

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2023**

**HIGHLIGHTS**

	<b>Six months ended 30 June</b>		<b>Changes</b>
	<b>2023</b>	<b>2022</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Revenue	<b>546,606</b>	547,825	-0.2%
Gross profit	<b>76,585</b>	73,513	4.2%
Gross profit margin	<b>14.0%</b>	13.4%	60 bps
Operating profit	<b>4,470</b>	9,266	-51.8%
EBITDA ( <i>Note 1</i> )	<b>25,883</b>	28,821	-10.2%
(Loss)/profit for the period attributable to equity holders of the Company	<b>(1,552)</b>	3,504	-144.3%
Basic and diluted (loss)/earnings per share (HK cents)	<b>(1.55)</b>	3.50	-144.3%
		(Restated)	

*Note 1: EBITDA stands for earnings before interest expenses, taxation, depreciation and amortisation.*

## 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 2023 together with the comparative figures for the six months ended 30 June 2022 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4	<b>546,606</b>	547,825
Cost of sales		<b>(470,021)</b>	(474,312)
<b>Gross profit</b>		<b>76,585</b>	73,513
Other gains, net	5	<b>4,167</b>	3,412
Other income	5	<b>1,623</b>	3,179
Selling and distribution expenses		<b>(22,830)</b>	(20,167)
Administrative expenses		<b>(55,075)</b>	(50,671)
<b>Operating profit</b>		<b>4,470</b>	9,266
Finance income	6	<b>1,721</b>	19
Finance costs	6	<b>(8,601)</b>	(4,081)
Finance costs, net	6	<b>(6,880)</b>	(4,062)
Share of net loss of joint venture		<b>–</b>	(37)
<b>(Loss)/profit before income tax</b>		<b>(2,410)</b>	5,167
Income tax credit/(expense)	7	<b>858</b>	(1,663)
<b>(Loss)/profit for the period attributable to equity holders of the Company</b>		<b>(1,552)</b>	3,504
<b>Other comprehensive loss:</b>			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<b>(1,852)</b>	(2,054)
<b>Total other comprehensive loss for the period</b>		<b>(1,852)</b>	(2,054)
<b>Total comprehensive (loss)/income for the period attributable to equity holders of the Company</b>		<b>(3,404)</b>	1,450
<b>(Loss)/earnings per share attributable to equity holders of the Company</b>			(Restated)
Basic and diluted ( <i>HK cents</i> )	9	<b>(1.55)</b>	3.50

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		<b>30 June 2023</b>	31 December 2022
	<i>Note</i>	<b>(Unaudited)</b> <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties, plant and equipment		<b>142,733</b>	88,927
Intangible assets		<b>849</b>	700
Deposits and prepayments		<b>7,140</b>	5,569
Financial asset at fair value through profit or loss	<i>13</i>	<b>9,094</b>	9,094
Deferred tax assets		<b>8,167</b>	6,453
		<hr/> <b>167,983</b>	<hr/> 110,743
		<hr/> <b>167,983</b>	<hr/> 110,743
<b>Current assets</b>			
Inventories		<b>257,044</b>	227,846
Trade receivables	<i>10</i>	<b>251,166</b>	368,267
Prepayments, deposits and other receivables		<b>29,887</b>	28,467
Bank deposits		<b>71,605</b>	32,370
Cash and cash equivalents		<b>136,256</b>	209,823
		<hr/> <b>745,958</b>	<hr/> 866,773
		<hr/> <b>745,958</b>	<hr/> 866,773
<b>Total assets</b>		<hr/> <b>913,941</b>	<hr/> 977,516
		<hr/> <b>913,941</b>	<hr/> 977,516
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>20,000</b>	20,000
Reserves		<b>127,631</b>	136,035
		<hr/> <b>147,631</b>	<hr/> 156,035
<b>Total equity</b>		<hr/> <b>147,631</b>	<hr/> 156,035
		<hr/> <b>147,631</b>	<hr/> 156,035

		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Note</i>	<b>(Unaudited)</b>	(Audited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long service payment scheme		<b>25</b>	25
Deferred tax liabilities		<b>1,335</b>	1,615
Lease liabilities		<b>76,667</b>	24,962
		<u><b>78,027</b></u>	<u>26,602</u>
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>267,369</b>	332,591
Contract liabilities, other payables and accruals		<b>131,512</b>	157,171
Lease liabilities		<b>21,088</b>	12,976
Bills payables		<b>15,167</b>	3,614
Bank borrowings	<i>12</i>	<b>237,010</b>	275,340
Amount due to a related company		<b>203</b>	338
Current income tax liabilities		<b>15,934</b>	12,849
		<u><b>688,283</b></u>	<u>794,879</u>
<b>Total liabilities</b>		<u><b>766,310</b></u>	<u>821,481</u>
<b>Total equity and liabilities</b>		<u><b>913,941</b></u>	<u>977,516</u>

## 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 its subsidiaries are principally engaged in the manufacturing and sales of electronic products. The ultimate controlling shareholders of the Company and its subsidiaries (collectively, the “**Group**”) are Mr. Chu Wai Hang Raymond (“**Mr. Raymond Chu**”) and Mr. Chu Wai Cheong Wilson (“**Mr. Wilson Chu**”) (collectively, the “**Controlling Shareholders**”).

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

### 2. BASIS OF PREPARATION

The condensed 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 condensed 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 2022 (the “**2022 financial statements**”). The condensed 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 2022 financial statements.

### 3. ADOPTION OF NEW AND AMENDED STANDARDS

#### (a) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards for the first time for the current reporting period beginning 1 January 2023:

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The new and amended standards did not have material impact on the Group’s accounting policies and did not require any adjustments.

**(b) Amended standards and interpretation issued but not yet adopted by the Group**

The following amended standards and interpretation that are not effective for periods commencing on 1 January 2023 and have not been early adopted by the Group:

		<b>Effective for accounting period beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
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 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 amended standards and interpretation.

**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 2023 and 2022, 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**

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Customer A	<b>80,946</b>	66,417
Customer B	<b>56,425</b>	65,442

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

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

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>
United States ("U.S.")	<b>197,802</b>	192,448
Philippines	<b>86,450</b>	100,874
Malaysia	<b>65,037</b>	6,168
Ireland	<b>40,069</b>	57,985
Switzerland	<b>34,628</b>	23,433
Hong Kong	<b>19,168</b>	13,801
Mexico	<b>15,732</b>	21,876
People's Republic of China ("PRC")	<b>15,079</b>	16,415
Germany	<b>14,125</b>	14,855
Netherlands	<b>13,340</b>	15,844
United Kingdom	<b>12,493</b>	53,780
Others ( <i>Note</i> )	<b>32,683</b>	30,346
	<b>546,606</b>	547,825

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

(c) **Details of contract liabilities**

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2022 <b>(Audited)</b> <i>HK\$'000</i>
Contract liabilities ( <i>Notes</i> )	<u>14,576</u>	<u>25,354</u>

*Notes:*

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

As at 30 June 2023, 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 2023 and 31 December 2022 are located in the following regions:

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2022 <b>(Audited)</b> <i>HK\$'000</i>
Hong Kong	7,154	9,115
The PRC	<u>140,340</u>	<u>82,758</u>
	<u>147,494</u>	<u>91,873</u>

**5. OTHER GAINS, NET AND OTHER INCOME**

(a) **Other gains, net**

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	2022 <b>(Unaudited)</b> <i>HK\$'000</i>
(Loss)/gain on disposal of properties, plant and equipment	(285)	32
Exchange gains	6,542	4,397
Losses on derivative financial instruments	<u>(2,090)</u>	<u>(1,017)</u>
	<u>4,167</u>	<u>3,412</u>



(b) Other income

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Freight and rework charges	862	1,984
Government grants	–	681
Others	761	514
	<u>1,623</u>	<u>3,179</u>

6. FINANCE COSTS, NET

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	<u>(1,721)</u>	<u>(19)</u>
Finance income	<u>(1,721)</u>	<u>(19)</u>
Interest expenses on bank borrowings	6,735	2,678
Interest expenses on lease liabilities	<u>1,866</u>	<u>1,403</u>
Finance costs	<u>8,601</u>	<u>4,081</u>
Finance costs, net	<u>6,880</u>	<u>4,062</u>

7. INCOME TAX CREDIT/(EXPENSE)

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 2022 and 2023, 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 2022 or 2023.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax expense	(1,308)	(1,684)
Deferred income tax credit	<u>2,166</u>	<u>21</u>
Income tax credit/(expense)	<u>858</u>	<u>(1,663)</u>

## 8. DIVIDENDS

During the six months ended 30 June 2023, final dividend for the year ended 31 December 2022 of HK\$0.05 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 2023.

## 9. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
(Loss)/profit for the period attributable to equity holders of the Company ( <i>HK\$'000</i> )	(1,552)	3,504
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u>100,000</u>	<u>100,000</u>
Basic and diluted (loss)/earnings per share ( <i>HK cents</i> )	<u>(1.55)</u>	<u>3.50</u>

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 had been effective in the prior period.

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

## 10. TRADE RECEIVABLES

(a) As at 30 June 2023 and 31 December 2022, the carrying amounts of trade receivables approximated their fair values, which were as follows:

	30 June 2023 (Unaudited) <i>HK\$'000</i>	31 December 2022 (Audited) <i>HK\$'000</i>
Trade receivables	259,549	376,650
Less: Provision for impairment of trade receivables	<u>(8,383)</u>	<u>(8,383)</u>
	<u>251,166</u>	<u>368,267</u>

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

- (b) As at 30 June 2023 and 31 December 2022, the aging analysis of trade receivables, net of impairment, based on invoice date, were as follows:

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2022 <b>(Audited)</b> <i>HK\$'000</i>
Within 1 month	<b>126,149</b>	146,072
1 to 2 months	<b>79,092</b>	110,821
2 to 3 months	<b>19,121</b>	50,188
Over 3 months	<b>26,804</b>	61,186
	<b>251,166</b>	368,267

- (c) As at 30 June 2023 and 31 December 2022, the aging analysis of trade receivables, net of impairment, based on payment due date, were as follows:

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2022 <b>(Audited)</b> <i>HK\$'000</i>
Current and due within 1 month	<b>199,119</b>	279,707
1 to 2 months	<b>23,130</b>	29,085
2 to 3 months	<b>13,009</b>	36,624
Over 3 months	<b>15,908</b>	22,851
	<b>251,166</b>	368,267

## 11. TRADE PAYABLES

- (a) As at 30 June 2023 and 31 December 2022, the aging analysis of trade payables, based on invoice date, were as follows:

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2022 <b>(Audited)</b> <i>HK\$'000</i>
Within 1 month	<b>94,655</b>	80,468
1 to 2 months	<b>66,894</b>	81,660
2 to 3 months	<b>45,942</b>	60,190
Over 3 months	<b>59,878</b>	110,273
	<b>267,369</b>	332,591

As at 30 June 2023 and 31 December 2022, the carrying amounts of trade payables approximated their fair values.

- (b) As at 30 June 2023 and 31 December 2022, the aging analysis of trade payables, based on payment due date, were as follows:

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2022 <b>(Audited)</b> <i>HK\$'000</i>
Current and due within 1 month	<b>213,463</b>	251,807
1 to 2 months	<b>16,480</b>	45,578
2 to 3 months	<b>29,888</b>	12,633
Over 3 months	<b>7,538</b>	22,573
	<b>267,369</b>	<b>332,591</b>

## 12. BANK BORROWINGS

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2022 <b>(Audited)</b> <i>HK\$'000</i>
Bank borrowings – repayable on demand	<b>237,010</b>	275,340

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

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2022 <b>(Audited)</b> <i>HK\$'000</i>
Within 1 year	<b>235,510</b>	270,840
Between 1 and 2 years	<b>1,500</b>	4,500
	<b>237,010</b>	<b>275,340</b>

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. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June</b> <b>2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2022 <b>(Audited)</b> <i>HK\$'000</i>
Convertible Bonds (“CB”), at fair value, in Hong Kong	<b>9,094</b>	9,094

As disclosed in the announcements of the Company dated 28 January 2022, 8 February 2022 and 22 March 2022, Wise Ally Holdings Limited (the “**Subscriber**”), a wholly-owned subsidiary of the Company, entered into a subscription agreement (the “**CB Subscription Agreement**”) with Talentone Technology Limited (“**TTL**”) pursuant to which the Subscriber conditionally agreed to subscribe two tranches of convertible bonds in the aggregate principal amount of HK\$44,000,000 issued by TTL. The subscription is subject to the fulfilment of the conditions precedent set out in the CB Subscription Agreement.

Subscription of the first tranche of the 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 subject to the terms and conditions of the relevant CB subscription agreement. As certain conditions precedent as set out in the CB Subscription Agreement have not been fulfilled or waived by the contracting parties, as of the date of this announcement, completion of the subscription of the second tranche of the CB has not taken place.

The first tranche of the CB are unsecured, bear interest at 1% per annum and repayable 2 years from the date of first tranche of CB subscription.

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

#### **14. EVENT AFTER THE REPORTING PERIOD**

On 25 August 2023, the Subscriber received a letter from the legal advisers of TTL alleging that the Subscriber fails to confirm the date of completion for the remittance of the full amount of the second tranche of the CB in the principal amount of HK\$22,000,000, and alleging that the Subscriber’s failure to proceed with the completion of the second tranche of the CB has constituted a breach of the CB Subscription Agreement and that TTL is entitled to terminate the CB Subscription Agreement forthwith.

As mentioned in Note 13 above, as certain conditions precedent as set out in the CB Subscription Agreement have not been fulfilled or waived by the contracting parties, as of the date of this announcement, completion of the subscription of the second tranche of the CB has not taken place. The Company is taking professional and legal advice as to the appropriate actions to be taken and in progress of assessing the impact on the Group’s financial position. Save as disclosed above, there were no other significant events after 30 June 2023 which have material effect on the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The Group recorded revenue of approximately HK\$546.6 million for the first half of 2023 (first half of 2022: approximately HK\$547.8 million), reflecting a decrease of approximately HK\$1.2 million, or approximately 0.2%. For the first half of 2023, our products were shipped to over 25 (first half of 2022: 24) countries and regions. The U.S. continued to be our largest market, which contributed to approximately HK\$197.8 million (first half of 2022: approximately HK\$192.4 million), or approximately 36.2% (first half of 2022: approximately 35.0%) of our total revenue. The revenue of the Group remained stable in the first half of 2023 as compared to the corresponding period in 2022. However, the revenue of the Group is lower than that in the second half of 2022, which is mainly attributable to the sluggish global economy and the soaring interest rate for the first half of 2023, resulting in the declining consumer demand and the increase in the cost of conducting business. To reduce the borrowing costs, measures have been taken to lower bank borrowings by HK\$38.3 million from HK\$275.3 million as at 31 December 2022 to HK\$237.0 million as at 30 June 2023. In the meantime, a more practical approach to debt collection has been implemented in the trade receivable management, which has resulted in a decrease HK\$117.1 million as of 30 June 2023, compared to the end of last year. In anticipation of increased business activity in the third quarter of 2023, key inventories have been procured by the Group, leading to an increase in inventories from approximately HK\$227.8 million as at 31 December 2022 to approximately HK\$257.0 million as at 30 June 2023.

Gross profit amounted to approximately HK\$76.6 million (first half of 2022: approximately HK\$73.5 million), representing an increase of approximately HK\$3.1 million, or approximately 4.2%, while the gross profit margin slightly increased from 13.4% for the first half of 2022 to 14.0% for the first half of 2023. The increase in gross profit was mainly due to the lower cost of sales as compared to the same period last year. After the COVID-19 pandemic, supply chain and logistics have been improving. The gross profit margin has achieved an improvement, as compared to the corresponding period of last year.

Selling, distribution and administrative expenses amounted to approximately HK\$77.9 million (first half of 2022: approximately HK\$70.8 million), reflecting an increase of approximately HK\$7.1 million and such increase is mainly attributable to: (i) an increase in administrative expenses which was primarily attributed to an one-off severance payment of approximately HK\$2.0 million due to the restructuring of the operation of the Group during the first half of 2023, (ii) an increase in the deployment of our marketing efforts of approximately HK\$3.3 million to capture future business opportunities in response to the gradual recovery of the global economy from the impact of the COVID-19 pandemic, and (iii) an increase in depreciation charge of HK\$2.0 million, primarily from land use rights concerning renewed lease of plant in Dongguan.

Net finance costs increased by approximately HK\$2.8 million, or approximately 68.3% from approximately HK\$4.1 million for the first half of 2022 to approximately HK\$6.9 million for the first half of 2023. The increase in finance costs was primarily due to the substantial increase in the interest rate of the Hong Kong Interbank Offered Rate during the first half of 2023.

Exchange gains for the first half of 2023 amounted to approximately HK\$6.5 million (first half of 2022: exchange gains of approximately HK\$4.4 million). The increase in exchange gains was due to the appreciation of U.S. dollars during the first half of 2023 as most of the sales of the Group are conducted in U.S. dollars.

As a result of the foregoing, loss for the period attributable to equity holders of the Company for the first half of 2023 amounted to approximately HK\$1.6 million (first half of 2022: profit of approximately HK\$3.5 million).

## **PROSPECTS**

Looking ahead to 2024, the global economic outlook remains highly uncertain. What seemed to be a recovery of the global economy from the Novel Coronavirus (“**COVID-19**”) in late 2022 was shattered by the actions of the US Federal Reserve Board and the prevailing US inflation, which resulted in elevated borrowing costs worldwide. However, there may be a silver lining as inflation appears to be reaching its peak, and 2024, being an election year, should see the US Federal Reserve Board constraining interest rates to prioritize averting recession in the US.

In China, the economy is experiencing a sluggish growth, compounded by difficulties arising from the real estate sector and local government debts. While this was expected after years of rapid expansion, the timing is inconvenient. It is likely that the central government of China will employ all available tools to prevent systemic cracks in the economy, yet its effectiveness shall remain to be seen.

The combined challenges of the ongoing US-China tensions, the Russian-Ukraine War and lingering supply-chain disruptions will add uncertainties for the remainder of 2023 and beyond. The consensus is it may take some time before the global economy and business can stabilize and return to normalcy.

To address these challenges proactively, the Group will aggressively enhance efficiency and leverage lower material prices during downturns to mitigate potential customer retractions. The strategy in the upcoming period entails deploying robust financial and human resources to build a diversified international customer base, serving as sales channels for products developed in-house or in collaboration with other entities. By pursuing this path, the Group is confident in emerging stronger and capitalizing 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 2023, the Group’s bank borrowings were approximately HK\$237.0 million (31 December 2022: approximately HK\$275.3 million) while the Group’s cash and cash equivalents and bank deposits were approximately HK\$207.9 million (31 December 2022: approximately HK\$242.2 million).

As at 30 June 2023, the Group's total net borrowings amounted to approximately HK\$29.1 million (31 December 2022: approximately HK\$33.1 million) while its total equity amounted to approximately HK\$147.6 million (31 December 2022: approximately HK\$156.0 million), resulting in a net gearing ratio of 19.7% (31 December 2022: 21.2%). 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**

For the six months ended 30 June 2023, the Group incurred total capital expenditures of HK\$4.3 million for additions of properties, plant and equipment and intangible assets.

As at 30 June 2023, the Group had capital commitments in relation to the purchase of plant and machinery, contracted but not provided for in the amount of HK\$2.1 million.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, 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 2023 (as at 30 June 2022: nil).

## **CHARGES ON ASSETS**

As at 30 June 2023, there were no charges over the assets of the Group (as at 30 June 2022: 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.

## **INTERIM DIVIDEND**

The Directors do not recommend to declare any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).



## **CAPITAL STRUCTURE**

The shares of the Company were listed on the Main Board of the Stock Exchange on 10 January 2020. As at 30 June 2023, 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) (30 June 2022: 2,000,000,000 shares at HK\$0.01 each).

As at 30 June 2023, 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 2023.

## **MATERIAL EVENT AFTER THE REPORTING PERIOD**

On 25 August 2023, the Subscriber received a letter from the legal advisers of TTL alleging that the Subscriber fails to confirm the date of completion for the remittance of the full amount of the second tranche of the CB in the principal amount of HK\$22,000,000, and alleging that the Subscriber's failure to proceed with the completion of the second tranche of the CB has constituted a breach of the CB Subscription Agreement and that TTL is entitled to terminate the CB Subscription Agreement forthwith.

As mentioned in Note 13 above, as certain conditions precedent as set out in the CB Subscription Agreement have not been fulfilled or waived by the contracting parties, as of the date of this announcement, completion of the subscription of the second tranche of the CB has not taken place. The Company is taking professional and legal advice as to the appropriate actions to be taken and in progress of assessing the impact on the Group's financial position. Save as disclosed above, there were no other significant events after 30 June 2023 which have material effect on the Group.

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

The Group did not have any significant investments, material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2023.

Save as the aforesaid CB included in the financial assets at fair value through profit or loss as set out in the note 13 to the consolidated financial information above, 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 30 June 2023) during the six months ended 30 June 2023.

## EMPLOYEES

As at 30 June 2023, the Group employed approximately 1,720 (31 December 2022: 1,700) employees in Hong Kong and the PRC. Total staff costs for the six months ended 30 June 2023 amounted to HK\$101.4 million (31 December 2022: HK\$230.2 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 2023 and, as at 30 June 2023, 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, 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 2023, the details of the utilised and unutilised net proceeds were as follows:

<b>Intended use of proceeds</b>	<b>Proposed use of proceeds <i>HK\$ million</i></b>	<b>Utilised <i>HK\$ million</i></b>	<b>Unutilised <i>HK\$ million</i></b>	<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	19.5	(10.6)	8.9	By the end of 2023 <i>(Note)</i>
Enhancing production efficiency and capability by acquiring new machinery and equipment and upgrading the production facility at our existing production plant in Dongguan	4.0	(4.0)	–	
Strengthening research capability for the development and provision of Internet of Things related solutions	2.9	(2.9)	–	
Increasing marketing efforts in North America and Europe	3.7	(1.4)	2.3	By the end of 2023 <i>(Note)</i>
	<u>30.1</u>	<u>(18.9)</u>	<u>11.2</u>	

*Note:*

In light of the sluggish global economy, soaring interest rate and declining consumption, the unutilised proceeds for these expansion plans and enhancement projects are expected to be completed as scheduled 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 six months ended 30 June 2023.

## **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 2023 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 2023.

## AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Ms. Elizabeth Law (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 2023.

## PUBLICATION OF INTERIM RESULTS AND INTERIM 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 2023 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 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. Elizabeth Law; Mr. Lee Wa Lun Warren and Mr. Szeto Yuk Ting.*