

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.



HOME CONTROL INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1747)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2021, together with the comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	<i>Note</i>	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Revenue	3	126,008	134,189
Cost of sales		<u>(97,002)</u>	<u>(106,826)</u>
Gross profit		29,006	27,363
Other income		1,708	740
Selling and distribution expenses		(8,079)	(6,647)
Administrative expenses		(12,765)	(12,281)
Reversal of impairment loss of trade receivables		166	176
Other expenses		(1,868)	(2,631)
Finance income		312	–
Finance costs		<u>(2,783)</u>	<u>(2,049)</u>
Profit before tax	4	5,697	4,671
Income tax expense	5	<u>(1,891)</u>	<u>(944)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		2021	2020
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Profit for the year attributable to owners of the Company		<u>3,806</u>	<u>3,727</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>30</u>	<u>185</u>
Other comprehensive income for the year		<u>30</u>	<u>185</u>
Total comprehensive income for the year attributable to owners of the Company		<u>3,836</u>	<u>3,912</u>
Earnings per share for profit attributable to owners of the Company			
Basic	6	<u>US0.76 cents</u>	<u>US0.74 cents</u>
Diluted	6	<u>US0.75 cents</u>	<u>US0.74 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Note</i>	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment and right-of-use assets		5,456	5,729
Other intangible assets		27	109
Goodwill		8,877	8,877
Deferred tax assets		–	6
Financial assets at amortised costs		5,166	4,854
		<hr/>	<hr/>
Total non-current assets		19,526	19,575
Current assets			
Inventories	7	27,185	13,380
Trade receivables	8	40,761	23,355
Prepayments		438	666
Other receivables		350	445
Pledged deposits	10	–	286
Cash and cash equivalents	10	17,630	22,328
		<hr/>	<hr/>
Total current assets		86,364	60,460
		<hr/>	<hr/>
Total assets		105,890	80,035
Current liabilities			
Trade payables	9	50,365	25,634
Other payables and accruals		5,862	5,346
Interest-bearing bank loans		5,434	11,357
Lease liabilities		408	470
Provisions		52	106
Tax payable		1,297	649
		<hr/>	<hr/>
Total current liabilities		63,418	43,562
		<hr/>	<hr/>
Net current assets		22,946	16,898
		<hr/>	<hr/>
Total assets less current liabilities		42,472	36,473
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Non-current liabilities		
Interest-bearing bank loans	19,540	16,297
Lease liabilities	436	214
Provisions	454	420
Deferred tax liabilities	471	98
	<hr/>	<hr/>
Total non-current liabilities	20,901	17,029
	<hr/>	<hr/>
Net assets	21,571	19,444
	<hr/>	<hr/>
Equity		
Share capital	5,017	5,017
Reserves	16,554	14,427
	<hr/>	<hr/>
Total equity	21,571	19,444
	<hr/>	<hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in providing solutions for sensing and control technologies marketed in the smart home automation, consumer electronics and set-top-box segments.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 14 November 2019.

The immediate holding company of the Company is NHPEA IV Home Control Netherlands B.V., which is incorporated in the Netherlands and the ultimate holding company of the Company is Morgan Stanley, which is listed on the New York Stock Exchange and is incorporated in the United States of America.

This consolidated financial statements is presented in thousands of unit of United States Dollars (“US\$’000”), unless otherwise stated. This consolidated financial statements has been approved for issue by the Board on 18 March 2022.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared under the historical cost convention.

(a) Amended standards and revised conceptual framework adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

The adoption of these amendments to existing standards does not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group's accounting policies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

(b) **New standards, amendments to existing standards, annual improvements, guideline and interpretation that have been issued but are not yet effective and have not been early adopted by the Group**

The following standards and amendments were in issue but not yet effective and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to IFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment (Proceeds before Intended Use)	1 January 2022
Amendments to IFRS 3 (Revised)	Business Combinations (Reference to the Conceptual Framework)	1 January 2022
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)	1 January 2022
Annual Improvements to IFRSs 2018- 2020 Cycle	Improvements to IFRSs 2018-2020	1 January 2022
Amendments to IAS 1	Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2023
Amendments to IAS 1 (Revised)	Presentation of Financial Statements	1 January 2023
Amendments to IFRS Practice Statement 2	Making Materiality Judgements	1 January 2023
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is assessing the full impact of these new and amended standards, interpretation and accounting guideline. Certain of them may lead to changes in presentation, disclosure and measurements of certain items on the Group's results of operations and financial position, but the impacts are not expected to be significant.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. OPERATING SEGMENT INFORMATION

An operating segment, in part, is a component of an enterprise whose operating results are regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance. Operating segments may be aggregated only to a limited extent. Management reviews the financial information about revenues and operating results as a whole for purpose of making operating decisions and assessing financial performance. Accordingly, the Group only has a single operating and reportable segment. Therefore, no further information about the operating segment is presented other than the entity-wide disclosures.

Geographical information

(a) Revenue from external customers

	2021 US\$'000	2020 US\$'000
North America	31,805	45,376
Europe	47,608	38,364
Asia	31,140	36,520
Latin America	15,455	13,929
	<u>126,008</u>	<u>134,189</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2021 US\$'000	2020 US\$'000
North America	33	38
Europe	244	195
Asia	5,206	5,605
	<u>5,483</u>	<u>5,838</u>

The non-current asset information above is based on the locations of the non-current assets and excludes financial assets at amortised costs, deferred tax assets and goodwill.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for year 2021 & 2020 is set out below:

	2021 US\$'000	2020 US\$'000
Customer 1	21,854	28,904
Customer 2	N/A*	15,727

* The corresponding revenue from the customer is not disclosed as the revenue did not individually account for 10% or more of the Group's revenue for the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Cost of inventories sold	78,880	88,322
Outsourcing costs	14,203	13,778
Depreciation of property, plant and equipment	2,687	3,283
Depreciation of right-of-use assets	515	543
Loss on disposal of property, plant and equipment	–	124
Amortisation of other intangible assets	83	184
Impairment of property, plant and equipment	–	172
Foreign exchange differences, net	189	16
Withholding tax	11	50
Auditor's remuneration		
– <i>Audit services</i>	373	352
– <i>Non-audit services</i>	85	16
Expenses for short-term leases	173	16
Expenses for low-value leases	4	6
Employee benefits expense		
– <i>Wages and salaries</i>	11,696	10,992
– <i>Pension scheme contributions</i>	2,255	1,604
– <i>Long service award</i>	51	14
– <i>Share award scheme</i>	177	43
– <i>Other employee benefits</i>	280	300

During the year ended 31 December 2021, the Group incurred expenses for the purpose of research and development of US\$6,210,000 (2020: US\$5,820,000), which comprised employee benefits expenses of US\$5,001,000 (2020: US\$4,459,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which entities of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company and HCIL Master Option Limited are not subject to any income tax in this jurisdiction.

The Singapore statutory income tax for Home Control Singapore Pte. Ltd. has been provided at the rate of 17% (2020: 17%) on the estimated assessable profits arising in Singapore during the year.

The federal tax for Premium Home Control Solutions LLC has been provided at the rate of 21% (2020: 21%), and the state tax has been provided at the rate of 4.3% (2020: 4.4%) on the estimated assessable profits arising in the United States of America during the year.

The provision for Mainland China income tax has been provided at the applicable income tax rate of 25% (2020: 25%) on the estimated assessable profits of the PRC subsidiaries of the Group in accordance with the PRC Corporate Income Tax Law. Home Control Solutions (Suzhou) Limited qualified as a Micro-sized enterprise and was subject to a preferential income tax rate of 5% (2020: 5%) for the year. HCS (Suzhou) Limited qualified as a Technologically-advanced Service Enterprises and was subject to a preferential income tax rate of 15% (2020: 15%) for the year.

The corporate income tax rate for Home Control Europe NV has been provided at the rate of 25% (2020: 25%) on the estimated assessable profits arising in Belgium during the year.

The corporate income tax rate for Omni Remotes do Brasil Ltda has been provided at the rate of 24% (2020: 24%) on the estimated assessable profits arising in Brazil during the year.

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense are as follows:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Current tax – Singapore		
Charge for the year	871	830
Under/(over) provision in prior years	316	(363)
Current tax – United States of America		
Charge for the year	22	251
Under provision in prior years	3	–
Current tax – China and Elsewhere		
Charge for the year	308	226
Over provision in prior years	(8)	–
	<u>1,512</u>	<u>944</u>
Deferred tax		
Charge for the year	286	–
Under provision in prior years	93	–
	<u>379</u>	<u>–</u>
Total tax charge for the year	<u>1,891</u>	<u>944</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable statutory rates to the effective tax rates, are as follows:

	2021		2020	
	US\$'000	%	US\$'000	%
Profit before tax	<u>5,697</u>		<u>4,671</u>	
Tax at the domestic rates applicable to profits in the countries where the Group operates	1,202	21.1	1,159	24.8
Effect of partial tax exemption and enhanced deductions	(22)	(0.4)	(17)	(0.4)
Income not subjected to tax	(315)	(5.5)	(115)	(2.5)
Under/(over) provision in respect of prior years	404	7.1	(391)	(8.4)
Expenses not deductible for tax	530	9.3	325	7.0
Others	<u>92</u>	<u>1.6</u>	<u>(17)</u>	<u>(0.3)</u>
Income tax expense at the Group's effective rate	<u>1,891</u>	<u>33.2</u>	<u>944</u>	<u>20.2</u>

6. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on profit for the year attributable to owners of the Company, and the weighted average number of 501,633,663 ordinary shares in issue during the year (2020: 501,633,663 ordinary shares, which were deemed to have been issued by way of capitalisation throughout the year ended 31 December 2020).

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2021	2020
	US\$'000	US\$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	<u>3,806</u>	<u>3,727</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	501,633,663	501,633,663
Effect of dilution – weighted average number of ordinary shares:		
Share options	4,189,660	856,069
Share awards	5,016,337	299,365
	510,839,660	502,789,097

7. INVENTORIES

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Raw materials – components	13,285	4,949
Work-in-progress	797	1,037
Finished goods	13,103	7,394
	27,185	13,380

Inventories recognised as cost of sales during the year ended 31 December 2021 amounted to US\$78,880,000 (2020: US\$88,322,000).

8. TRADE RECEIVABLES

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Trade receivables	40,953	23,713
Impairment	(192)	(358)
	40,761	23,355
Denominated in:		
United States dollar (“US\$”)	38,451	21,141
Euro (“EUR”)	1,420	1,071
Renminbi (“RMB”)	486	926
British Pound Sterling (“GBP”)	404	217
	40,761	23,355

Trade receivables are non-interest bearing and are generally on 30 to 90 days’ credit terms. They are recognised at their original invoice amounts on initial recognition.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
0-90 days	35,854	18,853
91-180 days	3,538	2,770
More than 180 days	1,369	1,732
	40,761	23,355

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE PAYABLES

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Trade payables	<u>50,365</u>	<u>25,634</u>
Denominated in:		
United States dollar (“US\$”)	49,356	24,319
Euro (“EUR”)	5	6
Singapore dollar (“S\$”)	31	14
Renminbi (“RMB”)	796	1,287
Others	<u>177</u>	<u>8</u>
	<u>50,365</u>	<u>25,634</u>

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
0-90 days	30,519	15,798
91-180 days	11,121	5,576
More than 180 days	<u>8,725</u>	<u>4,260</u>
	<u>50,365</u>	<u>25,634</u>

The trade payables are non-interest-bearing and are normally settled on 90-day credit terms.

10. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Cash and bank balances	17,630	22,614
Less: Pledged deposits:		
Pledged for bank loans	<u>–</u>	<u>(286)</u>
Cash and cash equivalents	<u>17,630</u>	<u>22,328</u>
Denominated in:		
United States dollar (“US\$”)	12,847	19,554
Euro (“EUR”)	202	1,591
Singapore dollar (“S\$”)	1,343	883
Renminbi (“RMB”)	387	259
British Pound Sterling (“GBP”)	78	53
Others	<u>2,773</u>	<u>274</u>
	<u>17,630</u>	<u>22,614</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

Cash at banks earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

As at 31 December 2021, the Group's pledged deposit amounting to US\$nil (2020: US\$286,000) to secure the bank loans granted to the Group.

11. DIVIDENDS

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Ordinary dividends		
Final dividend paid in respect of the previous financial year of US0.37 cents (2020: US0.27 cents) per ordinary share	<u>1,886</u>	<u>1,373</u>

The proposed final dividend of US0.38 cents per ordinary share amounting to a total of US\$1,903,000 is subject to the approval of the Shareholders at the forthcoming annual general meeting ("AGM"). These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation out of distributable reserve in the financial year ending 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

We are a globally leading home control solution provider headquartered in Singapore with worldwide presence in North America, Europe, Asia and Latin America. Originally established as the home control division of Philips prior to the acquisition of the entire stake of Home Control Singapore Pte. Ltd. by the Company from Philips in April 2015, we have been operating in this industry for almost 30 years. Under the brand “Omni Remotes”, we develop and offer high quality and bespoke remote controls for a vast array of pay television (TV) operators and consumer electronics brands. Our products are shipped to over 40 countries, with a blue-chip customer base that includes AT&T Services Inc. in North America, Sky CP Limited, British Telecommunications PLC, Vodafone Group Services Limited, and Liberty Global Services B.V. in Europe, as well as Reliance Retail Limited, Bharti Airtel Limited, Beijing Xiaomi Electronic Products Co., Ltd. and Hisense Electric Co., Ltd. in Asia.

We maintain a strong focus on innovation, with over 200 invention patents and owning one of the most comprehensive Infrared (IR) and code databases in the world. Simple Setup, our intelligent multi-device control solution, was deployed to several customers in 2020, while the next-generation cloud-enabled Simple Setup Hybrid has gone live and was launched with a major pan European operator. The Company continues to invest in various remote control technologies, including in the areas of advanced user input, recognition and far field voice, filing new inventions in the area of artificial intelligence for personalized experience in various jurisdictions.

2. BUSINESS REVIEW

COVID-19 has had a marked impact on the pay TV industry, with slowing subscriber acquisitions due to lockdowns and restrictions. Our product rollouts also experienced delays as a consequence of diminished lab validation windows. The Group’s revenue for the year ended 31 December 2021 came in at approximately US\$126.0 million, representing a decrease of approximately 6.1% from approximately US\$134.2 million in the same period in 2020.

However, the Group has taken aggressive steps to mitigate the financial impact of COVID-19, through operational cost control as well as reductions from our supply base. This was further aided by steering our product mix towards higher-margin offerings. With a combination of product mix improvements and overall cost control, the Group has turned in higher net profit for the year ended 31 December 2021 as compared to the year ended 31 December 2020. Product mix has improved mainly due to the move to selling higher margin products, as shown from the improvement in gross margin from approximately 20.4% for the year ended 31 December 2020 to approximately 23.0% for the year ended 31 December 2021.

In order to lower finance costs, the Company’s Singapore subsidiary secured refinancing of bank loan with lower interest rate starting from 23 February 2021 for further cost savings. The reason for securing new bank loan is to repay the existing bank loan with a higher interest rate and to plan ahead in case of good opportunities.

3. PROSPECT AND OUTLOOK

The Group has managed well on the macro situations around the pandemic and component shortage, and turned in the 2021 net profit comparable to the 2020 level.

At present, the Group expects the ongoing COVID-19 outbreak, component shortages to have continuous impact on its business, easing towards the later part of the year. It is difficult to estimate the full impact given the dynamic nature of these circumstances. The Group will keep continuous attention on the situations, adhere to government measures and recommendations, and continue to mitigate the component supply with key suppliers, with all sites and subsidiaries operational with minimal impact on any function serving the business and the customers.

In preparation for the post-pandemic and pend up demand due to component shortages, the Group continues investments in research & development (“R&D”), sales force expansion, as well as improvements to our supply chain for our existing business, notably the addition of the digital automated production site located in the Hunan province of China.

Estimating from the present customer orders and forecasts for the whole year and provided that our assumption on integrated chip supply is correct, 2022 outlook for the Group will be better than the past 2 years.

4. FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2021 decreased by approximately 6.1% (approximately US\$8.2 million) compared to the year ended 31 December 2020 mainly due to the decrease in revenue for North America and Asia regions, which was partially offset by the increase in revenue for Europe region.

The following table sets forth the breakdown of revenue of the Group by the geographical location of customers for the years ended 31 December 2021 and 31 December 2020, respectively.

	2021		2020		Year-on-year Change	
	US\$'000	% of Revenue	US\$'000	% of Revenue	US\$'000	%
North America	31,805	25.2%	45,376	33.8%	(13,571)	-29.9%
Europe	47,608	37.8%	38,364	28.6%	9,244	24.1%
Asia	31,140	24.7%	36,520	27.2%	(5,380)	-14.7%
Latin America	15,455	12.3%	13,929	10.4%	1,526	11.0%
Total	<u>126,008</u>	<u>100.0%</u>	<u>134,189</u>	<u>100.0%</u>	<u>(8,181)</u>	<u>-6.1%</u>

Cost of sales

The cost of sales of the Group mainly consisted of components including finished goods from ODM (original design manufacturing), outsourcing and overheads. The cost of sales amounted to approximately US\$97.0 million and approximately US\$106.8 million for the year ended 31 December 2021 and the year ended 31 December 2020 respectively, representing approximately 77.0% and approximately 79.6% of the total revenue for the corresponding periods.

The following table sets forth the breakdown of the cost of sales for the year ended 31 December 2021 and the year ended 31 December 2020.

	2021		2020	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
Cost of components	78,880	81.4%	88,322	82.7%
Outsourcing	14,203	14.6%	13,778	12.9%
Overheads	3,919	4.0%	4,726	4.4%
	97,002	100.0%	106,826	100.0%

Gross profit

Gross profit increased by approximately US\$1.6 million from approximately US\$27.4 million for the year ended 31 December 2020 to approximately US\$29.0 million for the year ended 31 December 2021. Gross profit has improved mainly due to the move to selling higher margin products.

Other income

Other income increased from approximately US\$0.7 million for the year ended 31 December 2020 to approximately US\$1.7 million for the year ended 31 December 2021. The increase was primarily due to gain on disposal of intangible assets amounting to approximately US\$0.5 million and the increase of approximately US\$0.5 million in government grants.

Selling and distribution expenses

Selling and distribution expenses increased from approximately US\$6.6 million for the year ended 31 December 2020 to approximately US\$8.1 million for the year ended 31 December 2021. The increase in selling and distribution expenses was mainly due to approximately US\$0.3 million increase in employee benefits expense and approximately US\$1.0 million increase in distribution expenses.

Administrative expenses

Administrative expenses increased by approximately US\$0.5 million, from approximately US\$12.3 million for the year ended 31 December 2020 to approximately US\$12.8 million for the year ended 31 December 2021. The increase was mainly due to approximately US\$1.0 million increase in employee benefit expenses, approximately US\$0.1 million increase in other personnel expenses, which was partially offset by US\$0.2 million decrease in non-capitalized tooling expenses, US\$0.2 million increase in non-recurring engineering costs recovery and approximately US\$0.2 million decrease in professional fee expenses.

Reversal of impairment loss of trade receivables

Reversal of impairment loss of trade receivables was approximately US\$0.2 million for both year ended 31 December 2021 and year ended 31 December 2020.

Other expenses

Other expenses decreased from approximately US\$2.6 million for the year ended 31 December 2020 to approximately US\$1.9 million for the year ended 31 December 2021. The US\$0.7 million decrease was mainly due to approximately US\$0.5 million overheads allocation to inventories and approximately US\$0.2 million decrease in legal expenses.

Finance costs

Comparing to the year ended 31 December 2020, finance cost incurred during the year ended 31 December 2021 increased by approximately US\$0.7 million. The increase was mainly due to write-off of loan arrangement fee of US\$1.7 million, which was partially offset by the decrease of approximately US\$0.5 million in interest on bank loans and the decrease by approximately US\$0.4 million in amortization of loan arrangement and loan facility and legal fee.

Profit before tax

Profit before tax for the year ended 31 December 2021 was approximately US\$5.7 million which was higher than the profit before tax of approximately US\$4.7 million for the year ended 31 December 2020. This was mainly due to the net impact of the reasons stated above.

Income tax expense

The Group's income tax expense increased from approximately US\$0.9 million for the year ended 31 December 2020 to approximately US\$1.9 million for the year ended 31 December 2021. The income tax expense for the year ended 31 December 2021 was higher mainly because of US\$0.9 million tax provision arising from loan arrangement fee, which is likely to be deemed as non tax deductible expenses.

Profit for the year

As a result of the above, the Group recorded a net profit after tax of approximately US\$3.8 million for the year ended 31 December 2021, representing an increase of approximately US\$0.1 million from the net profit after tax for the year ended 31 December 2020 of approximately US\$3.7 million.

Earnings per Share

The basic and diluted earnings per Share for year ended 31 December 2021 is US0.76 cents and US0.75 cents (year ended 31 December 2020: US0.74 cents and US0.74 cents).

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2021, the Group had cash and cash equivalents of approximately US\$17.6 million. The Board is of the opinion that the financial position of the Group is strong and healthy, and the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Cash flow

The following table sets forth a summary of our cash flows of the Group as at 31 December 2021 and 31 December 2020 respectively:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Net cash from operating activities	3,603	10,740
Net cash used in investing activities	(1,469)	(1,453)
Net cash used in financing activities	(6,795)	(15,613)
Net decrease in cash and cash equivalents	(4,661)	(6,326)
Cash and cash equivalents at beginning of the year	22,328	28,480
Effects of exchange rate changes on cash and cash equivalents	(37)	174
Cash and cash equivalents at end of the year	17,630	22,328

Net cash flow from operating activities

The Group generates cash from operating activities primarily from sales of goods. Cash flows from operating activities reflects profit before taxation for the year adjusted for (i) non-cash item such as depreciation of property, plant and equipment, and amortization of intangible assets and other items, which lead to the operating profit before changes in working capital; (ii) effects of cash flows arising from changes in working capital, including changes in inventories, trade and other receivables and trade and other payables and other items, which lead to cash generated from operations; and income tax paid, long service awards paid and other item, which result in net cash from operating activities.

For the year ended 31 December 2021, the Group's net cash generated from operating activities was approximately US\$3.6 million, primarily reflected (i) cash generated before working capital changes of approximately US\$10.2 million; (ii) increase in trade payables of approximately US\$24.7 million; partially offset by increase in inventories of approximately US\$13.8 million and increase in trade receivables of approximately US\$17.4 million.

Net cash flow used in investing activities

Cash flow used in investing activities mainly relates to purchase of property, plant and equipment and sale of intangible assets. For the year ended 31 December 2021, the Group's net cash used in investing activities was approximately US\$1.5 million, which was primarily attributable to purchases of property, plant and equipment of approximately US\$2.3 million, partially offset by proceeds from sale of intangible assets of approximately US\$0.5 million and decrease in pledged deposits of approximately US\$0.3 million.

Net cash flow used in financing activities

Cash flows used in financing activities mainly includes proceeds from interest-bearing bank loans and repayment of interest-bearing bank loans. For the year ended 31 December 2021, the Group's net cash flow used in financing activities was approximately US\$6.8 million, mainly attributable to approximately US\$28.2 million repayment of interest bearing bank loans, approximately US\$0.8 million interest paid, approximately US\$1.9 million dividends paid and approximately US\$0.5 million repayment of lease obligations. This was partially offset by approximately US\$24.9 million proceeds from interest bearing bank loans.

NET CURRENT ASSETS

The Group's net current assets increased by approximately US\$6.0 million from approximately US\$16.9 million as at 31 December 2020 to approximately US\$22.9 million as at 31 December 2021. The increase was primarily due to (i) an increase in inventories of approximately US\$13.8 million, (ii) an increase in trade receivables of approximately US\$17.4 million, (iii) a decrease in interest-bearing bank loans of approximately US\$5.9 million; which were partially offset by (i) an increase in trade payables of approximately US\$24.7 million, (ii) a decrease in cash and cash equivalents of approximately US\$4.7 million, (iii) an increase in other payables and accruals of approximately US\$0.5 million and (iv) an increase in tax payable of approximately US\$0.6 million.

CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchase costs relating to property, plant and equipment. For the year ended 31 December 2021, the Group's capital expenditure amounted to approximately US\$2.3 million for the acquisition of property, plant and equipment. The Group funded such capital expenditure primarily with cash generated from operating activities.

Capital and investment commitments

As at 31 December 2021, the Group did not have any capital and investment expenditure contracted for as at the end of the reporting period but not recognised in the consolidated financial statements.

BANK LOANS AND CONTINGENT LIABILITIES

Bank loans

The Group's bank loans primarily consisted of short and long-term trade financing from bank. As at 31 December 2021 and 2020, the Group had approximately US\$25.0 million and approximately US\$27.7 million respectively from bank loans.

As at 31 December 2021, there was a floating charge over bank accounts of Home Control Singapore Pte. Ltd. to secure the Group's bank loans.

As at 31 December 2021, the Group had available bank facilities of US\$24,450,000 and US\$22,750,000 had been drawn down under the facilities.

Contingent liabilities

As at 31 December 2021, the Group did not have any contingent liabilities and guarantees.

Gearing ratio

Gearing ratio equals total debt divided by the adjusted total assets at the end of the year. Total debt includes all interest-bearing bank loans and lease liabilities. Adjusted total assets excludes goodwill. The gearing ratios as at 31 December 2021 and 31 December 2020 are approximately 26.6% and approximately 39.8% respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 31 December 2021.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is United States dollar. The sales of the Group are mainly denominated in U.S. dollars while purchases are mainly denominated in U.S. dollars or RMB (only in the case of sales and purchases in the PRC). In addition, the Group has its headquarters in Singapore and operating subsidiaries in the U.S., Belgium, the PRC and Brazil, of which overheads are settled in local currencies and therefore the Group is exposed to foreign exchange risks. Fluctuations in foreign exchange rates may be caused by various factors such as change in government policies, change in domestic and international economic and political conditions, and is always unpredictable. The Group had not entered into any agreements to hedge its exchange rate exposure, as the Group's results of operations has generally been partially mitigated by the natural offset of foreign currency receivables with foreign currency payables. Going forward, the Group expects that exchange rates of SGD, RMB and US\$ will continue to fluctuate. Changes in the foreign exchange rates between the Group's functional currencies and reporting currency may have an adverse impact on the Group's finance costs, sales and product margins, and may reduce the value of, and dividends payable on, the Shares. The Group's business and financial position may be materially and adversely affected. The management of the Group will continue to monitor the Group's foreign currency exchange exposure and will take prudent measures to minimise that currency exchange risk.

EMPLOYEES, REMUNERATION POLICY

As at 31 December 2021, the Group had 175 employees. The employees benefit expense incurred during the year ended 31 December 2021 was approximately US\$14.5 million. As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local government. The Group's remuneration policy rewards employees and Directors based on individual's performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. We did not experience any material labour disputes during the year ended 31 December 2021. The Company adopted a share option scheme on 1 May 2015 as incentive for eligible employees. The Company adopted the Scheme on 20 August 2020 in order to recognise the contributions of such Selected Grantees and in driving the continuous business operation and development of the Group. On 5 October 2020, the Board has resolved to award a total of not more than 5,016,337 Award Shares, representing approximately 1.00% of the total issued Shares as at the date of this announcement, to ten Selected Grantees pursuant to the Scheme.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the date of this announcement, the Group had not entered into any off-balance sheet transactions.

USE OF PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date and the net proceeds raised from this initial public offering after deducting underwriting fees and other related listing expenses amounted to approximately HK\$84.93 million (equivalent to approximately US\$10.83 million) (the “**IPO Proceeds**”).

As disclosed in the Company’s interim report for the first six months of 2021, the unutilised IPO Proceeds would be applied in the same manner as set out in the prospectus of the Company dated 31 October 2019 (the “**Prospectus**”) and were expected to be fully utilised by the end of year 2021 (the “**Original Timeline**”). However, due to the prolonged outbreak of COVID-19, the global economic environment has been unstable and has hindered business discussions and due diligence procedures, the Original Timeline has been delayed.

Based on our Directors’ best estimation and assumption of future market conditions at the time of preparing this report, the unutilised IPO Proceeds are expected to be fully utilised by 2024. Set out below is the Group’s planned use and actual use of the IPO Proceeds as at 31 December 2021:

	Planned use of IPO Proceeds (adjusted on a pro rata basis on the actual net proceeds) <i>HK\$’ million</i>	Planned use of IPO Proceeds (adjusted on a pro rata basis on the actual net proceeds) <i>US\$’ million</i>	Unutilized proceeds as at beginning of the financial year i.e. 1 Jan 2021 <i>US\$’ million</i>	Proceeds utilized during the financial year ended 31 Dec 2021 <i>US\$’ million</i>	Utilised IPO Proceeds up to 31 Dec 2021 <i>US\$’ million</i>	Expected timeline for the unutilized IPO Proceeds
1 Strategic investments or acquisitions in the OTT system and/or smart home security products	23.01	2.93	2.93	–	0.00	The unutilized IPO Proceeds will be used as per the Prospectus.
2 Repayment of bank borrowing	21.12	2.69	–	–	2.69	–
3 R&D and develop the products for OTT segment and extend product lines in smart home products	14.27	1.82	1.82	–	0.00	The unutilized IPO Proceeds will be used as per the Prospectus.
4 Expansion of professional sales force to support business expansion	13.8	1.76	1.76	0.20	0.20	The unutilized IPO Proceeds will be used as per the Prospectus.
5 Strengthen the supply chain management and investment by extending beyond the PRC	6.57	0.84	–	–	0.84	–
6 Working capital and general corporate purposes	6.16	0.79	0.79	–	0.00	The unutilized IPO Proceeds will be used as per the Prospectus.
	<u>84.93</u>	<u>10.83</u>	<u>7.30</u>	<u>0.20</u>	<u>3.73</u>	

The Directors expect that the use of IPO Proceeds can bring further improvements to the Group's overall business performance.

The Directors will evaluate the Group's business strategies and specific needs from time to time and closely monitor the outbreak of COVID-19. As at the date of this announcement, the Directors are not aware of any material change to the planned use of net proceed as set out in the Prospectus. Further announcement will be made if there are any changes on the use of proceeds as and when appropriate.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

FINAL DIVIDEND

The Board recommended a payment of final dividend of US0.38 cents per Share (equivalent to approximately HK2.97 cents per Share) for the year ended 31 December 2021 to the Shareholders whose names appear on the register of members of the Company on Thursday, 7 July 2022. The proposed final dividend, if approved by the Shareholders at the forthcoming AGM, will be payable on or around Friday, 29 July 2022.

EVENTS AFTER THE REPORTING PERIOD

Since January 2022, there has been a surge of confirmed cases of COVID-19 in Singapore and other parts of the world. Management is conscious of the situation and has since performed assessment on whether there is any significant impact to the Group's business. Up to the date of this announcement, management is not aware of any significant curtailment to the Group's business as a result of an increased COVID-19 cases. Nevertheless, management will continue to closely monitor the latest development and take proactive measures as necessary.

CORPORATE GOVERNANCE CODE

The Group is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for Shareholders.

The Company has adopted a corporate governance policy with provisions no less exacting than the Corporate Governance Code and complied with all the applicable code provisions set out in the Corporate Governance Code throughout the financial year ended 31 December 2021.

Full details of the Company's corporate governance practices will be set out in the Company's annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors and relevant employees. Upon specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2021.

REVIEW OF FINANCIAL INFORMATION BY THE AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the audit committee of the Company consists of the three independent non-executive Directors, namely, Mr. Shou Kang CHEN (Chairman), Mr. Werner Peter VAN ECK and Mr. Edmond Ming Siang JAUW.

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2021 and discussed with the management the accounting principles and practices adopted by the Group, risk management and internal controls and financial reporting matters of the Group and results announcement.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto as at and for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft 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 the preliminary announcement.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to amend the existing memorandum and articles of association ("**Memorandum and Articles of Association**") of the Company and to adopt an amended and restated memorandum and articles of association of the Company ("**Proposed Amendments**") in order to bring the Memorandum and Articles of Association in line with the amended Appendix 3 to the Listing Rules which came into effect on 1 January 2022.

The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the forthcoming AGM, and will become effective upon the approval by the Shareholders at the AGM.

A circular of the AGM containing, among other matters, details of the Proposed Amendments, together with a notice of the AGM will be despatched to the Shareholders in due course.

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held on Friday, 24 June 2022 and the notice of the AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

To ensure the eligibility to attend and vote at the AGM and the entitlement to the proposed final dividend, the register of members of the Company will be closed on the following dates:

For ascertaining Shareholders' right to attend and vote at the AGM:

Latest time to lodge transfers : 4:30 p.m. on Monday, 20 June 2022

Book closure dates : Tuesday, 21 June 2022 to Friday, 24 June 2022 (both days inclusive)

Record date : Friday, 24 June 2022

For ascertaining Shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfers : 4:30 p.m. on Thursday, 30 June 2022

Book closure dates : Monday, 4 July 2022 to Thursday, 7 July 2022 (both days inclusive)

Record date : Thursday, 7 July 2022

Payment date of the proposed final dividend : on or about Friday, 29 July 2022

To be eligible to attend and vote at the AGM and qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than the aforementioned latest time.

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 year ended 31 December 2021.

PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT

This annual result announcement is published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.omniremotes.com. An annual report for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

DEFINITIONS

“Award Shares”	in respect of a Selected Grantee(s), such number of Shares determined by and granted by the Board pursuant to the Scheme
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“Company”	Home Control International Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1747)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group” or “we”, “us”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares of the Company on the Main Board of the Stock Exchange
“Listing Date”	14 November 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“Philips”	Koninklijke Philips N.V., one of the largest electronics companies in the world, incorporated under the laws of the Netherlands and headquartered in Amsterdam

“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore Dollar, the lawful currency of the Republic of Singapore
“Scheme”	the share award scheme adopted by the Company on 20 August 2020, as amended from time to time
“Selected Grantees”	the eligible participants being selected for participation in the Scheme and conditionally awarded the Award Shares
“Share(s)”	ordinary share(s) with nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s) of the Company
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“U.S.” or “United States”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States

On behalf of the Board
Home Control International Limited
Yu GAO
Chairman and Non-executive Director

Hong Kong, 18 March 2022

As of the date of this announcement, the Board comprises Mr. Alain PERROT as executive Director; Mr. Yu GAO and Mr. Kwok King Kingsley CHAN as non-executive Directors; and Mr. Werner Peter VAN ECK, Mr. Shou Kang CHEN and Mr. Edmond Ming Siang JAUW as independent non-executive Directors.