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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 2023**

HIGHLIGHTS	For the year ended 31 December		
	2023	2022	Changes
	HK\$'000	HK\$'000	
Revenue	1,227,190	1,335,549	-8.1%
Gross profit	210,646	194,954	8.0%
Gross profit margin	17.2%	14.6%	260 bps
Operating profit	21,370	32,107	-33.4%
Profit for the year attributable to equity holders of the Company	1,245	15,134	-91.8%
Basic and diluted earnings per share	1.2 HK cents	15.1 HK cents	-92.1%

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 2023 (“**FY2023**”) together with the comparative figures for the year ended 31 December 2022 (“**FY2022**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	1,227,190	1,335,549
Cost of sales		<u>(1,016,544)</u>	<u>(1,140,595)</u>
Gross profit		210,646	194,954
Other losses, net	4	(29,159)	(9,774)
Other income	4	816	3,288
Selling and distribution expenses		(53,138)	(52,247)
Administrative expenses		(108,467)	(97,573)
Reversal of/(provision for) impairment losses on financial assets		<u>672</u>	<u>(6,541)</u>
Operating profit		21,370	32,107
Finance income		4,073	725
Finance costs		<u>(19,958)</u>	<u>(11,519)</u>
Finance costs, net		<u>(15,885)</u>	<u>(10,794)</u>
Share of loss of a joint venture		<u>–</u>	<u>(2,000)</u>
Profit before income tax		5,485	19,313
Income tax expense	5	<u>(4,240)</u>	<u>(4,179)</u>
Profit for the year attributable to equity holders of the Company		1,245	15,134
Other comprehensive loss: <i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>(1,987)</u>	<u>(6,843)</u>
Total other comprehensive loss for the year		<u>(1,987)</u>	<u>(6,843)</u>
Total comprehensive (loss)/income for the year attributable to equity holders of the Company		<u>(742)</u>	<u>8,291</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted (<i>HK cents</i>)	6	<u>1.2</u>	<u>15.1</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Properties, plant and equipment		129,056	88,927
Intangible assets		637	700
Deposits and prepayments		6,827	5,569
Investment in a joint venture		–	–
Financial asset at fair value through profit or loss		1,730	9,094
Deferred tax assets		4,719	6,453
		<u>142,969</u>	<u>110,743</u>
Current assets			
Inventories		223,828	227,846
Trade receivables	8	297,822	368,267
Prepayments, deposits and other receivables		26,440	28,467
Bank deposits		–	32,370
Cash and cash equivalents		274,572	209,823
		<u>822,662</u>	<u>866,773</u>
Total assets		<u>965,631</u>	<u>977,516</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	11	20,000	20,000
Reserves		130,293	136,035
		<u>150,293</u>	<u>156,035</u>
Total equity		<u>150,293</u>	<u>156,035</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Long service payment scheme		25	25
Deferred tax liabilities		116	1,615
Lease liabilities		66,875	24,962
		<u>67,016</u>	<u>26,602</u>
Current liabilities			
Trade payables	<i>9</i>	249,755	332,591
Contract liabilities, other payables and accruals		167,378	157,171
Lease liabilities		19,775	12,976
Bills payables		–	3,614
Bank borrowings	<i>10</i>	292,603	275,340
Amount due to a related company		171	338
Current income tax liabilities		18,640	12,849
		<u>748,322</u>	<u>794,879</u>
Total liabilities		<u>815,338</u>	<u>821,481</u>
Total equity and liabilities		<u>965,631</u>	<u>977,516</u>

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) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period beginning 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendments)	Amendments to HKFRS 17

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which will be effective from 1 May 2025 (the “**Transition Date**”). Under the Amendment Ordinance, any accrued benefits attributable to the employer’s mandatory contributions under mandatory provident fund scheme (“**MPF Benefits**”) of an entity would no longer be eligible to offset against its obligations on long service payment (“**LSP**”) for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the “**practical expedient**”) to account for the offsettable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (the “**Guidance**”) which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a ‘simple type of contributory plans’ to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). This change in accounting policy upon the cessation in applying the practical expedient may result in a catch-up adjustment for past service costs and a corresponding increase in the Group’s LSP obligations in the year of enactment of the Amendment Ordinance (i.e. year ended 31 December 2022). The cumulative effect of recognising this adjustment as of 31 December 2022 was not material and hence no adjustment was made to the beginning retained earnings, or other component of equity.

The amendments to HKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities. The cumulative effect of recognising these adjustments as of 31 December 2022 was not material and hence no adjustment was made to the beginning retained earnings, or other component of equity.

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

(b) Amended standards and interpretations not yet adopted by the Group

The following amended standards and interpretation have been issued but are not effective for the Group's financial periods beginning 1 January 2023 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
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
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
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 amended standards and 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 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**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	<u>N/A*</u>	<u>143,251</u>
Customer B	<u>N/A*</u>	<u>158,796</u>
Customer C	<u>191,074</u>	<u>136,334</u>
Customer D	<u>142,720</u>	<u>N/A*</u>

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

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
United States (the "U.S.")	460,323	496,838
Philippines	228,058	197,914
Ireland	87,655	129,922
Switzerland	83,473	45,026
Malaysia	70,087	93,247
Hong Kong	54,610	56,669
Mexico	54,040	75,848
Chinese Mainland	53,188	39,239
United Kingdom	31,153	89,770
Germany	30,363	33,826
Netherlands	20,272	18,785
Norway	9,169	9,362
Others	<u>44,799</u>	<u>49,103</u>
	<u>1,227,190</u>	<u>1,335,549</u>

(c) **Details of contract liabilities**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract liabilities (<i>Notes</i>)	<u>12,495</u>	<u>25,354</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balances at the beginning of the year	<u>25,534</u>	<u>61,161</u>

- (iii) Unsatisfied performance obligation

As at 31 December 2023 and 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 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 2023 and 2022 were located in the following regions:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	5,769	9,115
Chinese Mainland	<u>124,081</u>	<u>82,758</u>
	<u>129,850</u>	<u>91,873</u>

4. OTHER LOSSES, NET AND OTHER INCOME

(a) Other losses, net

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Exchange gains	4,315	7,318
Net realised losses from derivative financial instruments	(2,051)	(3,849)
Loss on disposal of properties, plant and equipment	(2,059)	(153)
Loss on fair value changes of financial asset at FVTPL (Note)	(29,364)	(13,090)
	<u>(29,159)</u>	<u>(9,774)</u>

Note: The impairment in financial asset at fair value through profit or loss arose from re-measurement of the investment in convertible bond issued by Talentone Technology Limited at the reporting year end date at their fair value pursuant to the applicable accounting standards.

(b) Other income

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grants	810	3,278
Others	6	10
	<u>816</u>	<u>3,288</u>

5. INCOME TAX EXPENSE

During the years ended 31 December 2023 and 2022, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the years.

During the year ended 31 December 2023, the Group's subsidiary in the PRC was subject to corporate income tax ("CIT") at a standard rate of 25%. During the year ended 31 December 2022, no provision for CIT has been provided for as the Group had no assessable profit in China.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	1,869	7,550
– PRC CIT	2,368	–
	<u>4,237</u>	<u>7,550</u>
Over-provision in prior year		
– Hong Kong profits tax	(124)	–
Total current income tax	4,113	7,550
Deferred income tax	127	(3,371)
Income tax expense	<u>4,240</u>	<u>4,179</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	
	2023	2022
Profit for the year attributable to equity holders of the Company (<i>HK\$'000</i>)	1,245	15,134
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>100,000</u>	<u>100,000</u>
Basic and diluted earnings per share (<i>HK cents</i>)	<u>1.2</u>	<u>15.1</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"). The weighted average number of shares for calculating basic earnings per share and diluted earnings per share for the year ended 31 December 2022 have been calculated on the assumption that the Share Consolidation had been effective since 1 January 2022.

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 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 reflected as an appropriation of retained earnings for the year ended 31 December 2023.

The directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2023.

8. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	304,228	376,650
Less: provision for impairment of trade receivables	<u>(6,406)</u>	<u>(8,383)</u>
	<u>297,822</u>	<u>368,267</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 90 days	272,386	307,081
91 to 365 days	24,430	60,857
Over 365 days	<u>1,006</u>	<u>329</u>
	<u>297,822</u>	<u>368,267</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of the year	8,383	1,842
(Reversal of)/provision for impairment of trade receivables on an individual basis	(233)	5,595
(Reversal of)/provision for impairment of trade receivables on a collective basis	(439)	946
Write-off provision for impairment of trade receivables on an individual basis	(1,305)	–
	<u>6,406</u>	<u>8,383</u>

9. TRADE PAYABLES

As at 31 December 2023 and 2022, the aging analysis of trade payables, based on invoice date, were as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 90 days	190,030	222,318
91 to 365 days	46,363	106,608
Over 365 days	13,362	3,665
	<u>249,755</u>	<u>332,591</u>

10. BANK BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank loans – secured and repayable on demand	292,603	275,340

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

	2023	2022
	HK\$'000	HK\$'000
Within 1 year	292,603	270,840
Between 1 and 2 years	–	4,500
	<u>292,603</u>	<u>275,340</u>

As at 31 December 2023 and 2022, the carrying amounts of bank borrowings approximate their fair values and are denominated in the following currencies:

	2023	2022
	HK\$'000	HK\$'000
HK\$	259,600	275,340
RMB	33,003	–
	<u>292,603</u>	<u>275,340</u>

As at 31 December 2023, bank borrowings of approximately HK\$292,603,000 (2022: HK\$275,340,000) which contain a clause that gives the lenders the unconditional right to demand repayment at any time have been classified in current liability irrespective of the probability that the lenders will invoke the clause without cause.

As at 31 December 2023, the weighted average effective interest rate on bank borrowings was 6.8% (2022: 6.4%) per annum.

As at 31 December 2023 and 2022, certain Group's bank borrowings and banking facilities were secured through the undertakings given by Mr. Raymond Chu, an executive director and Controlling Shareholder of the Company, and Mr. Wilson Chu, a Controlling Shareholder of the Company. The undertakings given by Mr. Raymond Chu and Mr. Wilson Chu stipulate that for so long as these bank facilities are available to the Company, Mr. Raymond Chu and Mr. Wilson Chu undertake to (i) notify the bank before pledging their shares of the Company; if their shares are pledged, a facility review of the Company will be triggered, and (ii) at all times collectively maintain at least 51% of the beneficial shareholding interest in the Company and collectively remain the single largest shareholder of the Company.

As at 31 December 2023, certain financial covenants in respect of bank borrowings of an aggregate HK\$240,116,000 from two banks were not satisfied and might be immediately repayable should the relevant banks exercise their right of demand. Subsequent to year-end date, the Group has obtained waiver letters from the banks confirming that such non-compliance of financial covenants would not trigger their immediate demand for repayment of these loan balances.

Taking into consideration of the cash and cash equivalents amounting to approximately HK\$274,572,000, the financial position and operating activities of the Group and the undrawn bank facilities available as at 31 December 2023, the Group considers that the non-compliance of financial covenants under the bank facilities described above did not have any material adverse impact to the Group.

11. SHARE CAPITAL

	Number of shares <i>'000</i>	Nominal value <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
At 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, 1 January 2023 and 31 December 2023	<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

The world might have averted an economic disaster in 2023, but under the combined weight of continuous high interest rate, cooling demands from the major economies (the US aside), and fresh disruptions emanating from the Israeli-Hamas/Houthi conflict, the past year had been tantalizingly challenging to the Group. As well, cancellation of orders by customers due to over-stocking in 2022 was widespread in the electronics manufacturing services (“EMS”) industry.

Despite the above, our best effort has resulted in a better-than-expected 8.1% drop in revenue. The only compensating element we experienced is somewhat lower material prices.

Our joint venture, Talentone Technology Limited (“TTL”), with a main focus in the sales of vacuum cleaners on the US market, has potential sales orders in late 2023 after finally completing the necessary logistical and marketing setups. Hopefully, a surging US consumer market that is seemingly undaunted by Federal Reserve Board interest policy and global downturn, could facilitate a belated sales ramp-up. Amidst a late and slow start of TTL, the Group recorded an approximately HK\$29.4 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 issued by TTL at the reporting year end date at their fair value pursuant to the applicable accounting standards. As such loss is only a provision for impairment nature, it does not affect the Group’s cash flow condition. Without taking into account 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 HK\$29.4 million higher. Looking ahead, the Group will monitor the performance of our business while taking into account the challenges faced by the Group.

PROSPECTS

In a US Presidential Election Year, the world invariably anticipates the political and economic repercussions with apprehensions. And this year’s run for the White House will, in all likelihood, be the most contentious, controversial, and perhaps de-stabilising.

After months of preparations, after the reporting period, we entered into a joint venture agreement with Giken Sakata (S) Limited (“Giken”) to establish a joint venture company with a focus on the sales and marketing of the collaboration effort of the Group and Giken in the provision of EMS. Giken which possesses manufacturing capabilities at the Indonesian Island of Batam-opposite a narrow stretch of water from Singapore, akin to Shenzhen in the 1980s is now logistically and operationally ready for divesting some of our China manufacturing activities that caters to some US customers. For details, please refer to the announcement of the Company dated 20 March 2024.

The Research & Development pipeline of 2024 has been significantly enriched from the previous year as a result of our unwavering commitment to invest in business development and engineering. Since the end of COVID-19, adversity has descended with unprecedented speed and fury. Global economic terrain is rough and bleak. It might be the epoch of incredulity, or the season of light. But with vigor, wisdom, and the splendor of teamwork, we are committed in turning the winter of despair into the spring of hope.

FINANCIAL REVIEW

The Group recorded revenue of HK\$1,227.2 million for FY2023 (FY2022: HK\$1,335.5 million), reflecting a decrease of HK\$108.3 million, or 8.1%. Such decrease was mainly due to the decrease in customer orders from a few key customers in the year of 2023.

For FY2023, our products were shipped to over 25 (FY2022: 25) countries and regions. The U.S. continued to be our largest market, contributing HK\$460.3 million (FY2022: HK\$496.8 million), or 37.5% (FY2022: 37.2%) of our total revenue. The U.S. sales showed a drop of 7.3% in the sales mix, which is the result of notable increases in sales in other regions, such as Switzerland and Chinese Mainland, in FY2023. The changes in the sales mix to other major countries around the world were mainly the combined impact after the COVID-19 pandemic and a change in the distribution strategy from some of our major customers between countries.

Gross profit for FY2023 amounted to HK\$210.6 million (FY2022: HK\$195.0 million), which increased by HK\$15.6 million, or 8.0%, and gross profit margin increased from 14.6% for FY2022 to 17.2% for FY2023. The increase in gross profit was mainly due to the change in product mix, as well as a decrease in the price of direct materials required. This aligns with the decrease in revenue in FY2023.

Selling and distribution expenses and administrative expenses for FY2023 were HK\$161.6 million (FY2022: HK\$149.8 million), reflecting an increase of HK\$11.8 million or 7.9%. The cost increase was mainly due to a strategic increase in headcounts for product innovation marketing efforts to capture future business opportunities.

Net finance costs increased by HK\$5.1 million, or 47.2% from HK\$10.8 million for FY2022 to HK\$15.9 million for FY2023. The increase was mainly due to the fact that the global interest rates have been dramatically increased during FY2023.

The significant drop in profit for FY2023 was mainly attributable to (i) the significant loss on fair value changes of financial asset at fair value through profit or loss; (ii) the increase in provision for inventories; (iii) a significant increase in administrative expenses; and (iv) an increase of net finance cost. As a result of the foregoing, profit for the year attributable to equity holders of the Company for FY2023 was HK\$1.2 million (FY2022: HK\$15.1 million), reflecting a decrease of HK\$13.9 million or 92.1%.

DIVIDEND

The Board does not recommend the payment of any final dividend for FY2023 (FY2022: HK\$5.0 million).

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 2023, the Group's bank borrowings were HK\$292.6 million (31 December 2022: HK\$275.3 million) while the Group's cash and cash equivalents and bank deposits were HK\$274.6 million (31 December 2022: HK\$242.2 million).

As at 31 December 2023, the Group's total net borrowings amounted to HK\$18.0 million (31 December 2022: HK\$33.1 million) while its total equity amounted to HK\$150.3 million (31 December 2022: HK\$156.0 million), resulting in a net gearing ratio of 12.0% (31 December 2022: 21.2%). The net gearing ratio is calculated as total borrowings net of cash and cash equivalents and bank deposits 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\$13.8 million during FY2023 (FY2022: HK\$14.6 million) for additions of properties, plant and equipment and intangible assets.

As at 31 December 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\$2.8 million (31 December 2022: HK\$0.5 million).

CONTINGENT LIABILITIES

As at 31 December 2023, 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 2023.

CHARGES ON ASSETS

As at 31 December 2023 and 2022, there were no charges over the assets of the Group.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 12 September 2023, the second and last tranche of convertible bond of a principal amount of HK\$22,000,000 was completed in accordance with the terms and conditions of the CB Subscription Agreement between Wise Ally Holdings Limited (a wholly-owned subsidiary of the Company) as the subscriber and TTL as the issuer.

Details of the above transaction can be found in the announcements of the Company dated 28 January 2022, 8 February 2022, 22 March 2023 and 12 September 2023.

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 2023.

SIGNIFICANT INVESTMENTS

Save as aforesaid convertible bond 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 2023) during the year ended 31 December 2023.

FOREIGN EXCHANGE AND RISK MANAGEMENT

The Group operates in Hong Kong and Mainland China 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 FY2023.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no significant events occurring after the end of the reporting period.

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 2023, the Company’s total number of issued shares was 100,000,000 at HK\$0.2 each (31 December 2022: 100,000,000 shares at HK\$0.2 each).

As at 31 December 2023, the Group’s capital structure consisted 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 FY2023.

EMPLOYEES

As at 31 December 2023, the Group employed approximately 1,600 (31 December 2022: 1,700) employees in Hong Kong and Chinese Mainland. The reduction in the number of employees can be attributable to an 8.1% decline in revenue. Total staff costs for FY2023 amounted to HK\$223.5 million (FY2022: 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 and advisers and consultants to the Group. No option was granted during FY2023 and, as at 31 December 2023, there was no outstanding option granted under the scheme.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Wednesday, 29 May 2024 to Monday, 3 June 2024, 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 2024 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 Tuesday, 28 May 2024.

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 at 31 December 2023, the net proceeds raised from the Global Offering have been fully utilised according to 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 2023, all net proceeds were utilised as follows:

Intended use of proceeds	Proposed use of proceeds <i>HK\$ million</i>	Utilised <i>HK\$ million</i>
Increasing production capacity by expanding manufacturing platform in South East Asia region and the PRC	8.9	(8.9)
Increasing marketing efforts in North America and Europe	<u>2.3</u>	<u>(2.3)</u>
	<u>11.2</u>	<u>(11.2)</u>

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 FY2023.

CORPORATE GOVERNANCE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during FY2023 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 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 C3 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 FY2023.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float for the period during FY2023 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. Law Elizabeth (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 2023.

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 FY2023 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 2024 AGM will be held on Monday, 3 June 2024. A notice convening the 2024 AGM will be published and sent to the shareholders of the Company in due course. The notice of the 2024 AGM and the proxy form will also be available on the Company's website at www.wiseally.com.hk and the Stock Exchange's website at www.hkexnews.hk in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website at www.wiseally.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2023 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, 26 March 2024

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. Law Elizabeth, Mr. Lee Wa Lun Warren and Mr. Szeto Yuk Ting.