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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 2022**

**HIGHLIGHTS**

	<b>For the year ended 31 December</b>		
	<b>2022</b>	<b>2021</b>	<b>Changes</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Revenue	<b>1,335,549</b>	1,047,330	27.5%
Gross profit	<b>194,954</b>	194,262	0.4%
Gross profit margin	<b>14.6%</b>	18.5%	-390 bps
Operating profit	<b>32,107</b>	34,978	-8.2%
Profit for the year attributable to equity holders of the Company	<b>15,134</b>	20,120	-24.8%
Basic and diluted earnings per share	<b>15.1 HK cents</b>	20.1 HK cents (Restated)	-24.9%

## 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 2022 (“**FY2022**”) together with the comparative figures for the year ended 31 December 2021 (“**FY2021**”) as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	<b>1,335,549</b>	1,047,330
Cost of sales		<b>(1,140,595)</b>	(853,068)
<b>Gross profit</b>		<b>194,954</b>	194,262
Other losses, net	4	<b>(9,774)</b>	(14,743)
Other income	4	<b>3,288</b>	1,740
Selling and distribution expenses		<b>(52,247)</b>	(52,414)
Administrative expenses		<b>(97,573)</b>	(93,481)
Impairment losses on financial assets		<b>(6,541)</b>	(386)
<b>Operating profit</b>		<b>32,107</b>	34,978
Finance income		<b>725</b>	41
Finance costs		<b>(11,519)</b>	(7,571)
Finance costs, net		<b>(10,794)</b>	(7,530)
Share of loss of a joint venture		<b>(2,000)</b>	–
<b>Profit before income tax</b>		<b>19,313</b>	27,448
Income tax expense	5	<b>(4,179)</b>	(7,328)
<b>Profit for the year attributable to equity holders of the Company</b>		<b>15,134</b>	20,120
<b>Other comprehensive (loss)/income:</b> <i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<b>(6,843)</b>	4,919
<b>Total other comprehensive (loss)/income for the year</b>		<b>(6,843)</b>	4,919
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>		<b>8,291</b>	25,039
<b>Earnings per share attributable to equity holders of the Company</b>			(Restated)
Basic and diluted ( <i>HK cents</i> )	6	<b>15.1</b>	20.1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties, plant and equipment		<b>88,927</b>	90,433
Intangible assets		<b>700</b>	935
Deposits and prepayments		<b>5,569</b>	2,905
Investment in a joint venture		–	–
Financial asset at fair value through profit or loss		<b>9,094</b>	–
Deferred tax assets		<b>6,453</b>	4,121
		<u><b>110,743</b></u>	<u>98,394</u>
<b>Current assets</b>			
Inventories		<b>227,846</b>	288,728
Trade receivables	8	<b>368,267</b>	275,183
Prepayments, deposits and other receivables		<b>28,467</b>	27,632
Bank deposits		<b>32,370</b>	–
Cash and cash equivalents		<b>209,823</b>	207,272
		<u><b>866,773</b></u>	<u>798,815</u>
<b>Total assets</b>		<u><b>977,516</b></u>	<u>897,209</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	11	<b>20,000</b>	20,000
Reserves		<b>136,035</b>	132,744
<b>Total equity</b>		<u><b>156,035</b></u>	<u>152,744</u>

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long service payment scheme		25	25
Deferred government grants		–	132
Deferred tax liabilities		1,615	2,170
Lease liabilities		<b>24,962</b>	15,741
		<hr/> <b>26,602</b> <hr/>	<hr/> 18,068 <hr/>
<b>Current liabilities</b>			
Trade payables	9	<b>332,591</b>	233,494
Contract liabilities, other payables and accruals		<b>157,171</b>	200,896
Deferred government grants		–	1,171
Lease liabilities		<b>12,976</b>	17,158
Bills payables		<b>3,614</b>	15,680
Bank borrowings	10	<b>275,340</b>	249,900
Amount due to a related company		<b>338</b>	636
Current income tax liabilities		<b>12,849</b>	7,462
		<hr/> <b>794,879</b> <hr/>	<hr/> 726,397 <hr/>
<b>Total liabilities</b>		<hr/> <b>821,481</b> <hr/>	<hr/> 744,465 <hr/>
<b>Total equity and liabilities</b>		<hr/> <b>977,516</b> <hr/>	<hr/> 897,209 <hr/>

## 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 Hang Raymond and Mr. Chu Wai Cheong Wilson (collectively, the “**Controlling Shareholders**”).

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 10 January 2020.

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 the 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 as modified by the revaluation of financial asset at fair value through profit or loss (“**FVTPL**”), which is carried at fair value.

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 and revised accounting guideline adopted by the Group

The Group has applied the following amended standards and revised accounting guideline for the first time for their annual reporting period beginning 1 January 2022:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds Before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Costs of Fulfilling a Contract
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions Beyond 2021
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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

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

The following new and amended standards and revised interpretation have been issued but are not effective for the Group's financial periods beginning 1 January 2022 and have not been early adopted by the Group:

		<b>Effective for accounting period beginning on or after</b>
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of the impact of these new and amended standards and revised interpretation upon initial application and has concluded on a preliminary basis that these are not expected to have a significant impact on the Group's financial position and results of operations.

### **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 the 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 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**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	N/A*	132,367
Customer B	<b>143,251</b>	125,387
Customer C	<b>158,796</b>	120,556
Customer D	<b>136,334</b>	N/A*

\* 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
United States (the "U.S.")	<b>496,838</b>	430,948
Philippines	<b>197,914</b>	168,837
Ireland	<b>129,922</b>	129,224
Malaysia	<b>93,247</b>	9,849
United Kingdom	<b>89,770</b>	100,368
Mexico	<b>75,848</b>	6,026
Hong Kong	<b>56,669</b>	6,980
Switzerland	<b>45,026</b>	35,458
The People's Republic of China (the "PRC")	<b>39,239</b>	36,383
Germany	<b>33,826</b>	24,154
Netherlands	<b>18,785</b>	23,500
Estonia	<b>827</b>	24,480
Others ( <i>Note</i> )	<b>57,638</b>	51,123
	<b>1,335,549</b>	1,047,330

*Note:* Others mainly include (i) European countries including Czech Republic, France, Italy, Norway and Sweden; and (ii) Australia, Canada, India, Israel, New Zealand, Singapore, Taiwan, Thailand, Turkey and Vietnam.

(c) **Details of contract liabilities**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities ( <i>Notes</i> )	<u>25,354</u>	<u>61,161</u>

*Notes:*

- (i) Contract liabilities represent advanced payments received for orders from the customers for goods of which their controls have not yet been transferred to the customers.
- (ii) The following table shows how much of the revenue recognised in the current reporting period relates to carried forward contract liabilities:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balances at the beginning of the year	<u>61,161</u>	<u>22,257</u>

- (iii) Unsatisfied performance obligation

As at 31 December 2022 and 2021, 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 was not disclosed.

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

The total amounts of non-current assets, other than deferred tax assets and financial instruments of the Group as at 31 December 2022 and 2021 were located in the following regions:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	9,115	15,494
The PRC	<u>82,758</u>	<u>78,779</u>
	<u>91,873</u>	<u>94,273</u>



#### 4. OTHER LOSSES, NET AND OTHER INCOME

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Exchange gains/(losses)	7,318	(12,418)
Net realised losses from derivative financial instruments	(3,849)	–
Loss on disposal of properties, plant and equipment	(153)	(2,325)
Loss on fair value changes of financial asset at FVTPL	(13,090)	–
	<u>(9,774)</u>	<u>(14,743)</u>

##### (b) Other income

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants	3,278	1,740
Others	10	–
	<u>3,288</u>	<u>1,740</u>

#### 5. INCOME TAX EXPENSE

During the year ended 31 December 2022, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the year. During the year ended 31 December 2021, no provision for Hong Kong profits tax has been made as the Group had no assessable profit in Hong Kong.

During the year ended 31 December 2022, no provision for corporate income tax (“CIT”) has been provided as the Group had no assessable profit in China. During the year ended 31 December 2021, the Group’s subsidiary in the PRC was subject to CIT at a standard rate of 25%.

During the year ended 31 December 2021, a 5% withholding tax was levied on dividend declared by the Company in the PRC to its foreign shareholder. During the year ended 31 December 2022, no dividend was declared by the Company in the PRC to its foreign shareholder.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Current income tax</b>		
– Hong Kong profits tax	7,550	–
– PRC CIT	–	4,662
	<u>7,550</u>	<u>4,662</u>
<b>Deferred income tax</b>	<u>(3,371)</u>	<u>2,666</u>
Income tax expense	<u>4,179</u>	<u>7,328</u>

## 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.

	Year ended 31 December	
	2022	2021 (Restated)
Profit for the year attributable to equity holders of the Company (HK\$'000)	15,134	20,120
Weighted average number of ordinary shares in issue ('000)	100,000	100,000
Basic and diluted earnings per share (HK cents)	15.1	20.1

On 16 September 2022, every twenty issued and unissued ordinary shares of the Company were consolidated into one share of the Company (the “**Share Consolidation**”). Comparative figures of the weighted average number of shares for calculating basic earnings per share and diluted earnings per share have been restated on the assumption that the Share Consolidation have been effective in the prior year.

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

At the board meeting held on 30 March 2022, the directors recommended the payment of a final dividend of HK\$0.05\* per ordinary share for the year ended 31 December 2021, amounting to a total of HK\$5,000,000. The dividends were paid during the year ended 31 December 2022.

At the board meeting held on 28 March 2023, the directors of the Company recommended the payment of a final dividend of HK\$0.05 per ordinary share for the year ended 31 December 2022, amounting to a total of HK\$5,000,000. 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 2023 after receiving shareholders' approval at the forthcoming annual general meeting.

\* *The final dividend per ordinary share information for the prior year has been restated on the assumption that the share consolidation which became effective on 16 September 2022 has been effective in the prior year.*

## 8. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	376,650	277,025
Less: provision for impairment of trade receivables	<u>(8,383)</u>	<u>(1,842)</u>
	<u><b>368,267</b></u>	<u><b>275,183</b></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	307,081	240,049
91 to 365 days	60,857	33,871
Over 365 days	<u>329</u>	<u>1,263</u>
	<u><b>368,267</b></u>	<u><b>275,183</b></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of the year	1,842	1,456
Provision for impairment of trade receivables on an individual basis	5,595	251
Provision for impairment of trade receivables on a collective basis	<u>946</u>	<u>135</u>
At end of the year	<u><b>8,383</b></u>	<u><b>1,842</b></u>

## 9. TRADE PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	222,318	186,639
91 to 365 days	106,608	45,429
Over 365 days	<u>3,665</u>	<u>1,426</u>
	<u><b>332,591</b></u>	<u><b>233,494</b></u>

## 10. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans – secured and repayable on demand	<u>275,340</u>	<u>249,900</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	270,840	239,400
Between 1 and 2 years	4,500	6,000
Between 2 and 5 years	–	4,500
	<u>275,340</u>	<u>249,900</u>

As at 31 December 2022, bank borrowings of approximately HK\$275,340,000 (2021: HK\$249,900,000) which contain a clause that gives the lender the unconditional right to demand repayment at any time have been classified in current liability irrespective of the probability that the lender will invoke the clause without cause.

As at 31 December 2022, the weighted average effective interest rate on bank borrowings was 6.4% (2021: 2.0%) per annum.

As at 31 December 2022 and 2021, bank borrowings of the Group were denominated in HK\$ and approximated their fair values.

As at 31 December 2022 and 2021, the Group's bank borrowings and banking facilities 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.

## 11. SHARE CAPITAL

	Number of shares <i>'000</i>	Nominal value <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
At 1 January 2021, 31 December 2021 and 1 January 2022	2,000,000	20,000	80,355
Share consolidation ( <i>Note a</i> )	<u>(1,900,000)</u>	<u>–</u>	<u>–</u>
At 31 December 2022	<u>100,000</u>	<u>20,000</u>	<u>80,355</u>

*Note:*

- (a) On 16 September 2022, every twenty issued and unissued ordinary shares of the Company were consolidated into one share of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

2022 was a remarkable year to the Group, as we have achieved a record high level of revenue despite the range of adversities piled on us. Amongst all, we succeeded in capitalizing the pivotal last two months of 2022 once the lockdown policies implemented in the People's Republic of China (the "PRC") have been relieved, and managed to pull with a 27.5% increase in topline, and a gross profit mildly higher than last year's.

The COVID-19 pandemic had remained influential in the global business context throughout the past three years. Benefitting from recovery embarked last year, our customers had been picking up and displaying restored willingness to place orders from us. This inevitably boosted the Group's sales in the year. However, various unfavourable factors had been emerging, such as the conflict in Ukraine, soaring interest rates and the increase in the critical material price, which have remained largely unresolved. All these factors have an immediate impact on the Group's cost structure. As a result, the Group's cost of sales for the year ended 31 December 2022 increased which was mainly due to increase in cost of raw materials given that the supply of some critical components was in a severe shortage throughout the year, which offset substantially the effect of increase in revenue.

Last year, the Group completed an investment in a joint venture, Talentone Technology Limited ("TTL"), by way of subscription of shares and the subscription of a convertible bond issued by TTL. Due to the COVID-19 pandemic (including the spread of variants such as Omicron) which caused disruptions and factory shutdowns in the PRC until third quarter of 2022, TTL did not commence its planned test production in the last quarter of 2022. Due to the delay in the commencement of test productions, TTL did not record any revenue for the year ended 31 December 2022. As a result, the Group recorded a share of loss of HK\$2.0 million in the joint venture and approximately HK\$13.1 million of fair value impairment in the convertible bond as financial asset at fair value through profit or loss. The impairment in financial asset at fair value through profit or loss arose from re-measurement of the investment in convertible bond at the reporting year end date at their fair value pursuant to the applicable accounting standards. As such loss is only provision for impairment nature, they do not affect the Group's cash flow condition. Without taking into account the share of loss in the joint venture and the fair value impairment in the convertible bond as a financial instrument in respect of the investment in TTL, the Group's profit before income tax would have been improved by HK\$15.1 million. Looking ahead, the Group will monitor the performance of joint venture while taking into account the challenges faced by the Group.

## **PROSPECTS**

Prosperity and happiness have not displaced disruptions and grievances in the post COVID-19 world. Instead, with an unabated war in Ukraine, an aggregate demand plummeting amidst unprecedented and frantic U.S. federal funds rate hikes, the global economy now teeters on the brink of a major recession. The near-universal view for 2023 is an impending proverbial “perfect storm”.

With the prospect of “normalcy” far beyond horizon, we are to get ourselves financially buttoned-up and operationally ready for drastic maneuverings.

The strategy is to focus whatever resources available on business development remains steadfast as a diverse set of potential customers has been connected and new product developments underway.

Investment in this direction assumes primacy as holding on to this course with toil and endurance will let us emerge pre-eminently.

Despite all these current uncertainties, we are confident that the Company will emerge fresher, stronger and worthier.

## **FINANCIAL REVIEW**

The Group recorded revenue of HK\$1,335.5 million for FY2022 (FY2021: HK\$1,047.3 million), reflecting an increase of HK\$288.2 million, or 27.5%. Such increase was mainly due to the business rebound in the last quarter of 2022.

For FY2022, our products were shipped to over 25 (FY2021: 25) countries and regions. The U.S. continued to be our largest market, contributing HK\$496.8 million (FY2021: HK\$430.9 million), or 37.2% (FY2021: 41.1%) of our total revenue. The U.S. sales showed a slight drop of 3.9% in the sales mix, which is the result of notable increases in sales in other regions, such as Mexico and Hong Kong, in FY2022. The changes in the sales mix to other major countries around the world were mainly the combined effect of the COVID-19 pandemic and a change in the distribution strategy from some of our major customers between countries.

Gross profit for FY2022 amounted to HK\$195.0 million (FY2021: HK\$194.3 million), which increased by HK\$0.7 million, or 0.4%, while gross profit margin decreased from 18.5% for FY2021 to 14.6% for FY2022. The increase in gross profit was mainly due to the increase in revenue brought by new customers, whilst the decrease in gross profit margin was a direct consequence of the increase in material costs due to shortages of key components and supply chain disruption in FY2022.

Selling and distribution expenses and administrative expenses for FY2022 were HK\$149.8 million (FY2021: HK\$145.9 million), reflecting an increase of HK\$3.9 million or 2.7%. The cost increase was mainly due to a particularly large increase in legal and professional expenses rendered, in connection with the joint venture investment and the shares consolidation in FY2022.

Net finance costs increased by HK\$3.3 million, or 44.0% from HK\$7.5 million for FY2021 to HK\$10.8 million for FY2022. The increase was mainly due to the fact that the global interest rates have been dramatically increased during FY2022.

As a result of the foregoing, profit for the year attributable to equity holders of the Company for FY2022 was HK\$15.1 million (FY2021: HK\$20.1 million), reflecting a decrease of HK\$5.0 million or 24.9%. The decrease in profit for FY2022 was mainly attributable to (i) the significant loss in fair value of financial asset at fair value through profit or loss; and (ii) the increase in cost of sales, mainly due to the increase in cost of raw materials as the supply of some critical components was in a severe shortage throughout the year, which offsetting the effect of increase in revenue.

## **DIVIDEND**

The Board recommends the payment of a final dividend of HK\$5.0 million (2021: HK\$5.0 million), representing HK\$0.05 (2021: HK\$0.05) per ordinary share for the year ended 31 December 2022 on the assumption that the share consolidation which became effective on 16 September 2022 have been effective in the prior year. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Thursday, 1 June 2023 (the “**2023 AGM**”), the proposed final dividend is expected to be paid on or before Friday, 23 June 2023 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 9 June 2023.

## **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 2022, the Group’s bank borrowings were HK\$275.3 million (31 December 2021: HK\$249.9 million) while the Group’s cash and cash equivalents and bank deposits were HK\$242.2 million (31 December 2021: HK\$207.3 million).

As at 31 December 2022, the Group’s total net borrowings amounted to HK\$33.1 million (31 December 2021: HK\$42.6 million) while its total equity amounted to HK\$156.0 million (31 December 2021: HK\$152.7 million), resulting in a net gearing ratio of 21.2% (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**

The Group incurred total capital expenditures of HK\$14.6 million during FY2022 (FY2021: HK\$16.9 million) for additions of properties, plant and equipment and intangible assets.

As at 31 December 2022, the Group had capital commitments in relation to the purchase of plant and machinery contracted but not provided for in the amount of HK\$0.5 million (31 December 2021: HK\$1.8 million).

## CONTINGENT LIABILITIES

As at 31 December 2022, 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 2022.

## CHARGES ON ASSETS

As at 31 December 2022 and 2021, there were no charges over the assets of the Group.

## 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\$2.0 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\$44.0 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\$22.0 million 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 year ended 31 December 2022.



## SIGNIFICANT INVESTMENTS

Save as aforesaid CB included in the financial assets at fair value through profit or loss, the Group did not make or hold any significant investments (including any investment with a value of 5% or more of the Company's total assets as at 31 December 2022) during the year ended 31 December 2022.

## 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 entered into derivative instruments to hedge against its foreign exchange exposure during FY2022.

## EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 6 February 2023, Dongguan Wise Ally Industrial Co., Ltd (東莞威雅利實業有限公司), an indirect wholly owned subsidiary of the Company, as lessee, entered into the tenancy agreement for the purpose of renewal of the lease in respect of the premises under the existing tenancy agreement with Dongguan Yetong Property Management Co., Ltd\* (東莞市業通物業管理有限公司), as lessor, an independent third party, in which the new term of the lease of premises will commence from 1 April 2023 and will expire on 31 March 2028 (both days inclusive) for the Group's use as its production plant, staff quarters and ancillary functions in the PRC. The tenancy agreement was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 17 March 2023. For details, please refer to the announcement of the Company dated 6 February 2023 and the circular of the Company dated 24 February 2023.

## SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE

On 5 August 2022, the Board proposed to implement: (i) 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**”); and (ii) 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 Share Consolidation was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 14 September 2022, and became effective on 16 September 2022. For details of the Share Consolidation and the Change in Board Lot Size, please refer to the announcements of the Company dated 15 September 2022 and 5 August 2022 and the circular of the Company dated 29 August 2022.

\* For identification purpose only

## **CAPITAL STRUCTURE**

The shares of the Company have been listed on the Main Board of the Stock Exchange since 10 January 2020 (the “**Listing Date**”). As at 31 December 2022, the Company’s total number of issued shares was 100,000,000 at HK\$0.2 each (after adjustment for the Share Consolidation which became effective on 16 September 2022) (31 December 2021: 2,000,000,000 shares at HK\$0.01 each).

As at 31 December 2022, the Group’s capital structure consisted of bank borrowings and equity attributable to equity holders of the Company, comprising issued share capital and reserves. Save as disclosed above, there was no material change in capital structure of the Group during FY2022.

## **EMPLOYEES**

As at 31 December 2022, the Group employed approximately 1,700 (31 December 2021: 1,300) employees in Hong Kong and the PRC. Total staff costs for FY2022 amounted to HK\$230.2 million (FY2021: 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 option was granted during FY2022 and, as at 31 December 2022, there was no outstanding option granted under the scheme.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023, 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 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 25 May 2023.

For determining the entitlement to the proposed final dividend (subject to the approval by the shareholders of the Company at the 2023 AGM), the register of members of the Company will be closed from Thursday, 8 June 2023 to Friday, 9 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 7 June 2023.

## USE OF PROCEEDS

The shares of the Company have been listed on the Main Board of the Stock Exchange since the Listing Date 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, 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 2022, details of the utilised and unutilised net proceeds were as follows:

<b>Intended use of proceeds</b>	<b>Proposed use of proceeds</b> <i>HK\$ million</i>	<b>Utilised</b> <i>HK\$ million</i>	<b>Unutilised</b> <i>HK\$ million</i>	<b>Expected timeline of full utilisation of the unutilised proceeds</b>
Increasing production capacity by expanding manufacturing platform in South East Asia region and the PRC	26.1	(6.6)	19.5	By the end of 2023 (Note)
Enhancing production efficiency and capability by acquiring new machinery and equipment and upgrading the production facility at our existing production plant in Dongguan	16.6	(12.6)	4.0	By the end of 2023 (Note)
Strengthening research capability for the development and provision of Internet of Things related solutions	3.9	(1.0)	2.9	By the end of 2023 (Note)

<b>Intended use of proceeds</b>	<b>Proposed use of proceeds</b> <i>HK\$ million</i>	<b>Utilised</b> <i>HK\$ million</i>	<b>Unutilised</b> <i>HK\$ million</i>	<b>Expected timeline of full utilisation of the unutilised proceeds</b>
Increasing marketing efforts in North America and Europe	4.3	(0.6)	3.7	By the end of 2023 <i>(Note)</i>
Enhancing manufacturing execution system and information technology infrastructure	1.9	(1.9)	–	
	<u>52.8</u>	<u>(22.7)</u>	<u>30.1</u>	

*Note:*

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 FY2022.

## **CORPORATE GOVERNANCE**

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules during FY2022 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. Chu Wai Hang, Raymond (“**Mr. Chu**”) has acted as both the Chairman and Chief Executive Officer of the Company since 30 September 2021.

Considering that Mr. Chu is the founder of the Group and possesses the expertise and extensive experience in the electronics manufacturing services (EMS) industry conducive to the Company’s development, coupled with Mr. 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. 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 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.

### **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 FY2022.

### **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float for the period during FY2022 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 2022.

### **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 FY2022 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 opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this announcement.

## **ANNUAL GENERAL MEETING**

The 2023 AGM will be held on Thursday, 1 June 2023. A notice convening the 2023 AGM will be published and sent to the shareholders of the Company in due course. The notice of the 2023 AGM and the proxy form will also be available on the Company's website at [www.wiseally.com.hk](http://www.wiseally.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://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](http://www.wiseally.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2022 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, Executive Director  
and Chief Executive Officer*

Hong Kong, 28 March 2023

*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.*