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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 2019**

HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	
	HK\$'000	HK\$'000	Changes
Revenue	980,844	1,257,295	-22.0%
Gross profit	226,191	295,637	-23.5%
Gross profit margin	23.1%	23.5%	-40 bps
Operating profit	63,253	107,384	-41.1%
Profit for the year attributable to equity holders of the Company (including listing expenses)	33,390	77,018	-56.6%
Profit for the year attributable to equity holders of the Company (excluding listing expenses)	50,737	86,033	-41.0%
Basic and diluted earnings per share	2.2 HK cents	5.1 HK cents	-56.9%

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 2019 (“**CY2019**”) together with the comparative figures for the year ended 31 December 2018 (“**CY2018**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	5	980,844	1,257,295
Cost of sales		(754,653)	(961,658)
Gross profit		226,191	295,637
Other losses, net	6	(1,769)	(3,145)
Other income	6	6,850	—
Selling and distribution expenses		(59,951)	(74,083)
Administrative expenses		(108,068)	(111,025)
Operating profit		63,253	107,384
Finance income		69	3,980
Finance costs		(19,362)	(15,205)
Finance costs, net		(19,293)	(11,225)
Profit before income tax		43,960	96,159
Income tax expense	7	(10,570)	(19,141)
Profit for the year attributable to equity holders of the Company		33,390	77,018
Other comprehensive losses:			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(1,982)	(5,852)
<i>Item that will not be subsequently reclassified to profit or loss</i>			
Actuarial gain on long service payment scheme		30	20
Total other comprehensive losses for the year		(1,952)	(5,832)
Total comprehensive income for the year attributable to equity holders of the Company		31,438	71,186
Earnings per share attributable to equity holders of the Company			
Basic and diluted	8	2.2 HK cents	5.1 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Properties, plant and equipment		103,909	127,006
Intangible assets		3,438	1,928
Deposits and prepayments		4,669	2,375
Deferred tax assets		5,078	6,010
		117,094	137,319
Current assets			
Inventories		126,878	222,881
Trade receivables	10	203,375	255,974
Prepayments, deposits and other receivables		12,790	24,825
Amounts due from related companies		2,932	–
Amount due from the then fellow subsidiary		–	2,506
Amount due from the then immediate holding company		–	243,961
Pledged bank deposits		10,000	10,000
Cash and cash equivalents		138,623	46,171
		494,598	806,318
Total assets		611,692	943,637
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		10	–
Reserves		52,145	124,717
Total equity		52,155	124,717

	<i>Note</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Long service payment scheme		30	60
Bank borrowings	<i>12</i>	45,000	–
Deferred government grants		428	–
Lease liabilities		34,737	48,714
		80,195	48,774
Current liabilities			
Trade payables	<i>11</i>	113,364	198,799
Other payables and accruals		87,708	104,926
Deferred government grants		1,149	–
Lease liabilities		13,214	11,935
Bills payables		30,399	49,858
Bank borrowings	<i>12</i>	221,593	396,373
Amounts due to the then fellow subsidiaries		–	1,809
Current income tax liabilities		11,915	6,446
		479,342	770,146
Total liabilities		559,537	818,920
Total equity and liabilities		611,692	943,637

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 “**Listing Business**”). The ultimate controlling shareholders are Mr. Chu Wai Cheong Wilson (“**Mr. Wilson Chu**”) and Mr. Chu Wai Hang Raymond (“**Mr. Raymond Chu**”) (collectively, the “**Controlling Shareholders**”) who have been controlling the group companies since their incorporation.

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

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

2. REORGANISATION

Immediately prior to the reorganisation (the “**Reorganisation**”) as described below, the Listing Business was carried out by Wise Ally Holdings Limited (“**HK Wise Ally**”) and its subsidiary, Dongguan Wise Ally Industrial Co., Ltd* (“**DG Wise Ally**”) (together, the “**Wise Ally Group**”), which were collectively controlled by the Controlling Shareholders through Defond Holdings (H.K.) Co. Limited (“**Defond HK**”).

In preparation for the initial public offering (“**IPO**”) and listing of the Company’s shares on the Main Board of the Stock Exchange, the Group underwent the Reorganisation which principally involved the following steps:

- (a) On 10 January 2019, Brilliant Holdings Investment Group Limited (“**Brilliant Holdings**”) was incorporated under the laws of the British Virgin Islands (“**BVI**”) with limited liability and was authorised to issue a maximum of 50,000 shares of a par value of United States dollar (“**USD**”) 1.00 each. Upon incorporation, one share of Brilliant Holdings was allotted and issued at par and credited as fully paid to Defond HK.
- (b) On 10 January 2019 and 15 January 2019, Smart Union Global Group Limited (“**Smart Union**”) and Grandview Group Holdings Limited (“**Grandview**”) were respectively incorporated under the laws of BVI and were authorised to issue a maximum number of 50,000 shares of USD1.00 each. Upon incorporation, one share of USD1.00 was allotted and issued at par by the each of the aforesaid companies and credited as fully paid to Mr. Raymond Chu and Mr. Wilson Chu respectively.
- (c) On 10 January 2019, Smartview Investments Limited (“**Smartview**”) was incorporated under the laws of the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of a par value of USD1.00 each. Upon incorporation, two shares of Smartview were allotted and issued at par and credited as fully paid, of which one share was issued to Mr. Raymond Chu and one share was issued to Mr. Wilson Chu respectively.

- (d) On 15 January 2019, the Company was incorporated in the Cayman Islands with initial authorised share capital of 38,000,000 shares of HK\$0.01 each. Upon incorporation, one share of the Company of HK\$0.01 each was issued and allotted to the initial subscribing shareholder. On the same date, the subscriber share was transferred to Smartview at par value.
- (e) On 31 January 2019, 679 shares, 160 shares and 160 shares of the Company were allotted and issued at par and credited as fully paid to Smartview, Smart Union, and Grandview respectively and the issued share capital of the Company became HK\$10 divided into 1,000 shares of HK\$0.01 each. As a result, Smartview, Smart Union, and Grandview owned 68%, 16% and 16% equity interest of the Company respectively.
- (f) On 19 March 2019, Brilliant Holdings acquired the entire equity interest of HK Wise Ally from Defond HK. In consideration, Brilliant Holdings issued and allotted one share to Defond HK.
- (g) On 13 December 2019, the Company acquired the entire equity interest of Brilliant Holdings from Defond HK. In consideration, as directed by Defond HK, the Company issued and allotted 679,320 shares, 159,840 shares and 159,840 shares to Smartview, Smart Union and Grandview respectively, in proportion to the respective then existing shareholding of Smartview, Smart Union and Grandview in the Company.

Upon completion of the Reorganisation, the Company became the holding company of the companies comprising the Group.

* *For identification purpose only*

3. BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the Listing Business had been and continues to be conducted through Wise Ally Group. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company has not been involved in any business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the Controlling Shareholders remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the consolidated financial statements of Wise Ally Group, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.

4. BASIS OF PREPARATION

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

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

The Group has adopted HKFRS 16 “**Leases**” using the full retrospective approach with which the relevant accounting policies have been consistently applied to the Group’s consolidated financial statements throughout the years ended.

New standard, amendments and interpretations to existing standards issued but not yet adopted by the Group

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group will adopt the above new standard, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standard, amendments and interpretations.

5. REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in the manufacturing and sales of electronic products.

The chief operating decision maker has been identified as the Chief Executive Officer (“CEO”) of the Company. The CEO reviews the Group's internal reporting in order to assess performance and allocate resources. The CEO has determined the operating segment based on these reports.

The CEO considers the Group's operation from a business perspective and determines that the Group has one reportable operating segment being manufacturing and sales of electronic products.

The CEO assesses the performance of the operating segment based on a measure of revenue and gross profit.

During the years ended 31 December 2019 and 2018, 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**

	2019 HK\$'000	2018 HK\$'000
Customer A	273,967	181,753
Customer B	N/A*	408,046
Customer C	156,327	N/A*
Customer D	113,095	N/A*

* The corresponding customers did not contribute over 10% of the total revenue of the Group for the respective 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:

	2019 HK\$'000	2018 HK\$'000
United States ("U.S.")	565,412	800,767
United Kingdom	207,606	147,485
Hong Kong	55,061	81,098
People's Republic of China ("PRC")	24,904	51,617
France	8,557	46,564
Others (<i>Note</i>)	119,304	129,764
	980,844	1,257,295

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

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

The total amounts of non-current assets, other than deferred tax assets, of the Group as at 31 December 2019 and 2018 are located in the following regions:

	2019 HK\$'000	2018 HK\$'000
Hong Kong	15,072	15,139
PRC	96,944	114,242
	112,016	129,381

6. OTHER LOSSES, NET AND OTHER INCOME

(a) Other losses, net

	2019 HK\$'000	2018 HK\$'000
Losses on disposals of properties, plant and equipment	(2,291)	(1,987)
Exchange gains/(losses)	522	(1,158)
	<u>(1,769)</u>	<u>(3,145)</u>

(b) Other income

	2019 HK\$'000	2018 HK\$'000
Government grants	1,348	–
Other (<i>Note</i>)	5,502	–
	<u>6,850</u>	<u>–</u>

Note:

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

7. INCOME TAX EXPENSE

During the years ended 31 December 2019 and 2018, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

During the years ended 31 December 2019 and 2018, the Group's subsidiary in the PRC is subject to corporate income tax ("CIT") at a standard rate of 25%.

	2019 HK\$'000	2018 HK\$'000
Current income tax		
– PRC CIT	4,201	9,276
– Hong Kong profits tax	6,151	13,523
	<u>10,352</u>	<u>22,799</u>
Over-provision in prior year		
– Hong Kong profits tax	(623)	–
	<u>9,729</u>	<u>22,799</u>
Deferred income tax	841	(3,658)
	<u>10,570</u>	<u>19,141</u>

8. EARNINGS PER SHARE

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

In determining the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2019 and 2018, 1,500,000,000 ordinary shares, after taking into account the capitalisation issue that took place on 10 January 2020 and the issue of shares pursuant to the Reorganisation as detailed in Note 2, were deemed to have been issued since 1 January 2018.

The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of share in connection with the capitalisation issue which took place on 10 January 2020.

	Year ended 31 December	
	2019	2018
Profit for the year attributable to equity holders of the Company (HK\$'000)	33,390	77,018
Weighted average number of ordinary shares in issue ('000)	1,500,000	1,500,000
Basic and diluted earnings per share (HK cents)	2.2	5.1

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

9. DIVIDENDS

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

At the board meeting held on 27 March 2020, the Directors recommended the payment of a final dividend of HK\$0.01 per ordinary share for the year ended 31 December 2019, amounting to a total of HK\$20,000,000. The final dividend was not reflected as dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2020 after receiving shareholders' approval at the forthcoming annual general meeting.

10. TRADE RECEIVABLES

	2019	2018
	HK\$'000	HK\$'000
Trade receivables	204,931	257,530
Less: provision for impairment of trade receivables	(1,556)	(1,556)
	203,375	255,974

As at 31 December 2019 and 2018, 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 2019 and 2018, the aging analysis of trade receivables, net of impairment, based on invoice date, were as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	100,298	67,706
31 to 60 days	41,829	78,108
61 to 90 days	28,782	44,210
91 to 180 days	26,096	56,877
181 to 365 days	3,360	8,297
Over 365 days	3,010	776
	<u>203,375</u>	<u>255,974</u>

11. TRADE PAYABLES

As at 31 December 2019 and 2018, the aging analysis of trade payables, based on invoice date, were as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	49,588	132,176
31 to 60 days	32,243	30,995
61 to 90 days	16,420	18,553
91 to 180 days	9,875	11,452
181 to 365 days	984	1,831
Over 365 days	4,254	3,792
	<u>113,364</u>	<u>198,799</u>

12. BANK BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current portion		
– 1 to 2 years	28,500	–
– 2 to 5 years	16,500	–
	<u>45,000</u>	–
Current portion		
– within 1 year	6,000	–
– repayable on demand	215,593	396,373
	<u>221,593</u>	396,373
	<u>266,593</u>	396,373

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 year	221,593	376,373
Between 1 and 2 years	28,500	10,000
Between 2 and 5 years	16,500	10,000
	<u>266,593</u>	<u>396,373</u>

13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2019:

- (a) Pursuant to the written resolutions passed by the shareholders on 10 December 2019, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the Global Offering (as defined in the prospectus of the Company dated 27 December 2019 (the “**Prospectus**”)), the Directors were authorised to capitalise an amount of HK\$14,990,000 standing to the credit of the share premium account of the Company on 10 January 2020 by applying such sum in paying up in full at par 1,499,000,000 shares, such shares to be allotted and issued to the shareholders whose names appear on the register of members of the Company at the close of business on a date prior to the Global Offering (or as they may direct) in proportion to their then existing shareholdings in the Company, each ranking equally in all respects with the then existing issued shares.
- (b) On 10 January 2020, the shares of the Company were listed on the Stock Exchange. In connection with the Listing, the Company issued a total of 500,000,000 ordinary shares at a price of HK\$0.25 per share for a total proceeds (before related share issuance costs) of HK\$125,000,000.
- (c) The guarantees or pledges as set out in the Prospectus provided by the Controlling Shareholders and the certain related companies were released upon the Listing, and were replaced by corporate guarantees from the Group.
- (d) Since the outbreak of the novel coronavirus (COVID-19) (the “**Novel Coronavirus Outbreak**”), a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the novel coronavirus (COVID-19), including imposing restriction on resumption date of production after the Chinese New Year holidays.

The operation of the Group's production plant in Dongguan (the "**Dongguan Production Plant**") has been suspended after the statutory holidays of the Chinese New Year as part of the Chinese government's countermeasures in containing the Novel Coronavirus Outbreak.

After inspection being done at the Dongguan Production Plant by the relevant government authority, the Group received an official notice for approving the resumption of limited production of the Dongguan Production Plant. As such, the Dongguan Production Plant resumed its operation and production on 17 February 2020.

However, due to the suspension or limited service of transportation facilities in certain area, certain workers in the affected provinces and municipalities were unable to return to production units in Dongguan as planned, which has resulted in temporary drop in production of the Dongguan Production Plant. The Novel Coronavirus Outbreak also adversely affected the supply chain logistics and the Group has experienced delay in the supply of raw materials from its suppliers. It is expected that the Dongguan Production Plant will experience delay in resuming to original production schedule and there will be late delivery of products in the first half of 2020.

Under such special circumstances, the Group is currently working closely with its suppliers to speed up the delivery of raw materials and liaising with the customers to adjust delivery schedule to minimize any negative economic impact on both sides. The suspension and the temporarily lower than original production level are likely to have a negative impact on the Group's future financial results. The Group will continue to assess the impact of the Novel Coronavirus Outbreak on the financial performance and closely monitor the development of the Novel Coronavirus Outbreak and the Group's exposure to the risks and uncertainties in this connection. The Group will take appropriate measures as necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are an established electronics manufacturing services (“**EMS**”) provider offering full turnkey solutions to our customers with particular focus in consumer electronic products. We provide a comprehensive range of services including design development and enhancement, provision of technical advice and engineering solutions, selection and procurement of materials, production, quality control and logistics management. Our solutions aim to combine electronic components and mechanical and electromechanical components to form a multifunctional module to facilitate the overall function of the finished electronic products of our customers. The deliverables of our manufacturing services include printed circuit board assembly (“**PCBA(s)**”), multifunctional modules and finished electronic products, covering a range of product applications including vapour products, appliances, commercial controls and heating, ventilation and air-conditioning (“**HVAC(s)**”).

Given that our Group mainly engages in the provision of EMS for multifunctional modules, our Group occupies the mid-to-downstream of the EMS industry value chain. Leveraging on our product design and development capabilities and manufacturing knowhow, we have been able to provide product design optimisation and engineering solutions to our customers, thereby positioning us as a value-creator at the front-end of the supply chain.

For CY2019, our products were shipped to over 21 (CY2018: 20) countries and regions, and the U.S. continued to be our largest market, which contributed HK\$565.4 million (CY2018: HK\$800.8 million), or 57.6% (CY2018: 63.7%) of our total revenue. The decrease in sales to the U.S. for CY2019 compared to CY2018 was mainly due to the cessation of business relationship with Customer B in January 2019. Excluding the effect of Customer B, our sales to the U.S. for CY2019 increased by HK\$154.2 million, or 39.3% compared to that of CY2018, which is primarily due to the increase in demand from Customer A, which increased by HK\$92.2 million, or 50.7% from HK\$181.8 million for CY2018 to HK\$274.0 million for CY2019, and other major customers. For CY2019, United Kingdom contributed 21.2% (CY2018: 11.7%), of our total revenue, Hong Kong, the PRC, France and the rest of the other countries and regions contributed the remaining 21.2% (CY2018: 24.6%) of our total revenue.

PROSPECTS

At the beginning of 2020, with the signing of the first phase of the U.S.-China trade agreement, it was expected that U.S.-China trade tension would be reduced and the market sentiments and demands from the U.S. customers will gradually recover. However, the recent Novel Coronavirus Outbreak has brought uncertainties to the global economies and the Group would face a lot of challenges in 2020. Recently, the novel coronavirus (COVID-19) has been spreading in many countries simultaneously and the World Health Organization has recently declared it as a pandemic. The U.S., Canada, the European Union and other major countries in the world, where our major customers and suppliers are located, have announced closure of external borders; prohibit non-essential travelling and other applicable measures. Consequently, the daily operations of some of our customers and suppliers have been adversely affected and in turn led to (i) postponement of delivery of some of our products; (ii) further extension in materials lead time; and (iii) disruptions in our logistics and supply chain. As a result, our operations and financial results in the first half year of 2020 would be adversely affected. If this unprecedented pandemic continues in the coming months, the second half year of 2020 will be further affected. Having said that, we will closely monitor the risks and uncertainties in connection with the pandemic and will work closely with our customers, suppliers and business partners to minimize any adverse impacts arising therefrom.

As stated in the Prospectus, we intend to set up a production facility in South East Asia region (the “**New Asia Plant**”) with potential joint venture partner to expand our production capacity outside of the PRC with an aim to (i) diversify our operational risk; (ii) benefit from lower production cost; (iii) possess international footprint and allow flexibility in production arrangement to cater different needs of the customers; and (iv) tackle the Sino-U.S. trade war. As of the date of this announcement, we have commenced negotiation with the potential joint venture partner for the terms of cooperation. We expect to kick-off the set-up of the New Asia Plant by the first half year of 2020 but this timeline will be dependent on a number of factors, such as the negotiation progress with the potential joint venture partner and possible disruption of business development and operations due to the novel coronavirus pandemic.

Despite the challenging business environment and uncertainties in the global economies, the Group will continue to maintain close relationship with our customers, suppliers and business partners; to impose strict cost controls; to focus on our product quality; and to intensify our sales and marketing efforts to major consumer EMS industry players in North America, Europe and the PRC.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of HK\$980.8 million for CY2019, reflecting a decrease of HK\$276.5 million, or 22.0% as compared to revenue of HK\$1,257.3 million for CY2018. The decrease in revenue was mainly due to the cessation of business relationship with Customer B in January 2019 partly offset by the increase in revenue from Customer A and other major customers.

Cost of sales

Cost of sales decreased by HK\$207.0 million, or 21.5% from HK\$961.7 million for CY2018 to HK\$754.7 million for CY2019. Our cost of sales mainly comprised of costs of materials, labour costs and factory overhead. The overall decrease in the amount was generally in line with the drop in revenue during CY2019.

Gross profit and gross profit margin

Gross profit decreased by HK\$69.4 million, or 23.5% from HK\$295.6 million for CY2018 to HK\$226.2 million for CY2019 while the gross profit margin decreased from 23.5% for CY2018 to 23.1% for CY2019. The decrease in gross profit and gross profit margin were mainly due to the drop in revenue from Customer B whose products entailed a relatively higher profit margin.

Selling and distribution expenses

Selling and distribution expenses decreased by HK\$14.1 million, or 19.0% from HK\$74.1 million for CY2018 to HK\$60.0 million for CY2019. The decrease was primarily due to the decrease in sales commission expenses and freight and custom declarations expenses, which were generally in line with the change in product mix and drop in revenue.

Administrative expenses

Administrative expenses decreased by HK\$2.9 million, or 2.6% from HK\$111.0 million for CY2018 to HK\$108.1 million for CY2019. The decrease was primarily due to the decrease in corporate expenses incurred as a result of the cessation of certain centralised functions provided by the related parties for CY2019. Such decrease was partially offset by the increase in listing expenses incurred during CY2019.

Finance costs, net

Net finance costs increased by HK\$8.1 million, or 72.3% from HK\$11.2 million for CY2018 to HK\$19.3 million for CY2019. The increase was mainly due to the combined effect of (i) the increase in interest expenses on bank borrowings of HK\$3.9 million; (ii) the increase in interest expenses on lease liabilities of HK\$0.3 million; and (iii) the decrease in interest income for CY2019 in the amount of HK\$3.9 million as no interest income was received from the then immediate holding company.

Income tax expense

Income tax expense decreased by HK\$8.5 million, or 44.5%, from HK\$19.1 million for CY2018 to HK\$10.6 million for CY2019. The decrease was mainly due to the decrease in profit before income tax. Our effective tax rate for CY2019 was 24.1% (CY2018: 19.9%). Excluding the listing expenses of HK\$17.3 million and HK\$9.0 million recognised in administrative expenses for CY2019 and CY2018 respectively, our effective tax rate for CY2019 was 17.3% (CY2018: 18.2%) since the listing expenses were not tax deductible.

Profit for the year

As a result of the foregoing, profit for the year decreased by HK\$43.6 million, or 56.6%, from HK\$77.0 million for CY2018 to HK\$33.4 million for CY2019.

Adjusted net profit

Excluding the listing expenses of HK\$17.3 million and HK\$9.0 million recognised in administrative expenses for CY2019 and CY2018 respectively, our adjusted net profit for the year were HK\$50.7 million and HK\$86.0 million for CY2019 and CY2018 respectively.

The term adjusted net profit is not defined under HKFRS. As a non-HKFRS measure, it is presented because the management believes that adjusted net profit helps identify underlying trends in the Group's business that could otherwise be distorted by the effect of the expenses that are included in income from operations and net profit through eliminating potential impacts of certain unusual and non-recurring items that the management does not consider to be indicative of its operating performance.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded our liquidity and capital requirements primarily through a combination of internally generated funds from our operating activities and bank borrowings. As at 31 December 2019, the Group maintained cash and cash equivalents of HK\$138.6 million (2018: HK\$46.2 million). As at 31 December 2019, the Group's bank borrowings were HK\$266.6 million (2018: HK\$396.4 million). The Group had net debt of HK\$128.0 million (2018: HK\$350.2 million) as at the year end date.

The Group's net gearing ratio decreased from 280.8% as at 31 December 2018 to 245.2% as at 31 December 2019, which was primarily due to the decrease of total net debt by HK\$222.2 million, or 63.4% from HK\$350.2 million as at 31 December 2018 to HK\$128.0 million as at 31 December 2019 and partially offset by the decrease in total equity from HK\$124.7 million as at 31 December 2018 to HK\$52.2 million as at 31 December 2019. Net gearing ratio is calculated as total borrowings net of cash and cash equivalents divided by total equity and multiplied by 100%.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred total capital expenditures of HK\$19.4 million for CY2019 (CY2018: HK\$23.1 million) for additions of properties, plant and equipment and intangible assets.

As at 31 December 2019, the Group had capital commitments contracted but not provided for in the amount of HK\$2.2 million (2018: HK\$1.1 million).

CONTINGENT LIABILITIES

As at 31 December 2019, we were not involved in any legal proceedings pending or, to the knowledge of the Board, threatened against our Group which could have a material adverse effect on our business or operations. Besides, we had cross guarantees arrangement as at 31 December 2019 and 2018 as disclosed in the Prospectus. Such cross guarantees arrangement had been released upon the Listing. Saved as disclosed above, our Directors confirm that as at 31 December 2019, we did not have any significant contingent liabilities.

CHARGES ON ASSETS

As at 31 December 2019, the Group had certain bank deposits pledged to secure the Group's banking facilities in the amount of HK\$10.0 million (2018: HK\$10.0 million).

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Save as disclosed in Note 13, there has been no significant events occurring after the end of the reporting period.

FOREIGN EXCHANGE AND RISK MANAGEMENT

Our Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising primarily with respect to the USD and Chinese Renminbi ("RMB"). Most of our sales proceeds are received in USD and approximately 50% of our purchases and operating expenses are denominated in RMB.

The Group did not enter into any derivative instruments to hedge against its foreign exchange exposure during the year ended 31 December 2019. 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.

DIVIDENDS

The Board recommends the payment of a final dividend of HK\$0.01 per ordinary share for the year ended 31 December 2019. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 2 June 2020 (the “**2020 AGM**”), the proposed final dividend is expected to be paid on or before Tuesday, 23 June 2020 to the shareholders whose names appear on the register of members of the Company on Tuesday, 9 June 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020, 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 2020 AGM, unregistered holder(s) of share(s) of the Company shall ensure that all transfer document(s) accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 27 May 2020.

For determining the entitlement to the proposed final dividend (subject to the approval by the shareholders at the 2020 AGM), the register of members of the Company will be closed from Monday, 8 June 2020 to Tuesday, 9 June 2020, both days inclusive, during which period no transfer of share(s) of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holder(s) of share(s) of the Company should ensure that all transfer document(s) accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 5 June 2020.

CAPITAL STRUCTURE

As at 31 December 2019, the Group’s capital structure consists of bank borrowings and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

EMPLOYEES

As at 31 December 2019, the Group employed approximately 1,500 employees. 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 advisors and consultants to the Group.

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the Stock Exchange on 10 January 2020 (the “**Listing Date**”) by way of Global Offering and the net proceeds raised from the Global Offering, after deducting the underwriting fees and other related listing expenses, amounted to approximately HK\$74.0 million. As of the date of this announcement, the Company does not anticipate any change on its plan on the use of proceeds as stated in the section headed “Future Plans and Use of Proceeds” of the Prospectus. Since the Listing Date, the Group has not utilised any net proceeds raised from the Global Offering.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The shares of the Company were first listed on the Main Board of the Stock Exchange on the Listing Date. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions under the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

As the Company was not yet listed on the Main Board of the Stock Exchange until the Listing Date, the CG Code was not applicable to the Company during the year ended 31 December 2019. The Company has complied with all the applicable code provisions set out in the CG Code throughout the period from the Listing Date up to the date of this announcement.

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. As the Company was not yet listed on the Main Board of the Stock Exchange until the Listing Date, the provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions were not applicable to the Company during the period under review. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required provisions set out in the Model Code during the period from the Listing Date to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”), comprising three independent non-executive Directors, namely Ms. Ling Imma Kit Sum (chairperson of Audit Committee), Mr. Lee Wa Lun Warren and Mr. Szeto Yuk Ting, and 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 2019.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

ANNUAL GENERAL MEETING

The 2020 AGM will be held on Tuesday, 2 June 2020. A notice convening the 2020 AGM will be published and sent to the shareholders in due course. The notice of the 2020 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 2019 annual report will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

By Order of the Board
Wise Ally International Holdings Limited
Chu Wai Hang Raymond
Chairman and Executive Director

Hong Kong, 27 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Chu Wai Hang Raymond, Mr. Tsang Ming Chit Stanley and Mr. Chan Chi Ming; and the independent non-executive directors of the Company are Ms. Ling Imma Kit Sum, Mr. Lee Wa Lun Warren and Mr. Szeto Yuk Ting.