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## **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 2020**

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the previous financial year.

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*Year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>Revenue</b>	3	<b>134,189</b>	179,973
Cost of sales		<u>(106,980)</u>	<u>(144,910)</u>
<b>Gross profit</b>		<b>27,209</b>	35,063
Other income and gains		<b>740</b>	293
Selling and distribution expenses		<b>(6,647)</b>	(8,426)
Administrative expenses		<b>(12,105)</b>	(17,184)
Other expenses		<b>(2,477)</b>	(1,773)
Finance costs		<u><b>(2,049)</b></u>	<u>(3,377)</u>
<b>Profit before tax</b>	4	<b>4,671</b>	4,596
Income tax expense	5	<u><b>(944)</b></u>	<u>(1,854)</u>
<b>Profit for the year attributable to owners of the parent</b>		<u><b>3,727</b></u>	<u>2,742</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)**

	<i>Notes</i>	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>Other comprehensive income</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>185</u>	<u>(134)</u>
<b>Other comprehensive income for the year</b>		<u>185</u>	<u>(134)</u>
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<u>3,912</u>	<u>2,608</u>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic	6	<u>US0.74 cents</u>	<u>US0.65 cents</u>
Diluted	6	<u>US0.74 cents</u>	<u>US0.64 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>5,729</b>	7,828
Other intangible assets		<b>109</b>	251
Goodwill		<b>8,877</b>	8,877
Deferred tax assets		<b>231</b>	278
Prepayments, other receivables and other assets		<b>–</b>	150
Other investments		<b>4,854</b>	4,854
Total non-current assets		<b>19,800</b>	22,238
<b>Current assets</b>			
Inventories	7	<b>13,380</b>	19,002
Trade receivables	8	<b>23,355</b>	36,916
Prepayments, other receivables and other assets		<b>1,111</b>	1,208
Pledged deposits	10	<b>286</b>	286
Cash and cash equivalents	10	<b>22,328</b>	28,480
Total current assets		<b>60,460</b>	85,892
<b>Current liabilities</b>			
Trade payables	9	<b>25,634</b>	43,307
Other payables and accruals		<b>4,563</b>	5,314
Contract liabilities		<b>783</b>	436
Interest-bearing bank loans		<b>11,357</b>	14,346
Lease liabilities		<b>470</b>	386
Provisions		<b>106</b>	121
Tax payable		<b>649</b>	1,038
Total current liabilities		<b>43,562</b>	64,948
Net current assets		<b>16,898</b>	20,944
Total assets less current liabilities		<b>36,698</b>	43,182

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>Non-current liabilities</b>		
Interest-bearing bank loans	<b>16,297</b>	25,094
Lease liabilities	<b>214</b>	284
Provisions	<b>420</b>	572
Deferred tax liabilities	<b>323</b>	370
	<hr/>	<hr/>
Total non-current liabilities	<b>17,254</b>	26,320
	<hr/>	<hr/>
<b>Net assets</b>	<b>19,444</b>	16,862
	<hr/>	<hr/>
<b>Equity</b>		
Equity attributable to owners of the parent		
Share capital	<b>5,017</b>	5,017
Reserves	<b>14,427</b>	11,845
	<hr/>	<hr/>
<b>Total equity</b>	<b>19,444</b>	16,862
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# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 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 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.

In the opinion of the Directors, 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.

## 2. BASIS OF PREPARATION

The 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.

The financial statements have been prepared under the historical cost convention. These financial statements are presented in United States dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. 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 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

	2020 US\$'000	2019 US\$'000
North America	45,376	72,540
Europe	38,364	35,123
Asia	36,520	55,895
Latin America	13,929	16,415
	<u>134,189</u>	<u>179,973</u>

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

##### (b) Non-current assets

	2020 US\$'000	2019 US\$'000
North America	38	21
Europe	195	270
Asia	5,605	7,938
	<u>5,838</u>	<u>8,229</u>

The non-current asset information above is based on the locations of the non-current assets and excludes other investments, 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 the year is set out below:

	2020 US\$'000	2019 US\$'000
Customer 1	28,904	39,527
Customer 2	15,727	N/A*
Customer 3	N/A*	20,857

\* 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:

	2020 US\$'000	2019 US\$'000
Cost of inventories sold	88,322	121,680
Depreciation of property, plant and equipment	3,283	2,988
Depreciation of right-of-use assets	543	508
Loss on disposal of property, plant and equipment	124	128
Amortisation of other intangible assets*	184	547
Impairment of trade receivables	–	135
Impairment of property, plant and equipment	172	–
Foreign exchange differences, net	16	126
Withholding tax	50	186
Auditor's remuneration	352	223
Long service awards	14	46
Restructuring and severance costs	23	59
Research and development costs	5,820	7,349
Expenses for short-term leases	16	13
Expenses for low-value leases	6	8
Employee benefits expense (including directors' and chief executive's remuneration):		
Wages and salaries	11,006	12,961
Pension scheme contributions	1,604	934
Other employee benefits	300	294
Equity-settled share option expense	–	31
Share award expense	43	–
	<u>12,953</u>	<u>14,220</u>
Listing expenses	<u>–</u>	<u>3,207</u>

\* The amortisation of other intangible assets for the year amounting to US\$184,000 (31 December 2019: US\$217,000) and nil (31 December 2019: US\$330,000) is included in "Administrative expenses" and "Cost of sales" in the statement of profit or loss and other comprehensive income, respectively.

### 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 members of the Group operates.

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% (2019: 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% (2019: 21%), and the state tax has been provided at the rate of 4.4% (2019: 4.6%) 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% (2019: 25%) on the 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% (2019: 25%) for the year. HCS (Suzhou) Limited qualified as a Technologically-advanced Service Enterprises and was subject to a preferential income tax rate of 15% (2019: 15%) for the year.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The corporate income tax rate for Home Control Europe NV has been provided at the rate of 25% (2019: 29%) 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% (2019: 24%) on the estimated assessable profits arising in Brazil during the year.

The major components of income tax expense are as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Current tax – Singapore		
Charge for the year	830	1,116
Overprovision in prior years	(363)	(450)
Current tax – United States of America		
Charge for the year	251	223
Current tax – Elsewhere		
Charge for the year	226	696
	<u>944</u>	<u>1,585</u>
Deferred tax		
– Singapore	16	318
– United States of America	18	(3)
– Elsewhere	(34)	(46)
	<u>–</u>	<u>269</u>
Total tax charge for the year	<u>944</u>	<u>1,854</u>

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:

	2020 <i>US\$'000</i>	%	2019 <i>US\$'000</i>	%
Profit before tax	<u>4,671</u>		<u>4,596</u>	
Tax at the domestic rates applicable to profits in the countries where the Group operates	1,883	40.3	1,577	34.3
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries	(13)	(0.3)	121	2.6
Adjustments in respect of current tax of previous periods	(363)	(7.8)	(450)	(9.8)
Effect of partial tax exemption and enhanced deductions	(1,521)	(32.6)	(31)	(0.7)
Expenses not deductible for tax	883	18.9	563	12.2
Others	75	1.7	74	1.6
	<u>944</u>		<u>1,854</u>	
Income tax expense at the Group's effective rate	<u>944</u>	<u>20.2</u>	<u>1,854</u>	<u>40.3</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of 501,633,663 ordinary shares in issue during the year (2019: 424,029,228 ordinary shares, which were deemed to have been issued by way of capitalisation throughout the year ended 31 December 2019).

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. 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:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>3,727</u>	<u>2,742</u>
	<b>Number of shares</b>	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>501,633,663</u>	<u>424,029,228</u>
Effect of dilution – weighted average number of ordinary shares:		
Share options	856,069	3,149,200
Share awards	<u>299,365</u>	<u>–</u>
	<u>502,789,097</u>	<u>427,178,428</u>

### 7. INVENTORIES

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Components	5,986	9,035
Finished goods	<u>7,394</u>	<u>9,967</u>
	<u>13,380</u>	<u>19,002</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 8. TRADE RECEIVABLES

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade receivables	23,713	37,450
Impairment	(358)	(534)
	<u>23,355</u>	<u>36,916</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days' 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 payment due date and net of loss allowance, is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Not past due	15,499	28,254
Past due 1–90 days	5,615	7,501
Past due more than 90 days	2,241	1,161
	<u>23,355</u>	<u>36,916</u>

### 9. TRADE PAYABLES

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade payables	<u>25,634</u>	<u>43,307</u>

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Not past due	19,405	32,111
Past due 1–90 days	6,101	11,196
Past due more than 90 days	128	–
	<u>25,634</u>	<u>43,307</u>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Cash and bank balances	22,614	28,766
Less: Pledged deposits:		
Pledged for bank loans	<u>(286)</u>	<u>(286)</u>
Cash and cash equivalents	<u>22,328</u>	<u>28,480</u>
Denominated in:		
United States dollars (“US\$”)	19,554	23,805
Euros (“EUR”)	1,591	912
Singapore dollars (“S\$”)	883	388
Chinese Renminbi (“RMB”)	259	329
Brazilian Real (“BRL”)	259	302
British Pound Sterling (“GBP”)	53	531
Indian Rupee (“INR”)	15	20
Hong Kong dollars (“HK\$”)	<u>–</u>	<u>2,479</u>
	<u>22,614</u>	<u>28,766</u>

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 2020, the Group’s pledged deposit amounting to US\$286,000 (2019: US\$286,000) were pledged to secure the bank loans granted to the Group.

### 11. DIVIDENDS

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Proposed final – US0.37 cents (2019: US0.27 cents) per ordinary share	<u>1,864</u>	<u>1,373</u>

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

## **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 Simple Setup Hybrid is expected to launch with a major operator in mid 2021. The Company continues to invest in various remote control technologies, including in the areas of advanced user input, recognition and far field voice.

### **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 2020 came in at approximately US\$134.2 million, representing a decrease of approximately 25.4% from approximately US\$180.0 million in the same period in 2019.

However, the Company 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. Consequently, our net income increased significantly. With a combination of product mix improvements and overall cost control, the Group has turned in better profit for the year ended 31 December 2020 as compared to the year ended 31 December 2019. Product mix has improved mainly due to the move to selling higher margin products, as shown from the improvement in gross margin from approximately 19.5% for the year ended 31 December 2019 to approximately 20.3% for the year ended 31 December 2020. Net income increased from approximately US\$2.7 million for the year ended 31 December 2019 to approximately US\$3.7 million for the same period in 2020.

### 3. PROSPECT AND OUTLOOK

The Company has secured refinancing of bank loan with lower interest rate starting from the first half of 2021 for further cost savings. The reason for securing new bank loan is to repay the existing bank loan with a higher interest rate. The Company will continue to exercise prudence while exploring new avenue to deliver shareholder values.

Other than investments in research & development (“**R&D**”), sales force expansion, as well as improvements to our supply chain for our existing business, the Company has initiated a program for the vertical markets. Our new COVID-19 contact tracing system launched successfully in India and the U.S., with further orders expected in 2021.

At present, the Group expects the ongoing COVID-19 outbreak to have continuous impact on its business. It is difficult to estimate the full impact given the dynamic nature of these circumstances. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts. The Company has fully adhered to government measures and recommendations, with all sites and subsidiaries operational without impact to any function serving the business and the customers.

### FINANCIAL REVIEW

#### Revenue

Revenue of the Group for the year ended 31 December in 2020 decreased by approximately 25.4% (approximately US\$45.8 million) compared to the year ended 31 December 2019 mainly contributed by North America and Asia regions.

The following table sets forth the breakdown of revenue of the Group by the geographical location of customers for the years ended 31 December 2020 and 31 December 2019, respectively.

	2020		2019		Year-on-year Change	
	US\$'000	% of Revenue	US\$'000	% of Revenue	US\$'000	%
North America	45,376	33.8	72,540	40.3	(27,164)	-37.4
Europe	38,364	28.6	35,123	19.5	3,241	9.2
Asia	36,520	27.2	55,895	31.1	(19,375)	-34.7
Latin America	13,929	10.4	16,415	9.1	(2,486)	-15.1
Total	<u>134,189</u>	<u>100.0</u>	<u>179,973</u>	<u>100.0</u>	<u>(45,784)</u>	<u>-25.4</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\$107.0 million and approximately US\$144.9 million for the year ended 31 December 2020 and the year ended 31 December 2019 respectively, representing approximately 79.7% and approximately 80.5% 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 2020 and the year ended 31 December 2019.

	2020		2019	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
Cost of Components	<b>88,322</b>	<b>82.5</b>	121,680	84.0
Outsourcing	<b>13,778</b>	<b>12.9</b>	18,711	12.9
Overheads	<b>4,880</b>	<b>4.6</b>	4,519	3.1
	<b>106,980</b>	<b>100</b>	144,910	100

## Gross profit

As a result of the changes in the revenue and cost of sales above, gross profit decreased by approximately US\$7.9 million from approximately US\$35.1 million for the year ended 31 December 2019 to approximately US\$27.2 million for the year ended 31 December 2020.

## Other income and gains

Other income and gains increased from approximately US\$0.3 million for the year ended 31 December 2019 to approximately US\$0.7 million for the year ended 31 December 2020. The increase was primarily because of an increase in government grants.

## Selling and distribution expenses

Selling and distribution expenses decreased from approximately US\$8.4 million for the year ended 31 December 2019 to approximately US\$6.6 million for the year ended 31 December 2020. The decrease in selling and distribution expenses was mainly due to approximately US\$0.5 million decrease in travelling expenses, approximately US\$0.9 million decrease in employee benefits expense and approximately US\$0.4 million decrease in distribution expenses.

## Administrative expenses

Administrative expenses decreased by approximately US\$5.1 million, from approximately US\$17.2 million for the year ended 31 December 2019 to approximately US\$12.1 million for the year ended 31 December 2020. The decrease was mainly due to approximately US\$3.2 million decrease in listing expenses, approximately US\$1.1 million decrease in employee benefit expenses and approximately US\$0.7 million decrease in travelling expenses.

## **Other expenses**

Other expenses of the Group for the year ended 31 December 2020 mainly consisted of restructuring expenses of approximately US\$0.2 million, outsource database costs of approximately US\$0.3 million, R&D project related costs of approximately US\$0.7 million, legal expenses of approximately US\$0.5 million, withholding tax of US\$50,000 and other miscellaneous expenses.

Other expenses increased from approximately US\$1.8 million for the year ended 31 December 2019 to approximately US\$2.5 million for the year ended 31 December 2020. The increase was mainly due to approximately US\$0.2 million increase in restructuring expenses, approximately US\$0.2 million increase in R&D project costs, and approximately US\$0.2 million increase in legal expenses.

## **Finance costs**

Comparing to the year ended 31 December 2019, finance cost incurred during the year ended 31 December 2020 decreased by approximately US\$1.3 million. The decrease was mainly due decrease in approximately US\$1.2 million for interest on bank loans.

## **Profit before tax**

Profit before tax for the year ended 31 December 2020 was approximately US\$4.7 million which was higher than the profit before tax of approximately US\$4.6 million for the year ended 31 December 2019. This was mainly due to the net impact of the reasons stated above.

## **Income tax expense**

The Group's income tax expense decreased from approximately US\$1.9 million for the year ended 31 December 2019 to approximately US\$0.9 million for the year ended 31 December 2020. The income tax expense for the year ended 31 December 2020 was lower mainly because of tax refunds relating to previous periods.

## **Profit for the year**

As a result of the above, the Group recorded a net profit after tax of approximately US\$3.7 million for the year ended 31 December 2020, representing an increase of approximately US\$1.0 million from the net profit after tax for the year ended 31 December 2019 which was approximately US\$2.7 million.

## **Earnings per Share**

The basic and diluted earnings per Share for year ended 31 December 2020 is US0.74 cents and US0.74 cents (year ended 31 December 2019: US0.65 cents and US0.64 cents).

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2020, the Group had cash and cash equivalents of approximately US\$22.6 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 2020 and 31 December 2019 respectively:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Net cash from operating activities	10,740	13,509
Net cash used in investing activities	(1,453)	(9,648)
Net cash (used in)/from financing activities	(15,613)	4,923
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,326)</b>	8,784
Cash and cash equivalents at beginning of the year	28,766	19,854
Effects of exchange rate changes on cash and cash equivalents	174	128
<b>Cash and cash equivalents at end of the year</b>	<b>22,614</b>	<b>28,766</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and cash equivalents as stated in the statement of financial position	22,328	28,480
Pledged for bank loans	286	286
<b>Cash and cash equivalents as stated in the statement of cash flows</b>	<b>22,614</b>	<b>28,766</b>

### Net cash flow generated 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, plant and equipment 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 generated from operating activities.



For the year ended 31 December 2020, the Group's net cash generated from operating activities was approximately US\$10.7 million, primarily reflected (i) cash generated before working capital changes of approximately US\$11.0 million; (ii) decrease in inventories of approximately US\$5.6 million; (iii) decrease in trade receivables of approximately US\$13.6 million and, partially offset by decrease in trade payables of approximately US\$17.7 million and payment for tax of approximately US\$1.3 million.

#### **Net cash flow used in investing activities**

Cash flow used in investing activities mainly relates to purchase and disposal of property, plant and equipment. For the year ended 31 December 2020, 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\$1.5 million.

#### **Net cash flow generated from/(used in) financing activities**

Cash flows generated from/(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 2020, the Group's net cash flow used in financing activities was approximately US\$15.6 million, mainly attributable to approximately US\$18.0 million repayment of interest bearing bank loans, approximately US\$1.3 million interest paid, approximately US\$1.4 million dividends paid and approximately US\$0.5 million repayment of lease obligations. This was partially offset by approximately US\$5.5 million proceeds from interest bearing bank loans.

#### **NET CURRENT ASSETS**

The Group's net current asset decreased by approximately US\$4.0 million from approximately US\$20.9 million as at 31 December 2019 to approximately US\$16.9 million as at 31 December 2020. The decrease was primarily due to (i) a decrease in trade payables of approximately US\$17.7 million, (ii) a decrease in interest-bearing bank loans of approximately US\$3.0 million, partially offset by (i) a decrease in trade receivables of approximately US\$13.6 million, (ii) a decrease in cash and cash equivalents of approximately US\$6.2 million, (iii) a decrease in inventories of approximately US\$5.6 million.

#### **CAPITAL EXPENDITURE**

The Group's capital expenditure consisted of purchase costs relating to property, plant and equipment. For the year ended 31 December 2020, the Group's capital expenditure amounted to approximately US\$1.5 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 2020, 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 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 2020 and 2019, the Group had approximately US\$27.7 million and approximately US\$39.4 million respectively from bank loans.

As at 31 December 2020, the following were pledged to secure the Group's bank loans:

- (a) Charge over 375,000,000 Shares held by NHPEA IV Home Control Netherlands B.V., the controlling shareholder of the Company.
- (b) Share charge over Home Control Singapore Pte. Ltd..
- (c) Share pledge over Home Control Europe NV.
- (d) Share pledge over Premium Home Control Solutions LLC.
- (e) A minimum bank balance in the amount equivalent to the interest payable for the next six months and the Group's deposits amounting to US\$286,000.

As at 31 December 2020, the Group had available bank facilities of US\$45 million and US\$24 million has been drawn down under the facilities.

### **Contingent liabilities**

As at 31 December 2020, 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. Adjusted total assets excludes goodwill. The gearing ratios as at 31 December 2019 and 31 December 2020 are approximately 39.7% and approximately 38.7% 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 2020.

## **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 2020.

## **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 2020, the Group had 189 employees. The employees benefit expense incurred during the year ended 31 December 2020 was approximately US\$13.0 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 2020. 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 stated in the prospectus of the Company (the “**Prospectus**”) dated 31 October 2019, the IPO Proceeds have been and will be used in the same manner as set out under the section headed “Future Plans and Use of Proceeds” in the Prospectus. The Directors are not aware of material change to the planned use of net proceeds as at the date of this announcement.

As at 31 December 2020, the Group had utilised the IPO Proceeds as set out in the table below:

	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>	Utilised IPO Proceeds up to 31 Dec 2020 <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	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	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	0.00	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	0.00	The unutilized IPO Proceeds will be used as per the Prospectus.
	84.93	10.83	3.53	

The Directors expect to improve the overall performance of the Group through the upcoming utilisation of the net proceeds from the Listing.

The unutilized IPO Proceeds will be applied in the same manner as set out in the Prospectus and are expected to be fully utilized by the end of year 2021. The outbreak of COVID-19 has hindered business discussions and due diligence procedures, however the Directors will review the Group's business strategies and specific needs from time to time, and closely monitor the outbreak of COVID-19 and the Company will make further announcement if there are any changes in the use of IPO 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 US0.37 cents per Share (equivalent to approximately HK2.88 cents per Share) for the year ended 31 December 2020 to the Shareholders whose names appear on the register of members of the Company on Thursday, 8 July 2021. The proposed final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be payable on or around Friday, 30 July 2021.

## **EVENTS AFTER THE REPORTING PERIOD**

No other significant events that require additional disclosures or adjustments occurred after the financial year ended 31 December 2020.

## **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 2020.

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 2020.

## **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 audited consolidated financial statements of the Group for the year ended 31 December 2020 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 THE AUDITORS ON THE ANNUAL RESULTS ANNOUNCEMENT**

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2020, but represents an extract from the consolidated financial statements for the year ended 31 December 2020 which have been audited by the auditors of the Company, Ernst & Young, in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. The financial information has been reviewed by the audit committee of the Company and approved by the Board.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting (the "AGM") of the Company will be held on Friday, 25 June 2021 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, 21 June 2021  
Book closure dates : Tuesday, 22 June 2021 to Friday, 25 June 2021 (both days inclusive)  
Record date : Friday, 25 June 2021

### **For ascertaining Shareholders' entitlement to the proposed final dividend:**

Latest time to lodge transfers : 4:30 p.m. on Friday, 2 July 2021  
Book closure dates : Monday, 5 July 2021 to Thursday, 8 July 2021 (both days inclusive)  
Record date : Thursday, 8 July 2021  
Payment date of the proposed final dividend : on or about Friday, 30 July 2021

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 2020.

## **PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT**

This annual result announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.omniremotes.com](http://www.omniremotes.com). An annual report for the year ended 31 December 2020 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”	code on corporate governance practices 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, 19 March 2021

*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.*