2,017

8. DIVIDENDS

During the six months ended 30 June 2022, final dividend for the year ended 31 December 2021 of HK$0.0025 per ordinary share amounting to a total of HK$5,000,000 was approved and paid.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022.

9. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to equity holders of the Company *(HK$'000)*	**3,504**	(7,921)
Weighted average number of ordinary shares in issue *('000)*	**2,000,000**	2,000,000
Basic and diluted earnings/(loss) per share *(HK cent)*	**0.18**	(0.40)

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

10. TRADE RECEIVABLES

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**308,340**	277,025
Less: Provision for impairment of trade receivables	**(1,842)**	(1,842)
	306,498	275,183

As at 30 June 2022 and 31 December 2021, 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 2022 and 31 December 2021, the aging analysis of trade receivables, net of impairment, based on invoice date, were as follows:

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 to 90 days	**274,229**	240,049
91 to 365 days	**31,634**	33,871
Over 365 days	**635**	1,263
	306,498	275,183

11. TRADE PAYABLES

As at 30 June 2022 and 31 December 2021, the aging analysis of trade payables, based on invoice date, were as follows:

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 to 90 days	**228,303**	186,639
91 to 365 days	**37,690**	45,429
Over 365 days	**1,764**	1,426
	267,757	233,494

As at 30 June 2022 and 31 December 2021, the carrying amounts of trade payables approximated their fair values.

12. BANK BORROWINGS

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Bank borrowings – repayable on demand	**244,890**	249,900

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

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 year	**237,390**	239,400
Between 1 and 2 years	**6,000**	6,000
Between 2 and 5 years	**1,500**	4,500
	244,890	249,900

The bank borrowings were secured by a letter of undertaking from Mr. Raymond Chu, a director and Controlling Shareholder of the Company, and Mr. Wilson Chu, a Controlling Shareholder of the Company.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Forward foreign exchange contracts	**1,017**	–

At at 30 June 2022, the notional principal amounts of the outstanding contracts underlying the derivative financial liabilities were approximately RMB50,000,000 (equivalent to HK$58,570,000).

14. INVESTMENT IN JOINT VENTURE

On 22 March 2022, the subsidiary of the Company has completed the transaction to acquire 10% equity interests of Talentone Technology Limited ("**TTL**") at consideration of HK$2,000,000 and has joint control over this investment. As a consequence, the investment was classified as an investment in joint venture.

	30 June 2022
	(Unaudited)
	HK$'000
Movements in the investment in joint venture are as follows:	
At the date of acquisition on 22 March 2022	**2,000**
Share of net loss of joint venture	**(37)**
As at 30 June 2022	**1,963**

15. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Convertible Bonds ("**CB**"), at fair value, in Hong Kong	**22,000**	–

As disclosed in the announcements of the Company dated 28 January 2022, 8 February 2022 and 22 March 2022, further to the investment in joint venture (Note 14), the subsidiary of the Company has entered into a CB subscription agreement pursuant to CB subscription agreement, the subsidiary has conditionally agreed to subscribe for the CB issued by TTL with an aggregate principal amount of HK$44 million in two tranches. Subscription of the first tranche of CB in the principal amount of HK$22 million was completed on 22 March 2022.

The Company has a financial commitment to subscribe for the second tranche of CB in the principal amount of HK$22,000,000 in accordance with the terms and conditions of the relevant CB subscription agreement.

The Directors consider that it is appropriate to value CB as the financial assets at fair value through profit or loss.

16. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 5 August 2022 and the circular of the Company dated 29 August 2022, the Board proposed to implement a share consolidation on the basis that every twenty (20) issued and unissued existing shares of par value of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of par value of HK$0.2, which is subject to be approved at the upcoming extraordinary general meeting to be held on 14 September 2022. Subject to the share consolidation becoming effective, it was proposed that the board lot size for trading on the Stock Exchange be changed from 8,000 existing shares to 2,000 consolidated shares.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group recorded revenue of approximately HK$547.8 million for the first half of 2022 (first half of 2021: approximately HK$421.3 million), reflecting an increase of approximately HK$126.5 million, or approximately 30.0%. For the first half of 2022, our products were shipped to over 24 (first half of 2021: 24) countries and regions. The U.S. continued to be our largest market, which contributed to approximately HK$192.4 million (first half of 2021: approximately HK$192.7 million), or approximately 35.0% (first half of 2021: approximately 45.7%) of our total revenue. The increase of approximately 30.0% in revenue in the first half of 2022 as compared to the corresponding period in 2021 was mainly attributable to the gradual recovery of the global economy which contributed to an increase in orders from our major customers. However, our sales in the first half of 2022 were lower than that in the second half of 2021 because the growth of the revenue in the first half of 2022 was still adversely affected by the global supply chain and logistic disruptions and intensified shortages of semiconductors and other electronic components during the period. In addition, the lockdown and the power shortage in the PRC and other safety measures implemented in China had disrupted our production and affected our orders fulfilment during the period. Fierce competition in the market has led to an increase in trade receivables from HK$275.2 million as at 31 December 2021 to HK$306.5 million as at 30 June 2022. Key inventories are sourced in advance in anticipation of the ongoing supply chain issues, which results in increase in inventories from HK$288.7 million as at 31 December 2021 to HK$304.1 million as at 30 June 2022.

Gross profit amounted to approximately HK$73.5 million (first half of 2021: approximately HK$70.7 million), representing an increase of approximately HK$2.8 million, or approximately 4.0%, while the gross profit margin slightly decreased from 16.8% for the first half of 2021 to 13.4% for the first half of 2022. The increase in gross profit was mainly due to the higher revenue as compared to the same period last year. Despite an increase in the revenue for the period, the gross profit margin decreased for the period because such increase was largely offset by material price increase as well as increase in labor cost, land use right and logistic costs.

Selling, distribution and administrative expenses amounted to approximately HK$70.8 million (first half of 2021: approximately HK$70.6 million), reflecting a slight increase of approximately HK$0.2 million. The slight increase was primarily due to increase in staff-related costs of HK$3.2 million, increase in rent of HK$1.7 million, legal and professional fees of HK$1.6 million, increase in distribution and courier cost of HK$0.9 million and a donation of HK$0.5 million, offset by a drop in commission of HK$7.7 million.

Net finance costs increased mildly by approximately HK$0.1 million, or approximately 2.5% from approximately HK$4.0 million for the first half of 2021 to approximately HK$4.1 million for the first half of 2022. As the effect of increase in prevailing interest rate has been largely offset by decrease in outstanding principal of bank borrowings, the net increase is modest.

Exchange gains for the first half of 2022 amounted to approximately HK$4.4 million (first half of 2021: exchange losses of approximately HK$7.2 million). The increase in exchange gains was due to the appreciation of US dollars during the first half year of 2022 as most of the sales of the Group are conducted in US dollars.

As a result of the foregoing, profit for the period attributable to equity holders of the Company for the first half of 2022 amounted to approximately HK$3.5 million (first half of 2021: loss of approximately HK$7.9 million), representing an increase in profit as compared to the corresponding period in 2021.

PROSPECTS

What seemed to be a recovery of the global economy from the Novel Coronavirus ("**COVID-19**") in late 2021 was shattered by the emergence of the OMICRON variant. The disruption to the overall China manufacturing base is enormous and across-the-board. In the past few months, severe lockdowns, on top of continuing supply chain bottlenecks, increased our logistic costs as well as shipments to customers – while worldwide electronic components shortage remains unabated. The Russian-Ukraine War, and actions by the US Federal Reserve to curb rampant inflation, will add uncertainties for the remainder of 2022 and beyond. The consensus is it may take some time before the global economy and business can stabilize and return to normalcy.

To meet the aforesaid challenges head-on, the Group will aggressively enhance efficiency and capitalize on lower material prices in a downturn to mitigate potential retractions by customers. In this upcoming period, our strategy is to deploy our robust financial and human resources on building a diversified international customer base as sales channels for products developed in-house or jointly with other entities. By taking this path, we are confident to emerge even stronger and be able to ride fruitfully on the next expansionary business cycle.

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 2022, the Group's bank borrowings were approximately HK$244.9 million (31 December 2021: approximately HK$249.9 million) while the Group's cash and cash equivalents were approximately HK$209.5 million (31 December 2021: approximately HK$207.3 million).

As at 30 June 2022, the Group's total net borrowings amounted to approximately HK$35.4 million (31 December 2021: approximately HK$42.6 million) while its total equity amounted to approximately HK$149.2 million (31 December 2021: approximately HK$152.7 million), resulting in a net gearing ratio of 23.6% (31 December 2021: 27.9%). 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

For the six months ended 30 June 2022, the Group incurred total capital expenditures of HK$0.8 million for additions of properties, plant and equipment and intangible assets.

As at 30 June 2022, the Group had capital commitments in relation to the purchase of plant and machinery, and the convertible bonds contracted but not provided for in the amount of HK$3.0 million and HK$22.0 million, respectively.

CONTINGENT LIABILITIES

As at 30 June 2022, 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 2022 (as at 30 June 2021: nil).

CHARGES ON ASSETS

As at 30 June 2022, there was no charges over the assets of the Group (as at 30 June 2021: nil).

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 has entered into forward foreign exchange contracts of RMB50,000,000 (equivalent to HK$58,570,000) to minimise its foreign exchange exposure on RMB against USD during the six months ended 30 June 2022 as set out in note 13 to the consolidated financial information above.

INTERIM DIVIDEND

The Directors do not recommend to declare any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

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 2022, 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 six months ended 30 June 2022.

EVENT AFTER THE REPORTING PERIOD

On 5 August 2022, the Board proposed to implement a share consolidation (the "**Share Consolidation**") on the basis that every twenty (20) issued and unissued existing shares of par value of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of par value of HK$0.2 (the "**Consolidated Shares**"). On 5 August 2022, there were 2,000,000,000 existing shares in issue which were fully paid or credited as fully paid, upon the Share Consolidation becoming effective, there will be 100,000,000 Consolidated Shares in issue which are fully paid or credited as fully paid. On 5 August 2022, the existing shares were traded on the Stock Exchange in board lots of 8,000 existing shares. It was proposed that, subject to the Share Consolidation becoming effective, the board lot size for trading on the Stock Exchange be changed from 8,000 existing shares to 2,000 Consolidated Shares (the "**Change in Board Lot Size**"). The details of the Share Consolidation and the Change in Board Lot Size are set out in the circular of the Company dated 29 August 2022.

If the Share Consolidation is approved by the shareholders at the extraordinary general meeting of the Company to be held on 14 September 2022 ("**EGM**"), assuming no further shares will be allotted, issued or repurchased from the date of this announcement up to the date of the EGM, there will be 100,000,000 Consolidated Shares in issue, upon the Share Consolidation becoming effective.

Save as disclosed above and as at the date of this announcement, there were no other significant events after 30 June 2022 which have material effect on the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 28 January 2022 (after trading hours), Wise Ally Holdings Limited, a wholly owned subsidiary of the Company (as the subscriber) (the "**Subscriber**"), TTL (as the issuer and the warrantor) (the "**Target Company**") and the then existing shareholders of the Target Company (as the warrantors) have entered into a share subscription agreement (the "**Share Subscription Agreement**"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to issue, the subscription shares, representing 10% of the equity interest in the Target Company as enlarged by the subscription shares, for the consideration of HK$2 million (the "**Share Subscription**"). On the same date, the Subscriber, the Target Company (as the issuer and the warrantor) and then existing shareholders of the Target Company (as the warrantors) have also entered into the CB subscription agreement (the "**CB Subscription Agreement**", together with Share Subscription Agreement, the "**Subscription Agreements**"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to issue, the convertible bonds (the "**CB**") in the aggregate principal amount of HK$44 million in two tranches.

On 18 March 2022, the Target Company requested the Subscriber for consent to a variation of the conversion rights of the CB by amending certain terms and conditions of the CB (the "**Amendment**"). On 22 March 2022, the Subscriber consented to the Amendment in writing.

On 22 March 2022, the Share Subscription was completed in accordance with the terms and conditions of the Share Subscription Agreement. On the same date, the subscription of the first tranche of the CB in the principal amount of HK$22,000,000 was completed in accordance with the terms and conditions of the CB Subscription Agreement.

Details of the above transactions and the Subscription Agreements can be found in the announcements of the Company dated 28 January 2022, 8 February 2022 and 22 March 2022.

Save as disclosed above, the Group did not have any other significant investments, material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2022.

EMPLOYEES

As at 30 June 2022, the Group employed approximately 2,000 (31 December 2021: 1,300) employees in Hong Kong and the PRC. Total staff costs for the six months ended 30 June 2022 amounted to HK$110.7 million (31 December 2021: HK$191.4 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 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. No share option was granted during the six months ended 30 June 2022 and, as at 30 June 2022, there was no outstanding option granted under the scheme.

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 Hong Kong public offering and international placing (the "**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, save for the delay in the expected timeline for full utilisation of the unutilised proceeds which has been prolonged for the reasons set out below, the Company currently 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 (the "**Prospectus**") of the Company dated 27 December 2019.

As at 30 June 2022, the details of the utilised and unutilised net proceeds were as follows:

Intended use of proceeds	**Proposed use of proceeds** *HK$ million*	**Utilised** *HK$ million*	**Unutilised** *HK$ million*	**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 *(Note 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	(2.8)	16.6	By the end of 2023 *(Note 1)*
Strengthening research capability for the development and provision of Internet of Things related solutions	4.0	(0.1)	3.9	By the end of 2023 *(Note 2)*
Increasing marketing efforts in North America and Europe	4.3	–	4.3	By the end of 2023 *(Note 2)*
Enhancing manufacturing execution system and information technology infrastructure	2.5	(0.6)	1.9	By the end of 2023 *(Note 2)*
Repayment of a capital expenditure bank loan	10.8	(10.8)	–	
Our general working capital	6.9	(6.9)	–	
	74.0	(21.2)	52.8	

Notes:

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 completed as scheduled by the end of 2023.

2. Due to the followings reasons, the unutilised proceeds for these projects are expected to delay as against the expected timeline disclosed in the Company's 2021 annual results announcement:

   (i) In view of the outbreak of the COVID-19 pandemic still wreaks havoc everywhere, the Group requires more time to recruit and train research and development talents as it takes further time for the Group to identify suitable and qualified candidates to suit the relevant positions during the time of the COVID-19 pandemic. Besides, as a result of the pandemic, some of the IT projects have been suspended which affects the IT application and development solutions.

   (ii) In view of the uncertainty of the business environment and policy exercised by government authorities in different countries, the Group intends to exercise a prudent approach in investment and expansion of the Group's business. The business plan on marketing efforts in North America and Europe has been prolonged due to worldwide economy having not yet recovered and the uncertainty of the Russian-Ukraine War.

The expected timeline for utilizing the remaining proceeds is based on the best estimation of the present and future business environment made by the Board. The management will continue to assess the risk exposure arising from the outbreak of COVID-19 pandemic and the impact of the Russian-Ukraine War on the Group's operational and financial aspects as well as the planning for utilizing remaining proceeds.

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 six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Company had adopted and complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022 except for code provision C.2.1.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has deviated from this code provision as Mr. Raymond Chu has acted as both the Chairman and Chief Executive Officer of the Company since 30 September 2021.

Considering that Mr. Raymond Chu is the founder of the Group and possesses the expertise and extensive experience in the electronics manufacturing services industry conducive to the Company's development, coupled with Mr. Raymond Chu's responsibility in major decision-making concerning the Group's daily management and business, the Board believes that both the roles of Chairman and Chief Executive Officer being assumed by Mr. Raymond Chu can provide the Group with strong and consistent leadership and allow for effective development of long-term business strategies and efficient execution of business decisions and plans.

The Board also believes that the balance of authority is adequately ensured as the Board currently comprises three independent non-executive Directors who offer different independent perspectives. At the same time, all major decisions of the Company are made in consultation with members of the Board as well as the senior management. Therefore, the Board is of the view that the current organizational structure of the Company is in the interests of the Company and the shareholders of the Company as a whole, and there is adequate balance of power and safeguards in place. The Board will nevertheless review the organizational structure of the Company and composition of the Board from time to time in light of prevailing circumstances in order to maintain a high standard of corporate governance practices of the Company.

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 six months ended 30 June 2022.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Ms. Ling Imma Kit Sum (Chairperson 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 2022.

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 2022 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, Executive Director and Chief Executive Officer

Hong Kong, 30 August 2022

As at the date of this announcement, the executive directors of the Company are Mr. Chu Wai Hang Raymond, Mr. Chu Man Yin Arthur Newton and Mr. Lau Shui Fung; 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.