



HOME CONTROL INTERNATIONAL LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code : 1747



2021 ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Alain PERROT (*Chairman & Chief Executive Officer*)

Non-executive Directors

Mr. Yu GAO

Mr. Kwok King Kingsley CHAN

Independent Non-executive Directors

Mr. Werner Peter VAN ECK

Mr. Shou Kang CHEN

Mr. Edmond Ming Siang JAUW

AUDIT COMMITTEE

Mr. Shou Kang CHEN (*Chairman*)

Mr. Werner Peter VAN ECK

Mr. Edmond Ming Siang JAUW

REMUNERATION COMMITTEE

Mr. Shou Kang CHEN (*Chairman*)

Mr. Werner Peter VAN ECK

Mr. Kwok King Kingsley CHAN

NOMINATION COMMITTEE

Mr. Werner Peter VAN ECK (*Chairman*)

Mr. Edmond Ming Siang JAUW

Mr. Alain PERROT

COMPANY SECRETARY

Ms. Sum Yi TSUI *ACG, HKACG*

AUTHORISED REPRESENTATIVES

Mr. Kwok King Kingsley CHAN

Ms. Sum Yi TSUI

REGISTERED OFFICE

Sertus Chambers, Governors Square
Suite #5-204, 23 Lime Tree Bay Avenue
P.O. Box 2547
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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04-03A
New Tech Park
Singapore 556741

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Room 1901, 19/F, Lee Garden One,
33 Hysan Avenue, Causeway Bay, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Sertus Incorporations (Cayman) Limited
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Suite #5-204, 23 Lime Tree Bay Avenue
P.O. Box 2547
Grand Cayman, KY1-1104
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANK

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8 Marina View
17-01 Asia Square Tower 1
Singapore 018960

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law

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New World Tower
16-18 Queen's Road Central
Hong Kong

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants
Certified Public Interest Entity Auditor
22/F, Prince's Building
Central,
Hong Kong

STOCK CODE

1747

COMPANY'S WEBSITE

www.omniremotes.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Home Control International Limited (the "Company" together with its subsidiaries the "Group"), I present to you our third annual report. 2021 was a tale of two halves: despite early headwinds arising from the integrated chip supply shortage, the Company came back strongly in the second half of the year to secure creditable full-year results. Overall, I am pleased that swift operational measures helped to protect the Company's net income, which was comparable to 2020 figures.

MEETING THE CHALLENGE

Our full year revenue for 2021 came to approximately US\$126 million, a decrease of approximately 6.1% from approximately US\$134 million in 2020. Gross profit stood at about US\$29 million. The Board is recommending a final dividend of US0.38 cents per ordinary share of the Company.

COVID-19 had a pronounced impact on the U.S. market, and revenue in the North America region decreased approximately 29.9% year-on-year to approximately US\$31.8 million.

Our sales for Europe increased by approximately 24.1% to approximately US\$47.6 million in 2021.

Revenue for Asia decreased by approximately 14.7% to reach approximately US\$31.1 million in 2021, in part due to our strategy of shifting away from some of our low-margin products.

Revenue from Latin America increased by approximately 11.0% to approximately US\$15.5 million in 2021.

LOOKING FORWARD

In 2022, as the world recovers from the pandemic, we expect the Company to likewise emerge from the shadow of the past couple of years.

The Company fundamentals remain as strong as ever. Our operational excellence, long a pillar of Home Control's, has been further bolstered by our new state-of-the-art factory in Hunan, China. The global component shortage presents an ongoing risk, but this should be mitigated by our close supplier relationships.

In the near-term, we are expanding our sales force, in order to seize on pent-up customer demand from the past couple of years. We also continue to invest in R&D, particularly innovations in the areas of sustainability, Internet of Things, and other new business segments.

Alain PERROT

Chairman

18 March 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.



Mr Alain PERROT
CEO

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, adheres 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 pent 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 | 126,008 | 100.0% | 134,189 | 100.0% | (8,181) | -6.1% |

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 | |
|--------------------|---------------|---------------|----------|--------|
| | US\$'000 | % | US\$'000 | % |
| 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 respectively.

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 US\$'000 | 2020 US\$'000 |
|---------------------------------------------------------------|------------------|------------------|
| 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 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 was 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.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

Directors and Senior Management

DIRECTORS

Executive director

Mr. Alain PERROT, aged 65, is the chief executive officer and the executive Director of the Company. Mr. Perrot has been appointed as chairman of the Board (the “Chairman”) and a member of the Nomination Committee of the Company each with effect from 18 March 2022. Mr. Perrot is responsible for overseeing overall business development and day-to-day operations of the Group. Mr. Perrot joined the Group in May 2015 and has been a director of Home Control Singapore Pte. Ltd., Home Control Europe NV and the Company since September 2015, May 2015 and November 2015, respectively.

Prior to joining the Company, from April 2012 to December 2013, Mr. Perrot was the chief commercial officer and a director of TP Vision Holding BV, a company then owned by Philips N.V. (“Philips”) and TPV Technology Limited (“TPV”), a monitor and TV manufacturer listed on both The Stock Exchange of Hong Kong Limited (stock code: 903) and Singapore Exchange Limited (stock code: T18), and principally engaged in TV business under the Philips brand. Mr. Perrot worked as the general manager of the branded TV business unit and vice president of TPV, from November 2010 to April 2012. Mr. Perrot served various positions within Philips group from October 1979 to September 2009 and worked as the chief executive officer of Philips Lighting Asia Pacific Region from January 2008 to September 2009.

Mr. Perrot obtained an engineering master degree in aeronautics and space from École Nationale Supérieure de l’Aéronautique et de l’Espace in August 1979.

Save as disclosed above, Mr. Perrot has no other relationship with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules) and has not held any position with the Company, or any other member of the Group, nor has any directorships in other listed companies in the past three years.

Non-Executive directors

Mr. Yu GAO, aged 48, is a non-executive Director of the Company. Mr. Gao has stepped down as the Chairman and resigned as the chairman of the Nomination Committee of the Company with effect from 18 March 2022. Mr. Gao is responsible for advising on the overall strategic planning of the Group. Mr. Gao joined the Group in April 2015 and has been a director of Home Control Singapore Pte. Ltd. and the Company since April 2015 and November 2015, respectively.

Mr. Gao is a managing director in the Private Credit & Equity Division of Morgan Stanley Asia Limited, the co-chief investment officer of Private Equity Asia and head of China Investment, as well as Chairman of RMB Fund’s Investment Committee. He is also a member of Morgan Stanley’s China Management Committee. Mr. Gao joined Morgan Stanley Asia Limited in August 2005 and is responsible for the private equity investment business in China. Mr. Gao had been a non-executive director of Sparkle Roll Group Limited (stock code: 970), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, from September 2010 to October 2020 and was redesignated as its independent non-executive director from 10 October 2020. From September 2007 to May 2013, he was a non-executive director of China Dongxiang (Group) Co., Ltd. (stock code: 3818), a company listed on the Main Board of The Stock Exchange

of Hong Kong Limited, and has been re-designated as an independent non-executive director and appointed as a member of its audit committee and nomination committee since May 2013. Mr. Gao is a non-executive director and a member of audit committee of China Feihe Limited (stock code: 6186), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 November 2019. Mr. Gao was an independent non-executive director of Belle International Holdings Limited, a company delisted from the Main Board of The Stock Exchange of Hong Kong Limited in July 2017, from August 2014 to July 2017. He is a director of Shandong Buchang Pharmaceuticals Co. Ltd (stock code: 603858), a company listed on Shanghai Stock Exchange in November 2016, since March 2012. He currently serves as an independent director of AMTD International Inc. and Vice Chairman of the board (stock code: HKIB), a company listed on the New York Stock Exchange on 2 August 2019.

Mr. Gao obtained a master's degree in engineering-economic systems and operations research from Stanford University in September 1999. He obtained dual bachelor's degrees in engineering and economics from Tsinghua University in July 1997.

Save as disclosed above, Mr. Gao has no other relationship with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules) and has not held any position with the Company, or any other member of the Group, nor has any directorships in other listed companies in the past three years.

Mr. Kwok King Kingsley CHAN (陳國勁), aged 45, is a non-executive Director of the Company and a member of the Remuneration Committee of the Company. Mr. Chan is responsible for advising on the overall strategic planning of the Group. Mr. Chan joined the Group in April 2015 and has been a director of Home Control Singapore Pte. Ltd. and the Company since April 2015 and November 2015, respectively.

Mr. Chan is a managing director in the Private Credit & Equity Division of Morgan Stanley Asia Limited. Mr. Chan joined Morgan Stanley Asia Limited in May 2007 and is responsible for the private equity investment business in China. He is an observer on the board of Yirendai Ltd. (stock code: YRD), a company listed on the New York Stock Exchange. He currently serves as the non-executive director of IVD Medical Holding Limited (stock code: 1931), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited since July 2019 and China Feihe Limited (stock code: 6186), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 November 2019, respectively. Prior to joining Morgan Stanley Asia Limited, Mr. Chan worked at the Asia Investment Banking Department of Citigroup Global Markets Asia Limited from September 1999 to June 2004 and Investment Banking Division of Credit Suisse (Hong Kong) Limited from July 2004 to April 2007.

Mr. Chan obtained a master's degree from the University of Cambridge in October 1999. He obtained a bachelor's degree in economics from the University of London in July 1998.

Save as disclosed above, Mr. Chan has no other relationship with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules) and has not held any position with the Company, or any other member of the Group, nor has any directorships in other listed companies in the past three years.

Independent non-executive directors

Mr. Werner Peter VAN ECK, aged 54, is an independent non-executive Director of the Company and a member of the Audit Committee and the Remuneration Committee of the Company and was appointed as the chairman of the Nomination Committee of the Company with effect from 18 March 2022. Mr. Van Eck is responsible for supervising and providing independent advice to the Board. Mr. Van Eck joined the Group in July 2015 and has been a director of Home Control Singapore Pte. Ltd. and the Company since November 2015 and July 2015, respectively.

Mr. Van Eck took over Micro Elektronische Producten B.V., a company principally engaged in the engineering activities and related technical consultancy businesses, in July 2015 and has worked as the chief executive officer of Micro Elektronische Producten B.V. since June 2015. He worked as the chief sales and marketing officer of WOOX Innovations Netherlands B.V., a company then owned by Philips and principally engaged in the development and marketing of Philips branded audio and video products, from October 2013 to October 2014. Prior to that, Mr. Van Eck worked in other companies within Philips group from December 1994 to September 2013.

Mr. Van Eck obtained a master's degree in business and economics from the Erasmus University of Rotterdam in December 1991.

Although Mr. Van Eck has previous directorships in the Company and Home Control Singapore Pte. Ltd., the Board considers Mr. Van Eck to be independent under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the following reasons:

- (a) the Company has received from Mr. Van Eck the confirmation of his independence according to Rule 3.13 of the Listing Rules;
- (b) since his appointment as a Director in July 2015, Mr. Van Eck has performed independent non-executive role, including attending meetings of the Board and providing strategic advice and guidance, comments and opinions as to business matters of the Company, and has not participated in day-to-day management or operation of the Group;
- (c) Mr. Van Eck has no interests in the shares of the Company and is independent from, and are not related to, any Directors, senior management or substantial or Controlling Shareholders of the Company; and
- (d) taking into account the independent nature of the roles and duties of Mr. Van Eck since his appointment and his industry experience, professional knowledge, management capabilities and knowledge of the Group's business, the Directors believes that the continuous appointment of Mr. Van Eck as an independent non-executive Director will help for the benefit of the Company and the Shareholders as a whole, in particular, the independent Shareholders.

Saved as disclosed above, Mr. Van Eck has no other relationship with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules) and has not held any position with the Company, or any other member of the Group, nor has any directorships in other listed companies in the past three years.

Dr. Shou Kang CHEN (陳壽康), aged 60, is an independent non-executive Director of the Company and the chairman of the Audit Committee and the Remuneration Committee of the Company. Dr. Chen is responsible for supervising and providing independent advice to the Board. Dr. Chen joined the Company in October 2019.

Dr. Chen worked as the chief financial officer and senior vice president of King Yuan Electronics Co., Ltd. (京元電子股份有限公司), a company principally engaged in the business of design, manufacturing and selling, testing and assembly service of integrated circuits and listed on the Taiwan Stock Exchange (stock code: 2449), from May 2018 to August 2019. Dr. Chen worked as the chief financial officer and the vice president of the finance and accounting management centre of ChipMOS TECHNOLOGIES INC. (南茂科技股份有限公司) (“ChipMOS Taiwan”), a company principally engaged in providing testing and assembly services for liquid crystal display and other display panel driver semiconductors and advanced memory and logic/mixed-signal products in Taiwan and listed on Taiwan Stock Exchange (stock code: 8150) and the NASDAQ Stock Market (stock code: IMOS), from October 2002 to October 2017. Prior to that, Dr. Chen served as the chief financial officer and a director of ChipMOS TECHNOLOGIES (Bermuda) LTD., the then holding company of ChipMOS Taiwan and listed on the NASDAQ Stock Market prior to its merger with and into ChipMOS Taiwan in October 2016, from October 2002 to October 2016 and June 2005 to October 2016, respectively.

Dr. Chen obtained a Ph.D. degree in material science, a master’s degree in material science from the graduate school of mining, metallurgy and material science and a bachelor’s degree in mining and petroleum engineering from National Cheng Kung University (國立成功大學) in Taiwan in January 1994, June 1986 and June 1983, respectively.

Saved as disclosed above, Dr. Chen has no other relationship with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules) and has not held any position with the Company, or any other member of the Group, nor has any directorships in other listed companies in the past three years.

Mr. Edmond Ming Siang JAUW, aged 43, is an independent non-executive Director of the Company and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Jauw is responsible for supervising and providing independent advice to the Board. Mr. Jauw joined the Company in October 2019.

Mr. Jauw worked in the Asia Investment Banking Department of Citigroup Global Markets Asia Limited from July 2001 to November 2005. Mr. Jauw has started his own business since 2005. He is the co-founder of PT Asia Hamilton Resources, a company principally engaged in the mining business for coal, iron sand and iron ore in Indonesia and established in December 2005, PT Aesthetic Partners, a company principally engaged in health services and specialist medical clinics for facial beauty services in Indonesia and established in November 2013, PT Puro Aesthetic, a company principally engaged in business activities relating to specialist medical practice and clinics in beauty using treatments including tri-laser and anti-aging laser in Indonesia and established in January 2017, and PT Pain Relief Clinic, a company principally engaged in health services in paramedics and therapy and physiotherapist services using manual therapy, new technologies such as radiofrequency therapy, shockwave therapy and etc. in Indonesia and established in August 2018.

Mr. Jauw obtained a master's degree in management science and engineering from Stanford University in June 2001 and a bachelor's degree in economics from London School of Economics and Political Science in July 2000.

Saved as disclosed above, Mr. Jauw has no other relationship with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules) and has not held any position with the Company, or any other member of the Group, nor has any directorships in other listed companies in the past three years.

SENIOR MANAGEMENT

Mr. Jean Paul L. ABRAMS, aged 59, is the head of sales of the Group. Mr. Abrams is responsible for sales activities in Europe and leading the sales teams in Europe and Latin America. Mr. Abrams joined the Group in January 1995 and has 27 years of experience with the Group. Prior to joining the Group, Mr. Abrams served various positions in Philips group from May 1987 to December 1994. Mr. Abrams obtained a bachelor's degree in economic sciences from Limburg Business School in Diepenbeek, Belgium in September 1983 and a master's degree in applied economic sciences from Catholic University of Leuven in March 1987, respectively.

Mr. Kwok Hoong SIU (蕭國雄), aged 54, is the head of marketing and innovation of the Group. Mr. Siu is responsible for leading the research and development and product marketing teams in Singapore to generate innovations, intellectual properties and support the sales team in pre-sales marketing and commercial negotiation activities. Mr. Siu joined the Group in September 1999 and has 22 years of experience with the Group. Mr. Siu obtained a bachelor's degree in engineering from National University of Singapore in July 1991.

Ms. Guat Beng NG (黃月明), aged 56, is the global financial controller of the Group. Ms. Ng is responsible for supervising the compliance of the Group's financial practices, monitoring cash flow, accounts and other financial transactions and overseeing finance teams in day-to-day accounting and finance operations. Ms. Ng joined Philips in January 2003 and the Group in January 2010 and has 12 years of experience with the Group. Ms. Ng also serves as a director of HCS (Suzhou) Limited, 蘇州歐之電子有限公司 (Home Control Solutions (Suzhou) Limited*) and Home Control Europe NV. Ms. Ng obtained a master's degree of business administration from Schulich School of Business of York University in Toronto, Canada in June 2001.

None of our senior management has been a director of any listed company in the past three years.

* For identification purpose only

COMPANY SECRETARY

Ms. Sum Yi TSUI (徐心兒) was appointed as the company secretary of the Company on 14 July 2020. Ms. Tsui is currently a manager in corporate services team of Vistra Corporate Services (HK) Limited. She has over eleven years of experience in providing company secretarial and compliance services to private and listed companies. Ms. Tsui obtained a bachelor of business administration degree in corporate administration and a master of corporate governance degree from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong). Ms. Tsui is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and an associate member of The Chartered Governance Institute in United Kingdom.

Report of the Directors

The Board is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “Year”).

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 24 December 2014 as an exempted company with limited liability. The Company’s shares were listed on the Main Board of the Stock Exchange (stock code: 1747) on 14 November 2019 (the “Listing Date”) (the “Listing”). For details of the relevant use of proceeds, please see the section headed “Use of Proceeds from Listing” on page 21 of this report.

PRINCIPAL ACTIVITIES

The principal activity of the Company in the course of the Year is investment holding. Details of the principal activities of the subsidiaries of the Company in the course of the Year are set out in note 1 in the “Notes to Consolidated Financial Statements”.

SEGMENT INFORMATION

An analysis of the Group’s revenue and results by geographical segment based on the location of customers for the Year is set out in note 4 in the “Notes to Consolidated Financial Statements”.

BUSINESS REVIEW AND FUTURE PROSPECTS

The business review and future prospects of the Group for the Year is set out in the section headed “Management Discussion and Analysis” on pages 5 to 12 of this report.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are key to its success and sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality products and satisfactory services to its customers and enhancing long-term cooperation with its business partners.

Employees

The Group understands that its employees are one of the most important and valuable asset. The Group supports diverse workforce and inclusion where all employees are treated fairly and respectfully, have equal access to opportunities and resources, and fair contribution and participation of all employees. The Group provides a fair and safe workplace, promotes diversity to our staff, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate internal and external training and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their skills, performance and self-fulfilment in their positions.

Customers

The Group understands that it is important to maintain good relationship with customers and provide the quality products and services in a way that satisfies the needs and requirements of the customers, in order to maintain our brand competitiveness. The Group has developed business relationship with most of the major customers for three years to over 15 years. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products and review customers' feedback regularly so that the Group can respond proactively to market demand.

Suppliers

The Group has established stable and long-term relationship with our major components and manufacturing suppliers. We have established business relationship with majority of our major suppliers for up to 12 years. The Group imposes stringent standards on the selection of our suppliers and manufacturing partners as part of our supply chain management.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's financial conditions, business results and operations and prospects may be affected by various risks and uncertainties, some of which are external causes and some are inherent to the business. The following are the key risks and uncertainties identified by the Group. The Board is aware that there may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business risk

These risks can be categorised into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in different countries; and (iv) risks relating to conducting business in the PRC. We believe that the following are some of the major risks that may have a material adverse effect on us:

- Our world-wide business presence exposes us to various legal, economic and political risks of different geographical markets. The ongoing COVID-19 affecting the world community is posing logging and uncertain impact that may adversely affect our supplies, sales and profitability.
- Any termination, interruption or modification of our business relationship with any of our major customers, whether due to underperformance of our major customers or any other reason, may materially and adversely affects our sales and profitability.
- We may fail to anticipate technology innovation and successfully develop and market new products on time, or at all, which would materially and adversely affect our business, financial position and prospects.
- Any material increase in the prices of components or loss of major suppliers may materially and adversely affect our business and financial position.
- An impairment of goodwill would adversely affect our financial condition and results of operations.

Financial risk

The financial risk management of the Group is set out in note 35 in the “Notes to Consolidated Financial Statements”.

SUBSIDIARIES

The information of the Company’s principal subsidiaries are set out in note 1 in the “Notes to Consolidated Financial Statements”.

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) | Planned use of IPO Proceeds (adjusted on a pro rata basis on the actual net proceeds) | Unutilized proceeds as at beginning of the financial year i.e. 1 Jan 2021 | Proceeds utilized during the financial year ended 31 Dec 2021 | Utilised IPO Proceeds up to 31 Dec 2021 | Expected timeline for the unutilized IPO Proceeds |
|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------|
| | HK\$' million | US\$' million | US\$' million | US\$' million | US\$' million | |
| 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. |
| | 84.93 | 10.83 | 7.30 | 0.20 | 3.73 | |

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

The Directors will constantly 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 report, 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.

RESULTS AND APPROPRIATIONS

The Group's results for the Year and the financial position of the Group and of the Company as at 31 December 2021 are set out in the consolidated financial statements on pages 58 to 60 and pages 141 to 142, respectively.

FINAL DIVIDEND

The Board recommended a payment of a final dividend of US0.38 cents per ordinary share of the Company (equivalent to approximately HK2.97 cents per ordinary share of the Company) for the Year 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 annual general meeting, will be payable on or around Friday, 29 July 2022.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 13 in the "Notes to Consolidated Financial Statements".

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2021 are set out in note 23 in the "Notes to Consolidated Financial Statements".

SHARE CAPITAL

Details of the share capital movement of and shares issued by the Company during the year are set out in note 28 in the "Notes to Consolidated Financial Statements".

RESERVES

Details of movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on pages 61 to 62 of this report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company had distributable reserves of approximately US\$9,573,430 (2020: approximately US\$9,573,430) calculated in accordance with the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. This includes the Company's share premium account of approximately US\$9,573,430 (2020: approximately US\$9,573,430) which is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

DONATION

On 5th November 2021, the Suzhou office held a recycling auction party where our employees were encouraged to sell their pre-loved items during the event. Proceeds from the auction were subsequently donated to a charity organization. Our Singapore office also organised a fundraising initiative from 1st to 15th April 2021 to support Asian Women's Welfare Association's (AWWA) Legacy of Love Campaign. For every dollar employees contributed, Home Control donated an equal amount to the campaign.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance between the Company or its subsidiaries and the controlling shareholder of the Company or its subsidiaries subsisted at the end of the Year or at any time during the Year.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the sections headed "Share Option Scheme" and "Share Award Scheme" below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

DEBENTURE ISSUED

No debenture was issued by the Company during the Year.

CONVERTIBLE BONDS

No convertible bond was issued by the Company during the Year.

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 for the year ended 31 December 2021.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Scheme”) on 1 May 2015, under which share options are granted to employees, officers or Directors of the Company for the purpose of attracting, retaining and to provide additional incentives to employees, officers and Directors and to promote the success of the Group’s business. The options vest upon meeting certain key performance index, subject to the discretion of the Board and the provisions of the Scheme. The contractual life of each option granted is 7 years. There are no cash settlement alternatives.

The Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve grant of options by the Company to subscribe for its shares after the Listing.

A summary of principal terms of the Scheme is set out in “Statutory and General Information – D. 2015 Stock Option Plan” in Appendix IV to the Prospectus.

On 1 May 2015, the Company, at nil consideration, granted to HCIL Master Option Ltd (the “Master Option Grantee”) an option (the “Master Option”) to purchase 40,841,584 Shares. A portion of the Master Option to purchase 16,336,634 Shares has been vested and the Master Option Grantee has granted such corresponding beneficial interest in the Master Option (the “Management Options”) to full-time employees of the Group (the “Management Option Grantees”), with the rest of the Master Option remains unvested. After Listing, no additional Master Option will be granted under the Scheme, whereas additional Management Options may be granted upon the vesting of the unvested Master Option.

The maximum number of shares of the Company that may be issued by the Company upon the exercise of all options granted under the Scheme is 40,841,584 Shares, representing approximately 8.14% of the Shares in issue as at 31 December 2021. Subject to the terms and conditions set forth under the Scheme, the exercise price of all the share options granted under the Scheme is approximately US\$0.0877 per share of the Company (equivalent to approximately HK\$0.681 per share of the Company).

There has been no cancellation or modification of the Scheme during the Year.

The following table discloses movements in the underlying shares of the Company of the outstanding Management Options vested to the Management Option Grantees under the Scheme during the year:

| Management Option Grantees | Number of Shares to be issued upon full exercise of Management Options as at 1 January 2021 | No. of Management Options vested upon vesting of the Master Option during the year | No. of Management Options exercised during the year | Number of Shares to be issued upon full exercise of Management Options as at 31 December 2021 |
|------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Director | | | | |
| Mr. Alain PERROT | 5,717,822 | 13,069,307 | – | 18,787,129 |
| Senior Management | | | | |
| Mr. Jean Paul L. ABRAMS | 4,084,158 | – | – | 4,084,158 |
| Mr. Kwok Hoong SIU (蕭國雄) | 1,633,663 | 2,450,495 | – | 4,084,158 |
| Employees and other grantee | | | | |
| Mr. Pang Hwa HO (何邦華) | 1,633,663 | 408,416 | – | 2,042,079 |
| Mr. Yuechun ZHU (朱閱春) | 1,633,663 | 408,416 | – | 2,042,079 |
| Total | 14,702,969 | 16,336,634 | – | 31,039,603 |

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled under the Scheme during the Year.

Further details in relation to value of the outstanding options granted and vested to senior executives and other grantees under the Scheme and movements during the year are set out in note 29 in “Notes to Consolidated Financial Statements”.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the “Share Award Scheme”) on 20 August 2020 (the “Adoption Date”).

The purpose of the Share Award Scheme is to (i) align the interests of eligible participants directly to those of the Shareholders through ownership of Shares; (ii) to recognize the contributions made by the selected grantees and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (iii) to attract high-calibre employees for further development of the Group. Subject to any early termination as may be determined by the Board in accordance with the terms of the Share Award Scheme, the Share Award Scheme shall be effective for ten (10) years commencing from the Adoption Date. The Board shall not make any further award under the Share Award Scheme which will result in the number of Shares awarded by the Board thereunder representing in excess of 1.5% of the total issued Shares as at the Adoption Date or result in a breach of the public float of the Company falling below the minimum level required in the Listing Rules upon issuance of the awarded Shares.

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 the grant, at nil consideration under the Share Award Scheme of which (a) 2,382,760 award Shares are granted to four connected selected grantees by way of the proposed allotment and issue of new Shares pursuant to specific mandate; and (b) not more than 2,633,577 award Shares are granted to six non-connected selected grantees by way of the proposed allotted and issued of new Shares pursuant to general mandate.

At the extraordinary general meeting of the Company held on 12 November 2020, ordinary resolutions were passed in relation to the grant of award Shares to the connected selected grantees and the grant of specific mandate to the Directors regarding the issue and allotment of 2,382,760 award Shares to the connected selected grantees.

The details of the Share Award Scheme are disclosed in the announcements of the Company dated 20 August 2020, 5 October 2020 and 12 November 2020; and the circular of the Company dated 27 October 2020.

As at 31 December 2021, all of the 5,016,337 award Shares granted under the Share Award Scheme remain unvested, details of which are as follows:

| Name of Grantees | Relationship with the Group | Number of Shares granted during the Year | | | As at 31 December 2021 |
|-------------------------------------|-------------------------------------------------|------------------------------------------|-------------------------|------------------------|------------------------|
| | | As at 1 January 2021 | Granted during the year | Vested during the year | |
| Alain PERROT | Executive Director and Chief Executive Officer | 1,254,084 | – | – | 1,254,084 |
| Jean Paul ABRAMS | Director of a subsidiary of the Company | 250,817 | – | – | 250,817 |
| Guat Beng NG (黃月明) | Director of certain subsidiaries of the Company | 376,225 | – | – | 376,225 |
| Yuechun ZHU (朱閱春) | Director of certain subsidiaries of the Company | 501,634 | – | – | 501,634 |
| Six non-connected selected grantees | Full-time employees of the Group | 2,633,577 | – | – | 2,633,577 |
| Total | | 5,016,337 | – | – | 5,016,337 |

As at the date of this report, none of the Shares granted under the Share Award Scheme have been vested.

DIRECTORS

The Directors who held office during the Year and up to the date of this report were:

Executive Director

Mr. Alain PERROT (*Chairman & Chief Executive officer*)

Non-Executive Directors

Mr. Yu GAO

Mr. Kwok King Kingsley CHAN

Independent Non-Executive Directors

Mr. Werner Peter VAN ECK

Mr. Shou Kang CHEN

Mr. Edmond Ming Siang JAUW

In accordance with the articles of association of the Company (the “Articles”), any Director appointed by the Board to fill a casual vacancy in the Board or as an additional member of the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at such meeting. In addition, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. Accordingly, Mr. Alain PERROT, Mr. Yu GAO, Mr. Kwok King Kingsley CHAN and Mr. Werner Peter VAN ECK shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out in the section headed “Directors and Senior Management” in this report.

DIRECTORS’ SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The executive Director has entered into a service contract with the Company for a term of one year, commencing from the Listing Date and renewable automatically thereafter for successive terms of one year each until terminated by not less than three months’ notice in writing served by either party on the other.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for a term of one year commencing from the Listing Date and renewable automatically thereafter for successive terms of one year each until terminated in accordance with the terms of the letter of appointment.

None of the Directors, or Directors proposed for re-election at the forthcoming annual general meeting has or is proposed to enter into a service contract with any member of the Group other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation).

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company currently has three independent non-executive Directors, which meets the minimum requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board.

The Company has received a written confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors, and considers them to be independent.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

No transactions, arrangements or contracts of significance, to which the Company, its parent company, its subsidiaries or its fellow subsidiaries, was a party and in which a Director at any time during the Year or an entity connected with a Director at any time during the Year had any material interest, whether directly or indirectly, was entered into or subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the Year, other than service contracts with the Directors and other persons engaged in the full-time employment of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Share Option Scheme" and "Share Award Scheme" on pages 24 to 27 of this report, at no time during the Year or at the end of the Year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance Chapter 571 of the laws of Hong Kong (the "SFO"), or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this report, none of the Directors and directors of the Company's subsidiaries or their respective associates had any interests in any businesses, apart from the Group's business, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

CHANGE IN THE DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

- The remuneration of Mr. Werner Peter VAN ECK ("Mr. VAN ECK") has been revised to HK\$150,000 annually with effect from 1 April 2022.
- The remuneration of Mr. Edmond Ming Siang JAUW has been revised to HK\$150,000 annually with effect from 1 April 2022.
- The remuneration of Mr. Shou Kang CHEN has been revised to HK\$150,000 annually with effect from 1 April 2022.

- Mr. Alain PERROT (“Mr. PERROT”), an executive Director and the chief executive officer of the Company, has been appointed as Chairman in succession to Mr. Yu GAO (“Mr. GAO”) who has stepped down as the Chairman, with effect from 18 March 2022. Mr. PERROT receives an annual remuneration of US\$50,000 for his appointment as the Chairman.
- Mr. GAO also resigned from his role as the chairman of the Nomination Committee. Mr. VAN ECK is appointed as the chairman of the Nomination Committee and Mr. PERROT is appointed as a member of the Nomination Committee, with effect from 18 March 2022.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors, auditor and other officers of the Company shall be indemnified out of the assets of the Company against all losses and liabilities incurred or sustained by him as a Director, auditor or other officer of the Company. The Company has taken out and maintained Directors’ and officers’ liability insurance throughout the Year, which provides appropriate cover for certain legal actions (if any) brought against its Directors and officers.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND LONG POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Interest in the Shares

| Name of Director | Nature of interest | Number of Shares or underlying Shares ^(Note 1) | Approximate percentage of interest in the Company ^(Note 1) |
|----------------------------------|--------------------|-----------------------------------------------------------|-----------------------------------------------------------------------|
| Alain PERROT ^(Note 2) | Beneficial Owner | 20,041,213 (L) | 4.00% |

Notes:

1. As at 31 December 2021, the Company issued 501,633,663 Shares. The letter (L) denotes the entity’s long position in the relevant Shares.
2. Mr. PERROT is interested in the management option granted under the Scheme to, subject to the terms and conditions thereunder, subscribe for 18,787,129 Shares. Also, 1,254,084 award Shares were conditionally granted to Mr. PERROT on 5 October 2020 pursuant to the Share Award Scheme of the Company. The grant and vesting of award Shares are subject to the terms and conditions of the Share Award Scheme.

(ii) Interest in associated corporation

| Name of Director | Name of associated corporation | Nature of interest | Number of shares interested ^(Note 1) | Approximate percentage of interest in the associated corporation |
|----------------------------------|------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------|------------------------------------------------------------------|
| Alain PERROT ^(Note 2) | Omni Remotes do Brasil Ltda NHPEA IV Home Control Netherlands B.V. ("NHPEA") | Beneficial owner N/A ^(Note 2) | 100 N/A ^(Note 2) | 1% N/A ^(Note 2) |

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Alain PERROT's interest in NHPEA is a cash-settled derivative interest in NHPEA by way of an agreement between him and Morgan Stanley Private Equity Asia IV, L.L.C..

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 31 December 2021, to the best knowledge of the Directors, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions of 5% or more of the issued share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Shareholders | Nature of interest | Number of Shares or underlying Shares <small>(Note 1)</small> | Approximate percentage of shareholding <small>(Note 1)</small> |
|-----------------------------------------------------|------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------|
| Morgan Stanley | Interest of controlled corporation | 375,000,000 (L) <small>(Notes 2 and 3)</small> | 74.76% |
| MS Holdings Incorporate | Interest of controlled corporation | 375,000,000 (L) <small>(Notes 2 and 3)</small> | 74.76% |
| Morgan Stanley Private Equity Asia IV, Inc. | Interest of controlled corporation | 375,000,000 (L) <small>(Notes 2 and 3)</small> | 74.76% |
| Morgan Stanley Private Equity Asia IV, L.L.C. | Interest of controlled corporation | 375,000,000 (L) <small>(Notes 2 and 3)</small> | 74.76% |
| North Haven Private Equity Asia IV, L.P. | Interest of controlled corporation | 375,000,000 (L) <small>(Notes 2 and 3)</small> | 74.76% |
| North Haven Private Equity Asia IV Holdings Limited | Interest of controlled corporation | 375,000,000 (L) <small>(Notes 2 and 3)</small> | 74.76% |
| NHPEA IV Holding Cooperatief U.A. | Interest of controlled corporation | 375,000,000 (L) <small>(Notes 2 and 3)</small> | 74.76% |
| NHPEA | Beneficial Owner | 375,000,000 (L) <small>(Notes 2 and 3)</small> | 74.76% |

Notes:

1. As at 31 December 2021, the Company issued 501,633,663 Shares. The letter (L) denotes the entity's long position in the relevant shares.
2. Such 375,000,000 Shares belong to the same batch of Shares.
3. Pursuant to Section 336 of the SFO, if certain conditions are met, the shareholders of the Company are required to submit a disclosure of interest notice. In the event of changes in the shareholding of the Shareholders in the Company, the Shareholders will not be required to notify the Company and the Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the Shareholders in the Company may be different from the shareholding submitted to the Stock Exchange.

Save as disclosed above, as at 31 December 2021, the Directors are not aware of any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CONNECTED TRANSACTION

Save as the grant of award Shares to the connected selected grantees under the Share Award Scheme as disclosed under the section headed "Share Award Scheme", the Company had not entered into any non-exempt connected transaction during the year, which is required to be disclosed under the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the Year are set out in note 31 in the "Notes to Consolidated Financial Statements". Each of the related party transactions during the Year constitutes a connected transaction or continuing connected transaction but is fully exempted and not subject to any of the disclosure requirements under Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers combined accounted for approximately 42.5% of the total sales of the Group and the sales to the largest customer included therein amounted to approximately 17.3% of the total sales of the Group for the Year.

During the Year, purchases from the Group's five largest suppliers combined accounted for approximately 38.7% of the total purchases of the Group for the Year and the purchases from the largest supplier included therein amounted to approximately 11.5% of the total purchase of the Group for the Year.

None of the Directors, or any of their close associate(s) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers at any time during the Year.

EMPLOYEES, REMUNERATION POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

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 annual report, to ten Selected Grantees pursuant to the Scheme.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five highest paid individuals during the Year are set out in notes 8 and 9 in the "Notes to Consolidated Financial Statements".

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 7 in the "Notes to Consolidated Financial Statements".

MATERIAL LITIGATION AND ARBITRATION

During the Year, the Company was not engaged in any litigation or arbitration of material importance.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as prescribed under the Listing Rules.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities. If the Company's shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to the shares, they are advised to consult an expert.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining Shareholders' right to attend and vote at the forthcoming annual general meeting

The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 20 June 2022.

For ascertaining Shareholders' entitlement to the proposed final dividend

The register of members of the Company will be closed from Monday, 4 July 2022 to Thursday, 7 July 2022 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 30 June 2022.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Further information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report contained in this report.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to fulfilling social responsibility, supporting environmental sustainability and achieving sustainable growth. The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. The Directors are not aware of any material non-compliance with the environmental laws and regulations during the Year. Further information on the Group's environmental policy and performance will be set out in the Environmental, Social and Governance Report to be published within two months after the date of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, who will retire at the Company's forthcoming annual general meeting. A resolution to appoint the auditor of the Company and to authorise the Directors to fix its remuneration will be proposed at the forthcoming annual general meeting.

Change of auditor in the past three years

The consolidated financial statements of the Group for the years ended 31 December 2019 and 2020 were audited by Ernst & Young. Ernst & Young retired as the auditor of the Company with effect from the conclusion of the annual general meeting held on 25 June 2021, and the Company currently appoints PricewaterhouseCoopers as the auditor of the Company.

DISCLOSURE PURSUANT TO RULES 13.18 OF THE LISTING RULES

To gradually diversify the Group's lending relationships and to partially replace the existing loan facilities obtained prior to the Listing ("Existing Loan Facilities") with new loan facilities that offer lower borrowing cost and more flexible terms for a listed company, on 8 July 2020, the Company as borrower entered into a new facility agreement ("2020 Facility Agreement") with a bank (the "Bank") as lender in relation to facilities of up to US\$6,000,000 (or its equivalent amount in other currencies) (the "2020 New Facility"). The original maturity date of the 2020 New Facility is 30 June 2021, which has been extended to 6 October 2021 by the Bank. Other than that, all terms and conditions under the 2020 Facility Agreement remain unchanged. The purpose of the 2020 New Facility is for general working capital purposes.

Pursuant to the 2020 Facility Agreement, the Company undertakes, among others, that NHPEA IV Home Control Netherlands B.V. (the "Controlling Shareholder"), the controlling shareholder of the Company, shall maintain not less than 70% ownership of the Company. A breach of such undertaking will constitute an event of default under the 2020 Facility Agreement and all amounts (including principal and interest accrued thereon) due and owing by the Company to the Bank under the 2020 Facility Agreement shall become immediately due and payable by the Company without further demand.

On 23 February 2021, Home Control Singapore Pte. Ltd. (the "Borrower"), a wholly-owned subsidiary of the Company, as borrower entered into a new facility agreement ("2021 Facility Agreement") with a global bank (the "Lender") in relation to a term loan facility in the aggregate amount of US\$24,450,000 (the "2021 New Facility"). The 2021 New Facility has a term of 60 months from its utilization date. The purpose of the 2021 New Facility is to fully replace the Existing Loan Facilities with the 2021 New Facility that offer lower borrowing cost and more flexible terms for the subsidiary of a listed company.

Report of the Directors

Pursuant to the 2021 Facility Agreement, a specific performance covenant is imposed on the Controlling Shareholder to hold at least 51% of the voting Shares of the Company.

IMPORTANT EVENTS AFTER THE YEAR

Details of the subsequent events are set out in note 38 to the consolidated financial statements.

On behalf of the Board

HOME CONTROL INTERNATIONAL LIMITED

Alain PERROT

Chairman

Hong Kong

18 March 2022

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2021 (the "Reporting Period").

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing and maintaining high standard of business ethics and corporate governance. The Company believes that effective corporate governance is an essential factor for effective management, successful business growth and a healthy corporate culture, thereby creating 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 the Shareholders.

The Board has adopted the code provision of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. The Board is of the view that maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Company has complied with the code provisions of the Code (version up to 31 December 2021) for the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

As at the date of this report, the Board comprises one executive Director, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

| | |
|--------------------------------------|------------------------------------------------------------------------------|
| Executive Director: | Mr. Alain PERROT (<i>Chairman & Chief Executive Officer</i>) |
| Non-executive Directors: | Mr. Yu GAO Mr. Kwok King Kingsley CHAN |
| Independent Non-Executive Directors: | Mr. Werner Peter VAN ECK Mr. Shou Kang CHEN Mr. Edmond Ming Siang JAUW |

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 13 to 18 of this report. Save as disclosed under the aforementioned heading, there are no other financial, business, family or other material/relevant relationship(s) among the members of the Board and in particular, between the Chairman and the Chief Executive Officer of the Company.

During the Year, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The three independent non-executive Directors represent more than one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of its shareholders.

Each of the current independent non-executive Directors has given an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules to the Company. The nomination committee of the Company (the "Nomination Committee") and the Board have assessed the independence of each of the independent non-executive Directors and are satisfied that they have the required character, integrity and experience to fulfil the role of an independent non-executive director and consider each of them to be independent under Rule 3.13 of the Listing Rules.

ATTENDANCE RECORD OF DIRECTORS

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meeting and general meetings during the Year is set out below:

| | Number of meetings attended/Number of meetings | | | | |
|--------------------------------------------|------------------------------------------------|-------------------------|--------------------------------|------------------------------|-----------------|
| | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | General Meeting |
| Executive Director | | | | | |
| Mr. Alain PERROT | 4/4 | 2/2* | 1/1* | 1/1* | 1/1 |
| Non-executive Directors | | | | | |
| Mr. Yu GAO | 4/4 | – | – | 1/1 | 1/1 |
| Mr. Kwok King Kingsley CHAN | 4/4 | – | 1/1 | – | 1/1 |
| Independent non-executive Directors | | | | | |
| Mr. Werner Peter VAN ECK | 4/4 | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Shou Kang CHEN | 4/4 | 2/2 | 1/1 | – | 1/1 |
| Mr. Edmond Ming Siang JAUW | 4/4 | 2/2 | – | 1/1 | 1/1 |

* *Attended Committee Meetings as a non-member*

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is ultimately accountable for the Group's activities, strategies and financial performance, including developing, reviewing development plan and budget; monitoring financial statement and operating performance, corporate governance policies and practices; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group, management training and development; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to the Company's management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. The Board gives clear directions to the management team as to their powers of management, and circumstances in which the management team should report back.

DIRECTORS' INDUCTION AND PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive, formal and tailored induction package covering key guidelines and documents relevant to their roles, responsibilities and ongoing obligations, materials of business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

To ensure that Directors' contribution to the Board or committees remains informed, the Directors are regularly updated and apprised of the amendments to or updates on the relevant laws, rules, regulations and guidelines, particularly the effects of such new or amended laws, rules, regulations and guidelines on directors specifically, and the Company and the Group generally.

On an ongoing basis, Directors are encouraged to keep up-to-date on all matters relevant to the Group and to attend briefings, seminars and relevant training courses as appropriate. The Directors are requested to provide the Company with their respective training records pursuant to the new requirement of the Code on continuous professional development.

During the Year, all of Mr. Alain PERROT, Mr. Yu GAO, Mr. Kwok King Kingsley CHAN, Mr. Werner Peter VAN ECK, Mr. Shou Kang CHEN and Mr. Edmond Ming Siang JAUW (during their respective term of office as Directors) have participated in appropriate continuous professional development and provided the Company with their records of training they received for the year ended 31 December 2021.

All Directors participated in the training which included reading regulatory updates or information relevant to the Group or its business during the year ended 31 December 2021, such as giving a speech in relation to changes to the Listing Rules and latest trends.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance function. Pursuant to the terms of reference of Audit Committee, part of such duties were delegated to the Audit Committee, and the Audit Committee is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and reviewing Company's compliance with the Code.

The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings will be given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all Directors at least 3 days before the date of a Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of each Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 14 October 2019 (the "Dividend Policy"). It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

Under the Dividend Policy, 30% of the Company's annual distributable profits are expected to be distributed as dividends in the future. The declaration of dividends is subject to the discretion of the Board and the approval of the shareholders of the Company, and the Company may change the Dividend Policy or distribution ratio in the future. There is no assurance that the Company will be able to distribute dividends of such amounts or any amounts in every year or any year in the future.

The Board may recommend a payment of dividends in the future after taking into account the Group's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interest and other factors which the Board may deem relevant at such time.

Any declaration and payment as well as the amount of the dividends will be subject to the constitutional documents and the Companies Law of the Cayman Islands, including the approval of the shareholders of the Company. Any future declarations of dividends may or may not reflect the historical declarations of dividends of the Group and will be at the absolute discretion of the Board.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 December 2021, Mr. Yu GAO is the Chairman of the Board while Mr. Alain PERROT is the Chief Executive Officer of the Company.

The Chairman and the Chief Executive Officer have been serving clearly delineated functions within the Group. The Chairman is primarily responsible for providing the overall leadership in the Board's affairs and overseeing the strategic development of the Board, with the support of executive Director and the company secretary, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate and reliable information timely. The Chief Executive Officer is responsible for the overall management, business strategy and development of the Group as well as leading the management to implement strategies and objectives adopted by the Board. There is also a clear understanding by and expectation from the Board and within the Group as to the separation of roles and responsibilities between the Chairman and the Chief Executive Officer.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision B.2.2 of the Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The executive Director is appointed for a term of one year, and renewable automatically thereafter for successive terms of one year each until terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors, including independent non-executive Directors, is appointed for a term of one year and renewable automatically thereafter for successive terms of one year each commencing from the date next after the expiry of the then current term of office until terminated in accordance with the terms of their letters of appointment.

Save as disclosed above, none of the Directors has or is proposed to enter into a service contract with any member of our Group other than contracts expiring or determinable by the Company within one year without the payment of compensation (other than statutory compensation).

In accordance with the Articles, any Director appointed by the Board to fill a casual vacancy in the Board or as an additional member of the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at such meeting. In addition, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, the remuneration committee and the nomination committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of the Board committees are available for viewing on the websites of the Company and the Stock Exchange.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee has three members, namely Mr. Shou Kang CHEN, Mr. Werner Peter VAN ECK and Mr. Edmond Ming Siang JAUW, all being independent non-executive Directors. The chairman of the Audit Committee is Mr. Shou Kang CHEN. The primary responsibilities of the Audit Committee are to provide the Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Directors.

During the Year, the Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021 and has met with the independent auditor, PricewaterhouseCoopers. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company. The Audit Committee reviewed the Company's policies and practices on corporate governance. The Audit Committee has conducted review of the risk management and internal control systems, and the effectiveness of the issuer's internal audit function. Please see the disclosure the section headed "Internal Control and Risk Management" on page 49 of this report for further information.

The Audit Committee has adopted its terms of reference in compliance with code provisions set out in the Code. According to the terms of reference of the Audit Committee, meeting of the Audit Committee shall be held at least twice a year and members of the Audit Committee should also meet with the external auditor at least twice a year. During the Year, 2 meetings of the Audit Committee were held.

For the year ended 31 December 2021, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

REMUNERATION COMMITTEE

As at the date of this report, the remuneration committee of the Company (the “Remuneration Committee”) consists of three members, including two independent non-executive Directors, namely Mr. Shou Kang CHEN and Mr. Werner Peter VAN ECK and a non-executive Director, Mr. Kwok King Kingsley CHAN. The chairman of the Remuneration Committee is Mr. Shou Kang CHEN.

The Remuneration Committee has adopted its terms of reference in compliance with code provisions set out in the Code. The principal responsibilities of the Remuneration Committee include (i) making recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) making recommendations to the Board on the remuneration packages for individual executive Directors and senior management of the Company; (iii) making recommendations to the Board on the remuneration of the non-executive Directors; and (iv) reviewing and recommending the management’s remuneration proposals with reference to the Board’s corporate goals and objectives.

During the Year, the Remuneration Committee meeting reviewed and considered (i) the policy and structure for the remuneration of the Directors and senior management; (ii) the remuneration of the Directors and senior management and (iii) the grant of award Shares.

According to the terms of reference of the Remuneration Committee, meeting of the Remuneration Committee shall be held at least once a year. During the Year, 1 meeting of the Remuneration Committee was held.

Details of the remuneration payable to each Director of the Company for the year ended 31 December 2021 are set out in note 8 in the “Notes to Consolidated Financial Statements”.

The remuneration of the members of senior management by band for the year ended 31 December 2021 is set out below:

| Remuneration to the senior management by bands US\$ | Number of senior management |
|-----------------------------------------------------|-----------------------------|
| Below US\$1,500,000 | 3 |
| Total | 3 |

NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee has three members, including two independent non-executive Directors, namely Mr. Edmond Ming Siang JAUW and Mr. Werner Peter VAN ECK and an executive Director, Mr. Alain PERROT. The chairman of the Nomination Committee is Mr. Werner Peter VAN ECK.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer of the Company.

During the Year, the Nomination Committee reviewed and considered (i) the Board structure, size, composition and Board diversity (including skills, knowledge and experience etc.); (ii) the effectiveness of the Company's board diversity policy; (iii) the independence of independent non-executive Directors; and (iv) the retirement and re-nomination of Directors for re-election at the forthcoming annual general meeting of the Company.

The Nomination Committee has adopted its terms of reference in compliance with code provisions set out in the Code. According to the terms of reference of the Nomination Committee, meeting of the Nomination Committee shall be held at least once a year. During the Year, 1 meeting of the Nomination Committee was held.

Nomination Policy

The Company has also adopted a nomination policy (the "Nomination Policy") which sets out the details of the key selection criteria and nomination procedures for the Nomination Committee in making recommendations to the Board on the appointment of Directors, and succession planning for Directors.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- (a) reputation for integrity;
- (b) accomplishment and experience in the business in which the Company is engaged in;
- (c) commitment in respect of available time and relevant interest;
- (d) diversity in all its aspects, including but not limited to race, gender, age, educational background, professional experience, skills and length of service;

- (e) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- (f) the number of existing directorships and other commitments that may demand the attention of the candidate;
- (g) requirement for the Board to have independent non-executive directors in accordance with the Listing Rules;
- (h) whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- (i) Board diversity policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;
- (j) such other perspectives appropriate to the Company's business; and
- (k) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

Nomination Procedures for a new Director

Subject to the provisions in the Articles and the Listing Rules, if the Board recognises the need for an additional Director or a member of senior management, the following procedure will be followed:

- (1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;
- (2) The Nomination Committee and/or the company secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;
- (3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;
- (4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;
- (5) In the case of the appointment of an independent non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

- (6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

Re-election of Director at General Meeting

- (1) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and his/her level of participation and performance on the Board. Where a retiring Director, being eligible, offers himself/herself for re-election, and the Board considers appropriate, the Board shall recommend such retiring Director to stand for re-election at a general meeting.
- (2) If an independent non-executive Director is subject to the re-election, the Nomination Committee and/or the Board will also assess and consider whether the independent non-executive Director will continue to satisfy the independence requirements as set out in the Listing Rules. The Nomination Committee and/or the Board should then make recommendation to shareholders of the Company in respect of the proposed re-election of Director at the general meeting.
- (3) The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles and other applicable rules and regulations.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy with the aim of achieving diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance its operating results and quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contribution that the selected candidates will bring to the Board. With respect to gender diversity, the Company's global financial controller, Ms. Guat Beng NG and company secretary, Ms. Sum Yi TSUI, having extensive experience in their respective field, contributes to gender diversity of our senior management team. While we recognise that the gender diversity at the Board level can be improved given its current composition of all-male directors, the Company will continue to apply the principle of appointment based on merits with reference to the diversity policy as a whole.

The Company has been taking, and will continue to take steps to promote gender diversity at the Board and management levels. To enhance the corporate governance by diversifying the Board's composition, the Group has set out the following targets and policies:

- (a) the Nomination Committee will use its best efforts, within three years from the Listing Date, to identify and recommend suitable female candidates to the Board for its consideration and the Company will use its best efforts to appoint one female director in the Board by the end of 2022, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidate after a reasonable review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and the Shareholders as a whole when making the relevant appointments; and
- (b) the Group is committed to providing career development opportunities to its female staff. Upon Listing, the Group will engage resources in training senior female staff who have long and relevant experience in the Group's business, including but not limited to accounting and finance, operation and research and development. The Directors believe that this policy could develop a pipeline of potential successor and provide required manpower resources to achieve gender diversity in the Board.

As at the date of this report, the Board comprises six Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of nationality, professional background and skills.

FINANCIAL REPORTING SYSTEM, RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report on pages 53 to 57 of this report) for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the consolidated financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, as supported by the Audit Committee, reviews the Group's risk management and internal control systems annually in respect of the relevant financial year. The review includes major financial, operational and compliance controls. The Board is of the view that given the size, nature and complexity of the business of the Group, it will assess and consider appointing external independent professional firms to perform the internal audit function for the Group in order to meet its needs. For the year ended 31 December 2021, the Company appointed a professional firm to assist the Company's management and the internal audit lead in reviewing risk management and internal controls systems for the Year.

The Board has, through the Audit Committee, conducted review of the effectiveness of the risk management and internal control systems of the Group for the Year with the assistance of a professional firm. The review report with examination results (including the identification of major risks in operation) and relevant improvement recommendations were duly reported to the Audit Committee and the Board for them to assess risks and controls of the Group and the effectiveness of the risk management system and any material failings or weaknesses in the internal control system, and to take appropriate actions to remedy any of these failings or weaknesses in a timely manner. All remedial actions will be regularly followed up where necessary to ensure that the failings and weaknesses have been duly addressed. The Board considers that the risk management and internal control systems are effective and adequate and that the Group has complied with the code provisions relating to risk management and internal control of the Code.

POLICY AND PROCEDURES ON DISCLOSURE OF INSIDE INFORMATION

The Group regulates the handling and dissemination of inside information according to internal procedures and policies so as to ensure inside information remains confidential until the disclosure and publication of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Group in (i) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with the Group's stakeholders, in ways which are in compliance with the SFO and the Listing Rules.

An employee who becomes aware of a matter or event that he/she considers to be material or inside information shall report to his/her division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report to the Board and/or the company secretary of the Company.

AUDITOR'S REMUNERATION

The Company appointed PricewaterhouseCoopers as the independent auditor for the year ended 31 December 2021. The fees charged for the audit services by the Group's independent auditor are S\$528,961 (equivalent to approximately US\$394,488). During the Year, the remuneration in respect of non-audit services provided by PricewaterhouseCoopers is S\$115,900 (equivalent to approximately US\$85,412) and pertains to tax compliance and transfer pricing services.

COMPANY SECRETARY

Ms. Sum Yi TSUI, was appointed as the company secretary of the Company on 14 July 2020. Ms. Tsui is currently a manager of Vistra Corporate Services (HK) Limited, a professional provider of corporate services. She has over eleven years of experience in providing company secretarial and compliance services to private and listed companies. Her primary contact person at the Company is Ms. Guat Beng NG, the global financial controller of the Company.

In accordance with Rule 3.29 of the Listing Rules, Ms. Tsui has taken no less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders of the Company and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to convene extraordinary general meeting

Pursuant to article 12.3 of the Articles, EGM shall be convened on the written requisition of one or more shareholders of the Company holding together, at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. Such written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Right to put enquiries to the Board

Shareholders of the Company have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary of the Company or by e-mail to info@omniremotes.com.

Right to put forward proposals at general meetings

There are no provisions under the Articles regarding procedures for the Company's shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders of the Company may follow the procedures set out above to convene an EGM for any business specified in such written requisition.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.omniremotes.com.

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended and restated Memorandum and Articles of Association on the Listing Date and there has been no change to the Company's constitutional documents since the Listing Date. The Company's amended and restated Memorandum of Association and Articles of Association are available on the websites of the Company and the Stock Exchange.

Five Years Financial Summary

A summary of the condensed audited consolidated results and of the assets and liabilities of the Group for the five financial years is set out below:

Results

| | For the year ended 31 December | | | | |
|-------------------------|--------------------------------|------------------|------------------|------------------|------------------|
| | 2021 US\$'000 | 2020 US\$'000 | 2019 US\$'000 | 2018 US\$'000 | 2017 US\$'000 |
| Revenue | 126,008 | 134,189 | 179,973 | 173,852 | 150,111 |
| Finance costs | (2,783) | (2,049) | (3,377) | (4,055) | (2,350) |
| Profit before tax | 5,697 | 4,671 | 4,596 | 4,456 | 8,426 |
| Income tax expense | (1,891) | (944) | (1,854) | (807) | (3,162) |
| Profit for the year | 3,806 | 3,727 | 2,742 | 3,649 | 5,264 |
| <i>Attributable to:</i> | | | | | |
| Owners of the Company | 3,836 | 3,912 | 2,608 | 3,248 | 5,580 |

Assets and Liabilities

| | As at 31 December | | | | |
|-------------------------|-------------------|------------------|------------------|------------------|------------------|
| | 2021 US\$'000 | 2020 US\$'000 | 2019 US\$'000 | 2018 US\$'000 | 2017 US\$'000 |
| Non-current assets | 19,526 | 19,575 | 22,238 | 16,523 | 16,636 |
| Current assets | 86,364 | 60,460 | 85,892 | 76,773 | 68,765 |
| Total assets | 105,890 | 80,035 | 108,130 | 93,296 | 85,401 |
| Current liabilities | 63,418 | 43,562 | 64,948 | 64,563 | 55,306 |
| Non-current liabilities | 20,901 | 17,029 | 26,320 | 28,708 | 27,673 |
| Total liabilities | 84,319 | 60,591 | 91,268 | 93,271 | 82,979 |
| Net assets | 21,571 | 19,444 | 16,862 | 25 | 2,422 |

Independent Auditor's Report



羅兵咸永道

Independent Auditor's Report
To the Shareholders of Home Control International Limited
(Incorporated in the Cayman Islands With Limited Liability)

OPINION

What we have audited

The consolidated financial statements of Home Control International Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 58 to 142, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to impairment assessment of goodwill.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Impairment assessment of goodwill</i></p> <p>Refer to note 2.5, 2.10, 3 and 15 to the consolidated financial statements.</p> <p>As at 31 December 2021, the carrying amount of goodwill on the consolidated statement of financial position of the Group amounted to US\$8,877,000. The goodwill was recognised on the acquisition of the entire stake of Home Control Singapore Pte. Ltd. by the Company from Philips in April 2015, and has been allocated to the remote control products cash-generating unit ("CGU") for the purpose of impairment assessment.</p> <p>An annual impairment assessment was performed on the goodwill where the recoverable amount of the remote control products CGU was estimated on a value in use basis using a discounted cash flow ("DCF") model. No impairment loss was recognised as the recoverable amount was higher than the carrying value of the remote control products CGU.</p> <p>We focused on this area as management's impairment assessment of goodwill requires significant judgment in making estimates of the underlying assumptions used in the discounted cash flow projections.</p> | <p>Our procedures focused on the appropriateness of management's annual impairment assessment process, and included the following:</p> <ul style="list-style-type: none"> • obtained an understanding of and evaluated the management's internal control and assessment process of impairment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • involved our valuation expert to assist in evaluating the appropriateness of valuation methodology used by management; • assessed the reasonableness of the key assumptions adopted by management in the discounted cash flow projections, including revenue growth and earnings before interest and tax ("EBIT") margin rate, based on our knowledge of the economic and industry conditions that are relevant to the Group's operations, and checked that the projections are based on the approved budget and supported by available market data; |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Impairment assessment of goodwill</i></p> | <ul style="list-style-type: none"> • involved our valuation expert to evaluate the reasonableness of other key assumptions such as the discount and terminal growth rates applied by management in the cash flow projections by comparing to available market data; • evaluated the sensitivity analysis prepared by management on key assumptions of the cash flow projections and the extent of such changes to the recoverable amount; and • considered the adequacy of the relevant disclosures in the consolidated financial statements relating to the impairment assessment of goodwill. <p>We found the judgments and assumptions used in the impairment assessment to be supported by available evidence.</p> |

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Home Control International Limited Annual Report 2021 (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the corporate information, chairman's statement, management discussion and analysis, directors and senior management, report of the directors, corporate governance report and five years financial summary prior to the date of this auditor's report. The remaining other information, including the environmental, social and governance report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Hiu Yam, Winnie.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2022

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2021

| | Note | 2021 US\$'000 | 2020 US\$'000 |
|--------------------------------------------------------------------------------------|------|----------------------|------------------|
| Revenue | 5 | 126,008 | 134,189 |
| Cost of sales | 7 | (97,002) | (106,826) |
| Gross profit | | 29,006 | 27,363 |
| Other income | 5 | 1,708 | 740 |
| Selling and distribution expenses | 7 | (8,079) | (6,647) |
| Administrative expenses | 7 | (12,765) | (12,281) |
| Reversal of impairment loss of trade receivables | | 166 | 176 |
| Other expenses | 7 | (1,868) | (2,631) |
| Finance income | 6 | 312 | – |
| Finance costs | 6 | (2,783) | (2,049) |
| Profit before tax | | 5,697 | 4,671 |
| Income tax expense | 10 | (1,891) | (944) |
| Profit for the year attributable to owners of the Company | | 3,806 | 3,727 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | 30 | 185 |
| Other comprehensive income for the year | | 30 | 185 |
| Total comprehensive income for the year attributable to owners of the Company | | 3,836 | 3,912 |
| Earnings per share for profit attributable to owners of the Company | | | |
| Basic | 12 | US 0.76 cents | US 0.74 cents |
| Diluted | 12 | US 0.75 cents | US 0.74 cents |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2021

| | Note | 2021 US\$'000 | 2020 US\$'000 |
|-------------------------------------------------------|------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment and right-of-use assets | 13 | 5,456 | 5,729 |
| Other intangible assets | 14 | 27 | 109 |
| Goodwill | 15 | 8,877 | 8,877 |
| Deferred tax assets | 27 | – | 6 |
| Financial assets at amortised costs | 16 | 5,166 | 4,854 |
| Total non-current assets | | 19,526 | 19,575 |
| Current assets | | | |
| Inventories | 17 | 27,185 | 13,380 |
| Trade receivables | 18 | 40,761 | 23,355 |
| Prepayments | 19 | 438 | 666 |
| Other receivables | 19 | 350 | 445 |
| Pledged deposits | 20 | – | 286 |
| Cash and cash equivalents | 20 | 17,630 | 22,328 |
| Total current assets | | 86,364 | 60,460 |
| Total assets | | 105,890 | 80,035 |
| Current liabilities | | | |
| Trade payables | 21 | 50,365 | 25,634 |
| Other payables and accruals | 22 | 5,862 | 5,346 |
| Interest-bearing bank loans | 23 | 5,434 | 11,357 |
| Lease liabilities | 24 | 408 | 470 |
| Provisions | 25 | 52 | 106 |
| Tax payable | | 1,297 | 649 |
| Total current liabilities | | 63,418 | 43,562 |
| Net current assets | | 22,946 | 16,898 |
| Total assets less current liabilities | | 42,472 | 36,473 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2021

| | Note | 2021 US\$'000 | 2020 US\$'000 |
|--------------------------------|------|------------------|------------------|
| Non-current liabilities | | | |
| Interest-bearing bank loans | 23 | 19,540 | 16,297 |
| Lease liabilities | 24 | 436 | 214 |
| Provisions | 25 | 454 | 420 |
| Deferred tax liabilities | 27 | 471 | 98 |
| Total non-current liabilities | | 20,901 | 17,029 |
| Net assets | | | |
| Equity | | | |
| Share capital | 28 | 5,017 | 5,017 |
| Reserves | 30 | 16,554 | 14,427 |
| Total equity | | 21,571 | 19,444 |

The consolidated financial statements on pages 58 to 142 were approved by the Board of Directors on 18 March 2022 and were signed on its behalf

Kwok King Kingsley CHAN

Director

Alain PERROT

Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2021

| | Attributable to owners of the Company | | | | | | | | |
|----------------------------------------------------|---------------------------------------|----------------|--------------------|--------------------------------------|----------------------|-----------------------|-------------------------------|------------------|----------|
| | Share capital | Share premium* | Statutory reserve* | Retained profit/ (accumulated loss)* | Share award reserve* | Share option reserve* | Exchange fluctuation reserve* | Capital reserve* | Total |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At 1 January 2021 | 5,017 | 9,573 | 47 | 925 | 43 | 570 | (351) | 3,620 | 19,444 |
| Profit for the year | - | - | - | 3,806 | - | - | - | - | 3,806 |
| Other comprehensive income for the year: | | | | | | | | | |
| Exchange differences related to foreign operations | - | - | - | - | - | - | 30 | - | 30 |
| Total comprehensive income for the year | - | - | - | 3,806 | - | - | 30 | - | 3,836 |
| Share award scheme arrangements (Note 29) | - | - | - | - | 177 | - | - | - | 177 |
| Dividend paid (Note 11) | - | - | - | (1,886) | - | - | - | - | (1,886) |
| At 31 December 2021 | 5,017 | 9,573 | 47 | 2,845 | 220 | 570 | (321) | 3,620 | 21,571 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2021

| | Share capital US\$'000 | Share premium* US\$'000 | Statutory reserve* US\$'000 | Attributable to owners of the Company | | | | | Capital reserve* US\$'000 | Total US\$'000 |
|----------------------------------------------------|---------------------------|----------------------------|--------------------------------|----------------------------------------|----------------------------------|-----------------------------------|-------------------------------------------|-------|------------------------------|-------------------|
| | | | | Retained profit/ loss)* US\$'000 | Share award reserve* US\$'000 | Share option reserve* US\$'000 | Exchange fluctuation reserve* US\$'000 | | | |
| At 1 January 2020 | 5,017 | 9,573 | 33 | (1,415) | - | 570 | (536) | 3,620 | 16,862 | |
| Profit for the year | - | - | - | 3,727 | - | - | - | - | 3,727 | |
| Other comprehensive income for the year: | | | | | | | | | | |
| Exchange differences related to foreign operations | - | - | - | - | - | - | 185 | - | 185 | |
| Total comprehensive income for the year | - | - | - | 3,727 | - | - | 185 | - | 3,912 | |
| Share award scheme arrangements (Note 29) | - | - | - | - | 43 | - | - | - | 43 | |
| Transfer to statutory reserve | - | - | 14 | (14) | - | - | - | - | - | |
| Dividend paid (Note 11) | - | - | - | (1,373) | - | - | - | - | (1,373) | |
| At 31 December 2020 | 5,017 | 9,573 | 47 | 925 | 43 | 570 | (351) | 3,620 | 19,444 | |

* These reserve accounts comprise the consolidated reserves of US\$16,554,000 (2020: US\$14,427,000) in the consolidated statement of financial position as at 31 December 2021.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2021

| | Note | 2021 US\$'000 | 2020 US\$'000 |
|-----------------------------------------------------------------|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 5,697 | 4,671 |
| Adjustments for: | | | |
| Covid-19-related rent concessions from lessors | 24 | – | (39) |
| Depreciation of property, plant and equipment | 13 | 2,687 | 3,283 |
| Depreciation of right-of-use assets | 13 | 515 | 543 |
| Amortisation of other intangible assets | 14 | 82 | 184 |
| Amortisation of loan arrangement fee and facility and legal fee | 6 | 215 | 654 |
| Write off of loan arrangement fee | 6 | 1,743 | – |
| Share award scheme expenses | 29 | 177 | 43 |
| Impairment of property, plant and equipment | 13 | – | 172 |
| Loss on disposal of property, plant and equipment | 7 | – | 124 |
| Gain on sale of intangible assets | 5 | (500) | – |
| Interest expenses | 6 | 822 | 1,346 |
| Interest income from financial assets at amortised costs | 6 | (312) | – |
| Paycheck protection program (“PPP”) loan forgiveness | 5 | (1,038) | – |
| Effect of exchange rate changes | | 67 | (61) |
| | | 10,155 | 10,920 |
| (Increase)/Decrease in inventories | | (13,805) | 5,622 |
| (Increase)/Decrease in trade receivables | | (17,406) | 13,561 |
| Decrease in prepayments and other receivables | | 323 | 226 |
| Increase/(Decrease) in trade payables | | 24,731 | (17,673) |
| Increase/(Decrease) in other payables and accruals | | 489 | (437) |
| Decrease in provisions | | (20) | (167) |
| | | 4,467 | 12,052 |
| Net income tax paid | | (864) | (1,312) |
| | | 3,603 | 10,740 |
| Net cash from operating activities | | | |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the financial year ended 31 December 2021

| | Note | 2021 US\$'000 | 2020 US\$'000 |
|---------------------------------------------------------------|------|------------------|------------------|
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | 13 | (2,255) | (1,452) |
| Purchases of other intangible assets | 14 | – | (38) |
| Decrease in pledged deposits | | 286 | – |
| Proceeds from sale of plant and equipment | | – | 37 |
| Proceeds from disposal of intangible assets | | 500 | – |
| Net cash used in investing activities | | (1,469) | (1,453) |
| Cash flows from financing activities | | | |
| Proceeds from interest-bearing bank loans | 32 | 24,938 | 5,549 |
| Repayment of interest-bearing bank loans | 32 | (28,200) | (18,000) |
| Principal portion of lease payments | 32 | (514) | (487) |
| Interest portion of lease payments | 32 | (43) | (43) |
| Interest paid | 32 | (758) | (1,259) |
| Payment of loan facility and legal fees | | (332) | – |
| Dividends paid | 11 | (1,886) | (1,373) |
| Net cash used in financing activities | | (6,795) | (15,613) |
| Net decrease in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of year | | 22,328 | 28,480 |
| Effects of exchange rate changes on cash and cash equivalents | | (37) | 174 |
| Cash and cash equivalents at end of year | 20 | 17,630 | 22,328 |

Non-cash transaction

During the year ended 31 December 2021, the PPP loan forgiveness applications were approved (Note 23). As a result, the loan balance of US\$1,038,000 (2020: nil) was forgiven.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Consolidated Financial Statements

For the financial year ended 31 December 2021

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office 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. The Company and its subsidiaries are principally engaged in the provision of solutions for sensing and control technologies marketed in the smart home automation, consumer electronics and set-top-box segments.

The Shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange since the listing date 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.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

| Name | Place and date of incorporation/ registration and place of operations | Nominal value of issued/ registered share capital | Percentage of equity attributable to the Company | Principal activities |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------|
| HCIL Master Option Limited ("HCIL Master Option") | Cayman Islands 9 April 2015 | US\$50,000 | 100 (direct) | Investment holding |
| Home Control Singapore Pte. Ltd. ("Home Control Singapore") | Singapore 10 October 2012 | US\$31,628,400 | 100 (direct) | Sale of remote control products |
| HCS (Suzhou) Limited ("HCS (Suzhou)") * | The People's Republic of China (the "PRC") 3 March 2011 | US\$300,000 | 100 | Research and development |
| Home Control Solutions (Suzhou) Limited ("Home Control Suzhou") * | The PRC 28 July 2015 | US\$2,000,000 | 100 | Sale of remote control products |
| Omni Remotes do Brasil Ltda ("Omni Brazil") | Brazil 20 January 2016 | R\$500,000 | 99 | Technical sales support |
| Home Control Europe NV ("Home Control Europe") | Belgium 26 December 2013 | EUR7,000,000 | 100 | Technical sales support and sale of remote control products |
| Premium Home Control Solutions LLC ("Premium Home Control Solutions") | United States of America 12 March 2015 | US\$1,000 | 100 | Trading and distribution of home electronic products |

* These entities are registered as wholly-foreign-owned enterprises under PRC law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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 on a historical cost basis, except as disclosed in the accounting policies below.

2.2 Changes in accounting policies and disclosures

The Group has adopted all the new and revised standards, amendments and interpretations that are relevant to the Group’s operations and mandatory for annual period beginning 1 January 2021. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group’s results or financial position.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective international financial reporting standards

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

| | |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Amendments to IFRS 16 ⁽³⁾ | COVID-19 Related Rent Concessions beyond 30 June 2021 |
| IFRS 17 ⁽²⁾ | Insurance Contracts |
| Amendments to IAS 16 ⁽¹⁾ | Property, Plant and Equipment (Proceeds before Intended Use) |
| Amendments to IFRS 3 (Revised) ⁽¹⁾ | Business Combinations (Reference to the Conceptual Framework) |
| Amendments to IAS 37 ⁽¹⁾ | Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract) |
| Annual Improvements to IFRSs 2018-2020 Cycle ⁽¹⁾ | Improvements to IFRSs 2018-2020 |
| Amendments to IAS 1 ⁽²⁾ | Presentation of Financial Statements (Classification of Liabilities as Current or Non-current) |
| Amendments to IAS 1 (Revised) ⁽²⁾ | Presentation of Financial Statements |
| Amendments to IFRS Practice Statement 2 ⁽²⁾ | Making Materiality Judgment |
| Amendments to IAS 8 ⁽²⁾ | Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates) |
| Amendments to IAS 12 ⁽²⁾ | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IFRS 10 and IAS 28 ⁽⁴⁾ | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

⁽¹⁾ Effective for annual periods beginning 1 January 2022

⁽²⁾ Effective for annual periods beginning 1 January 2023

⁽³⁾ Effective for annual periods beginning on or after 1 April 2021

⁽⁴⁾ New effective date 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as 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).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.6 Foreign currency translation

The consolidated financial statements are presented in United States dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the certain overseas subsidiaries are currencies other than the United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the end of the reporting period and their statement of comprehensive income are translated into United States dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity until the disposal of the respective foreign operation entity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into United States dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into United States dollars at the weighted average exchange rates for the year.

2.7 Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

| | |
|-------------------------|---------|
| Furniture and fittings | 3 years |
| Specific tools | 2 years |
| Machinery and equipment | 5 years |

The depreciation policy of the right-of-use assets presented with property, plant and equipment is disclosed in Note 2.16(a).

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents specific tools under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprise the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.8 Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (other than goodwill) (Continued)

Patents

Patents are amortised on a straight-line basis over their estimated useful lives of 4 years.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 3 to 5 years.

Customer relationships

Customer relationships are amortised on a straight-line basis over their estimated useful lives of 4 years.

Research and development costs

All research costs are charged to the consolidated statement of comprehensive income as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.9 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.11 Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has consolidated assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The Group has not entered into arrangements that meet the criteria for offsetting.

2.13 Inventories

Inventories comprising raw materials, work-in-progress, and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of overheads, and is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans)

After initial recognition, interest-bearing bank loans are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Leases (Continued)

Group as a lessee (Continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions

General

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Restructuring and severance costs

Restructuring and severance provisions are recognised when the Group has a constructive obligation which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and the number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

Reinstatement costs

Provision for reinstatement costs arose from the estimated cost of dismantling, removing and restoring the leasehold properties at the end of their lease terms.

The reinstatement costs which are provided at the present value of estimated costs required to settle the obligation are recognised as part of the cost of that particular asset. The estimated future costs of reinstatement is reviewed annually and adjusted as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits

Pension scheme

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as incurred.

The Group's subsidiary in Singapore makes contributions to the Central Provident Fund (the "CPF") Scheme in Singapore, a defined contribution pension scheme, for its employees in Singapore.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

Long service awards

The Group's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is determined by taking into consideration the degree of likelihood that the employee will complete the required number of service years to be entitled to the long service award.

Share-based payments

The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.20 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

For a contract where the period between the payment by the customer and the transfer of the promised goods is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of goods

The Group is involved in the sale of remote control products. Revenue is recognised when control of the goods is transferred to its customer, being when the goods are delivered to the customer and the Group has evidence that all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the contractual price.

(b) Royalty income

Royalty income arising from the use of patents is accounted on a periodic basis based on quantities produced by the use of the patents.

(c) Licensing income

Revenue is recognised at a point in time when the right to use the intellectual property is granted to customers.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.22 Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, the Group has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgments is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit loss of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At each reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the consolidated financial statements.

The net carrying amount of trade receivables at 31 December 2021 was US\$40,667,000 (2020: US\$23,355,000).

Write-down of inventories to net realisable value

When necessary, allowance is provided for obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Management has estimated the allowance for obsolete and slow-moving inventories based on review of inventories in certain circumstances at the end of the reporting period. The assessment of the provision requires management's judgment and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amount of inventories and the write-down charge/write-back of inventories in the period in which such estimate has been changed. At 31 December 2021, the Group's inventories amounted to US\$27,254,000 (2020: US\$13,380,000).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was US\$8,877,000 (2020: US\$8,877,000). Further details are disclosed in note 15 to the consolidated financial statements.

4. 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.

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 |
| | 126,008 | 134,189 |

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 |
| | 5,483 | 5,838 |

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.

4. OPERATING SEGMENT INFORMATION (Continued)

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 | NA* | 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.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

| | 2021 US\$'000 | 2020 US\$'000 |
|----------------------------------------------|------------------|------------------|
| <i>Revenue from contracts with customers</i> | | |
| Sale of goods | 125,546 | 133,726 |
| Royalty income | 462 | 363 |
| Licensing income | – | 100 |
| | 126,008 | 134,189 |

5. REVENUE AND OTHER INCOME (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

| | 2021 US\$'000 | 2020 US\$'000 |
|----------------------------------------------------|------------------|------------------|
| Timing of revenue recognition | | |
| At a point in time | | |
| – Sale of goods | 125,546 | 133,726 |
| – Licensing income | – | 100 |
| Over time | | |
| – Royalty income | 462 | 363 |
| Total revenue from contracts with customers | 126,008 | 134,189 |

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Royalty income

The performance obligation is satisfied over time based on each licensed product manufactured by the licensee.

Licensing income

The performance obligation is satisfied at the point in time when the right to use the intellectual property is granted to the customers.

5. REVENUE AND OTHER INCOME (Continued)

An analysis of other income is as follows:

| | 2021 US\$'000 | 2020 US\$'000 |
|-----------------------------------------------------------|------------------|------------------|
| Government grants (<i>Note (a)</i>) | 1,203 | 722 |
| Gain on disposal of intangible assets (<i>Note (b)</i>) | 500 | – |
| Others | 5 | 18 |
| | 1,708 | 740 |

- (a) The government grants represent subsidies received from the local governments to support the business operation of the entities and to retain their employees during the period of economic uncertainty due to the situation of the COVID-19 pandemic, including the PPP loan forgiveness amounting to US\$1,038,000. There are no unfulfilled conditions or contingencies relating to these grants.
- (b) The gain on disposal of intangible assets pertains to an irrevocable transfer of intangible assets to a non-related party for a cash consideration of US\$500,000.

6. FINANCE INCOME AND COSTS

| | 2021 US\$'000 | 2020 US\$'000 |
|--------------------------------------------------------------------------|------------------|------------------|
| Finance income | | |
| Interest from | | |
| – Financial assets at amortised costs | 312 | – |
| Finance costs: | | |
| Interests on: | | |
| – Lease liabilities | 43 | 43 |
| – Bank borrowings | 758 | 1,303 |
| Amortisation of loan arrangement fee and facility and legal fee | 215 | 654 |
| Write off of unamortised portion of loan arrangement fee (<i>Note</i>) | 1,743 | – |
| Others | 24 | 49 |
| | 2,783 | 2,049 |

Note:

The write-off of unamortised portion of loan arrangement fee related to loan arrangement fee for existing loan facilities which had been replaced by a new loan facility obtained by the Group from a global bank during the year ended 31 December 2021.

7. PROFIT BEFORE TAX

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

| | 2021 US\$'000 | 2020 US\$'000 |
|------------------------------------------------------------------|------------------|------------------|
| Cost of inventories sold | 78,880 | 88,322 |
| Outsourcing costs | 14,203 | 13,778 |
| Depreciation of property, plant and equipment (<i>Note 13</i>) | 2,687 | 3,283 |
| Depreciation of right-of-use assets (<i>Note 13</i>) | 515 | 543 |
| Loss on disposal of property, plant and equipment | – | 124 |
| Amortisation of other intangible assets (<i>Note 14</i>) | 83 | 184 |
| Impairment of property, plant and equipment (<i>Note 13</i>) | – | 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 (<i>Note 24</i>) | 173 | 16 |
| Expenses for low-value leases (<i>Note 24</i>) | 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).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2021 US\$'000 | 2020 US\$'000 |
|-----------------------------------------------------|------------------|------------------|
| Fees | 45 | 45 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 306 | 335 |
| Performance related bonuses* | 25 | 192 |
| Pension scheme contributions | 6 | 7 |
| Equity-settled share option expense | – | – |
| Shares award scheme expense | – | 11 |
| Total other emoluments | 337 | 545 |
| Total directors' and chief executive's remuneration | 382 | 590 |

* Certain executive directors of the Company are entitled to bonus payments which are determined based on achievement of certain key performance indexes such as the Group's revenue and ordinary earnings (excluding any extraordinary or one-time income or gain) before interest, tax, depreciation and amortisation ("EBITDA").

During prior years, a director was granted share options and shares, in respect of his services to the Group, under the share option scheme and the share award scheme of the Company, further details of which are set out in note 29 to the consolidated financial statements. The fair values of such options and shares, which have been recognised in profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the consolidated financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | 2021 US\$'000 | 2020 US\$'000 |
|------------------------|------------------|------------------|
| Werner Peter VAN ECK | 15 | 15 |
| Shou Kang CHEN | 15 | 15 |
| Edmond Ming Siang JAUW | 15 | 15 |
| | 45 | 45 |

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

(b) An executive director, non-executive directors and the chief executive

| 2021 | Fees US\$'000 | Salaries, allowances and benefits in kind US\$'000 | Performance related bonuses US\$'000 | Pension scheme contributions US\$'000 | Equity-settled share option expenses US\$'000 | Shares award scheme expenses US\$'000 | Total remuneration US\$'000 |
|----------------------------------------------------------------|------------------|----------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|--------------------------------------------------------|------------------------------------------------|-----------------------------------|
| Executive director and the chief executive officer: | | | | | | | |
| Alain PERROT* | - | 306 | 25 | 6 | - | - | 337 |
| Non-executive directors: | | | | | | | |
| Yu GAO | - | - | - | - | - | - | - |
| Kwok King Kingsley CHAN | - | - | - | - | - | - | - |
| | - | 306 | 25 | 6 | - | - | 337 |

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) An executive director, non-executive directors and the chief executive (Continued)

| 2020 | Fees US\$'000 | Salaries, allowances and benefits in kind US\$'000 | Performance related bonuses US\$'000 | Pension scheme contributions US\$'000 | Equity-settled share option expenses US\$'000 | Shares award scheme expenses US\$'000 | Total remuneration US\$'000 |
|----------------------------------------------------------------|------------------|----------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|--------------------------------------------------------|------------------------------------------------|-----------------------------------|
| Executive director and the chief executive officer: | | | | | | | |
| Alain PERROT* | - | 335 | 192 | 7 | - | 11 | 545 |
| Non-executive directors: | | | | | | | |
| Yu GAO | - | - | - | - | - | - | - |
| Kwok King Kingsley CHAN | - | - | - | - | - | - | - |
| | - | 335 | 192 | 7 | - | 11 | 545 |

* Alain PERROT was appointed as the chief executive of the Company. Remuneration for Alain PERROT is wholly attributable to the management of the affairs of the Company or its subsidiary undertaking.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities, subsisted at the end of the year or at any time during the year.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

There has not been any termination of appointment of directors of the Company during the year and therefore there are no termination benefits paid.

The Company did not provide any consideration to third parties for making available directors' services during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director who is also the chief executive of the Company (2020: the chief executive of the Company), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | 2021 US\$'000 | 2020 US\$'000 |
|-------------------------------------------|------------------|------------------|
| Salaries, allowances and benefits in kind | 655 | 611 |
| Performance related bonuses | 193 | 256 |
| Pension scheme contributions | 130 | 126 |
| Share award scheme expense | – | 5 |
| | 978 | 998 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|--------------------------------|---------------------|------|
| | 2021 | 2020 |
| Nil to HK\$1,000,000 | – | – |
| HK\$1,000,001 to HK\$1,500,000 | 1 | 1 |
| HK\$1,500,001 to HK\$2,000,000 | 2 | 2 |
| HK\$2,000,001 to HK\$2,500,000 | – | 1 |
| HK\$3,000,001 to HK\$3,500,000 | 1 | – |
| | 4 | 4 |

During the year and in prior years, share options and shares were granted to certain non-director, non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the consolidated financial statements. The fair values of such options and shares, which have been recognised in profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the consolidated financial statements for the current year are included in the above five highest paid employees disclosures.

10. 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 was 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 was qualified as a Technologically-advanced Service Enterprise 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.

10. INCOME TAX (Continued)

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 US\$'000 | 2020 US\$'000 |
|----------------------------------------|------------------|------------------|
| 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) | – |
| | 1,512 | 944 |
| Deferred tax (<i>note 27</i>) | | |
| Charge for the year | 286 | – |
| Under provision in prior years | 93 | – |
| | 379 | – |
| Total tax charge for the year | 1,891 | 944 |

10. 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 | 5,697 | | 4,671 | |
| 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 | 92 | 1.6 | (17) | (0.3) |
| Income tax expense at the Group's effective rate | 1,891 | 33.2 | 944 | 20.2 |

11. DIVIDENDS

| | 2021 US\$'000 | 2020 US\$'000 |
|----------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Ordinary dividends | | |
| Final dividend paid in respect of the previous financial year of US 0.37 cents (2020: US 0.27 cents) per ordinary share | 1,886 | 1,373 |

The proposed final dividend of US 0.38 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 consolidated financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation out of distributable reserve in the financial year ending 31 December 2022.

12. 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 ordinary shares of 501,633,663 (2020: 501,633,663) in issue.

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 period, 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.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

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

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

13. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

| | Property, plant and equipment | | | | | Right-of-use assets | | | | |
|----------------------------------------------------|-------------------------------|-------------------|------------------|------------------------------|-----------|---------------------|--------------------|-------------------|-----------|----------|
| | Furniture and fittings | Specific tools | Machinery | | Sub-total | Re- instatement | Office premises | Motor vehicles | Sub-total | Total |
| | | | and equipment | Construction- in-progress | | | | | | |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Cost | | | | | | | | | | |
| At 1 January 2020 | 132 | 14,414 | 5,433 | 631 | 20,610 | 328 | 2,177 | 462 | 2,967 | 23,577 |
| Additions | - | 99 | 74 | 1,272 | 1,445 | 7 | 540 | - | 547 | 1,992 |
| Transfer | - | 1,180 | 467 | (1,647) | - | - | - | - | - | - |
| Disposals | - | (813) | (174) | (82) | (1,069) | - | - | - | - | (1,069) |
| Exchange differences | - | 72 | 126 | - | 198 | 10 | - | - | 10 | 208 |
| At 31 December 2020 and 1 January 2021 | 132 | 14,952 | 5,926 | 174 | 21,184 | 345 | 2,717 | 462 | 3,524 | 24,708 |
| Additions | - | 97 | 71 | 2,087 | 2,255 | - | - | 148 | 148 | 2,403 |
| Modification of lease liability | - | - | - | - | - | - | 518 | 8 | 526 | 526 |
| Transfer | - | 1,435 | 474 | (1,909) | - | - | - | - | - | - |
| Disposals | - | (565) | (45) | - | (610) | - | (41) | (335) | (376) | (986) |
| Exchange differences | - | 27 | 39 | - | 66 | (5) | - | - | (5) | 61 |
| At 31 December 2021 | 132 | 15,946 | 6,465 | 352 | 22,895 | 340 | 3,194 | 283 | 3,817 | 26,712 |
| Accumulated depreciation and impairment | | | | | | | | | | |
| At 1 January 2020 | 59 | 11,516 | 1,949 | - | 13,524 | 199 | 1,736 | 290 | 2,225 | 15,749 |
| Charge for the year | 44 | 2,192 | 1,030 | - | 3,266 | 52 | 424 | 84 | 560 | 3,826 |
| Disposals | - | (816) | (92) | - | (908) | - | - | - | - | (908) |
| Impairment | - | 113 | 60 | - | 173 | - | - | - | - | 173 |
| Exchange differences | - | 56 | 78 | - | 134 | 5 | - | - | 5 | 139 |
| At 31 December 2020 and 1 January 2021 | 103 | 13,061 | 3,025 | - | 16,189 | 256 | 2,160 | 374 | 2,790 | 18,979 |
| Charge for the year | 29 | 1,674 | 938 | - | 2,641 | 46 | 438 | 77 | 561 | 3,202 |
| Disposals | - | (565) | (45) | - | (610) | - | (41) | (335) | (376) | (986) |
| Exchange differences | - | 22 | 41 | - | 63 | (2) | - | - | (2) | 61 |
| At 31 December 2021 | 132 | 14,192 | 3,959 | - | 18,283 | 300 | 2,557 | 116 | 2,973 | 21,256 |
| Net carrying amount | | | | | | | | | | |
| At 31 December 2020 | 29 | 1,891 | 2,901 | 174 | 4,995 | 89 | 557 | 88 | 734 | 5,729 |
| At 31 December 2021 | - | 1,754 | 2,506 | 352 | 4,612 | 40 | 637 | 167 | 844 | 5,456 |

13. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

For the financial year ended 31 December 2020, an impairment charge of US\$172,000 is included within “Cost of sales” in the consolidated statement of comprehensive income. Management identified the impairment on certain tools, machinery and equipment arising from the earlier than expected change in the product design by a customer.

During the year, the Group entered into certain long-term lease contracts for office premises and motor vehicles. Leases of office premises generally have lease terms between 1 and 7 years, while motor vehicles generally have lease terms between 1 and 4 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

During the year, the Group leased certain machine equipment under short-term lease arrangements (i.e. within 12 months) and office equipment which is individually of low value. The Group has elected not to recognise right-of-use assets on these short-term lease contracts. There were no restrictions or covenants imposed and no sale and leaseback transactions.

Further details of lease expenses recognised in profit or loss during the year are disclosed in note 7 and 24 to the consolidated financial statements.

The total cash outflow for leases is disclosed in note 32(b) to the consolidated financial statements.

14. OTHER INTANGIBLE ASSETS

| | Patents <i>US\$'000</i> | Software <i>US\$'000</i> | Customer relationships <i>US\$'000</i> | Total <i>US\$'000</i> |
|---------------------------------------------------------|----------------------------|-----------------------------|----------------------------------------------|--------------------------|
| 31 December 2021 | | | | |
| Cost at 1 January 2021, net of accumulated amortisation | - | 109 | - | 109 |
| Additions | - | - | - | - |
| Amortisation provided during the year | - | (83) | - | (83) |
| Exchange differences | - | 1 | - | 1 |
| At 31 December 2021 | - | 27 | - | 27 |
| At 31 December 2021: | | | | |
| Cost | 2,860 | 979 | 358 | 4,197 |
| Accumulated amortisation | (2,860) | (952) | (358) | (4,170) |
| Net carrying amount | - | 27 | - | 27 |
| 31 December 2020 | | | | |
| Cost at 1 January 2020, net of accumulated amortisation | - | 251 | - | 251 |
| Additions | - | 38 | - | 38 |
| Amortisation provided during the year | - | (184) | - | (184) |
| Exchange differences | - | 4 | - | 4 |
| At 31 December 2020 | - | 109 | - | 109 |
| At 31 December 2020: | | | | |
| Cost | 4,028 | 974 | 358 | 5,360 |
| Accumulated amortisation | (4,028) | (865) | (358) | (5,251) |
| Net carrying amount | - | 109 | - | 109 |

The amortisation of other intangible assets for the year amounting to US\$83,000 (2020: US\$184,000) is included in "Administrative expenses" in the consolidated statement of comprehensive income.

15. GOODWILL

| | 2021 US\$'000 | 2020 US\$'000 |
|------------------------------|------------------|------------------|
| Cost and net carrying amount | 8,877 | 8,877 |

Impairment assessment of goodwill

Goodwill acquired through business combination is allocated to the remote control products cash-generating unit for impairment testing.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculation. Impairment test of goodwill is performed at period end at 31 December, or whenever there is impairment indicator, by management.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period with the following key assumptions:

| | 2021 % | 2020 % |
|-------------------------------------------------------|-------------|-----------|
| Revenue growth rate | 2.0 | 2.0 |
| Terminal growth rate | 2.0 | 2.0 |
| Earnings before interest and tax ("EBIT") margin rate | 6.3 | 5.9 |
| Pre-tax discount rate | 13.8 | 14.0 |

The recoverable amount was estimated to be higher than the carrying value of the remote control products cash-generating unit. Accordingly, no impairment of goodwill is recognised for the financial years ended 31 December 2021 and 2020.

Assumptions were used in the value in use calculation of the remote control products cash-generating unit for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment assessment of goodwill:

Revenue growth rate

The forecasted revenue growth rate used for the five-year period projection is based on the historical data and management's expectation on the future market.

15. GOODWILL (Continued)

Terminal growth rate

The forecasted terminal growth rate is based on management expectations and do not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

EBIT margin rate

The basis used to determine the value assigned to the EBIT margins is based on the historical experience.

Pre-tax discount rate

The discount rate represents the current market assessment of the risks specific to the cash-generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its cash-generating unit, and is derived from its weighted average cost of capital ("WACC").

WACC is calculated based on publicly available market data, is pre-tax, and has been adjusted for specific risks relating to the geographical location of the Group's customers.

The values assigned to the key assumptions on market development of remote control products and the pre-tax discount rate are consistent with external information sources.

Impact of possible changes in key assumptions

If management's estimated revenue growth rate at 31 December 2021 was lowered by 1.0% (2020: 1.0%), the recoverable amount of the remote control products cash-generating unit would be reduced by US\$118,000 (2020: US\$2,826,000) and the Group would not have recognised any impairment charge.

If management's estimated terminal growth rate at 31 December 2021 was lowered by 1.0% (2020: 1.0%), the recoverable amount of the remote control products cash-generating unit would be reduced by US\$5,006,000 (2020: US\$2,886,000) and the Group would not have recognised any impairment charge.

If management's estimated EBIT margin rate at 31 December 2021 was lowered by 1.0% (2020: 1.0%), the recoverable amount of the remote control products cash-generating unit would be reduced by US\$12,593,000 (2020: US\$11,886,000) and the Group would not have recognised any impairment charge.

If management's estimated pre-tax discount rate at 31 December 2021 was raised by 1.0% (2020: 1.0%), the recoverable amount of the remote control products cash-generating unit would be reduced by US\$5,556,000 (2020: US\$3,500,000) and the Group would not have recognised any impairment charge.

16. FINANCIAL ASSETS AT AMORTISED COSTS

| | 2021 US\$'000 | 2020 US\$'000 |
|---------------------------------------|------------------|------------------|
| Unlisted investment at amortised cost | 5,166 | 4,854 |

The above investments were treasury management principal protected products issued by a financial institution. The investments are denominated in HKD, bear interest of 3% per annum and with a maturity period of 1.5 years from 14 November 2019 and will be rolled over automatically unless there is a mutual agreement to terminate the products. The products are rolled over during the year ended 31 December 2021. They were classified as financial assets at amortised cost as their contractual cash flows are solely payments of principal and interest.

17. INVENTORIES

| | 2021 US\$'000 | 2020 US\$'000 |
|----------------------------|------------------|------------------|
| 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).

18. TRADE RECEIVABLES

| | 2021 US\$'000 | 2020 US\$'000 |
|--------------------------------|------------------|------------------|
| 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 |

18. TRADE RECEIVABLES (Continued)

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

The movements in the loss allowance for impairment of trade receivables are as follows:

| | Specific – Credit Impaired US\$'000 | General – ECL US\$'000 | Total US\$'000 |
|--------------------------------|----------------------------------------------|---------------------------|-------------------|
| At 1 January 2020 | 135 | 399 | 534 |
| Impairment losses written back | – | (176) | (176) |
| At 31 December 2020 | 135 | 223 | 358 |
| Impairment losses written back | – | (166) | (166) |
| At 31 December 2021 | 135 | 57 | 192 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the historical loss pattern of the Group. The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

18. TRADE RECEIVABLES (Continued)

During the year ended 31 December 2021, management has identified a single debtor to be credit impaired and is undergoing bankruptcy proceedings. The Group has submitted a claim to the debtor. Management has assessed the recoverability of the outstanding balances separately from the provision matrix, and has fully provided for the amount.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

| | Expected credit loss rate | Gross carrying amount <i>US\$'000</i> | Expected credit losses <i>US\$'000</i> |
|----------------------------|---------------------------|------------------------------------------|-------------------------------------------|
| At 31 December 2021 | | | |
| Not past due | 0.11% | 32,432 | 36 |
| Past due 1–90 days | 0.16% | 6,877 | 11 |
| Past due more than 90 days | 0.60% | 1,509 | 9 |
| | | 40,818 | 57 |
| At 31 December 2020 | | | |
| Not past due | 0.46% | 15,671 | 72 |
| Past due 1–90 days | 1.20% | 5,683 | 68 |
| Past due more than 90 days | 3.73% | 2,224 | 83 |
| | | 23,578 | 223 |

19. PREPAYMENTS AND OTHER RECEIVABLES

| | 2021 US\$'000 | 2020 US\$'000 |
|-----------------------------|------------------|------------------|
| Other receivables | 181 | 349 |
| Value-added tax recoverable | 169 | 96 |
| Prepayments | 438 | 666 |
| | 788 | 1,111 |

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. For other receivables, the balances were settled within 12 months and had no historical default. Except for the above balances, the Group considered the historical loss rate and adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate which was assessed to be minimal.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | 2021 US\$'000 | 2020 US\$'000 |
|--------------------------------|------------------|------------------|
| Cash and bank balances | 17,630 | 22,614 |
| Less: Pledged deposits: | | |
| Pledged for bank loans | – | (286) |
| Cash and cash equivalents | 17,630 | 22,328 |
| 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 | 2,773 | 274 |
| | 17,630 | 22,614 |

Cash at banks earns 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 deposits amounting to US\$nil (2020: US\$286,000) to secure the bank loans granted to the Group (note 23).

21. TRADE PAYABLES

| | 2021 US\$'000 | 2020 US\$'000 |
|-------------------------------|------------------|------------------|
| Trade payables | 50,365 | 25,634 |
| 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 | 177 | 8 |
| | 50,365 | 25,634 |

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

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

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

22. OTHER PAYABLES AND ACCRUALS

| | 2021 US\$'000 | 2020 US\$'000 |
|------------------------------|------------------|------------------|
| Other payables | 397 | 916 |
| Withholding tax payables | 80 | 231 |
| Accruals | 3,692 | 2,804 |
| Payroll and welfare accruals | 1,693 | 1,395 |
| | 5,862 | 5,346 |

Other payables are non-interest-bearing and repayable on demand.

23. INTEREST-BEARING BANK LOANS

| | 2021 | | US\$'000 |
|----------------------------|-------------------------------------|---------------------|---------------|
| | Contractual interest rate (%) | Maturity | |
| Current | | | |
| Loan from bank – secured* | LIBOR + 2.5% | Mar & Sep 2022 | 2,934 |
| Loan from bank – unsecured | LIBOR + 1.7% | Mar 2022 | 2,500 |
| | | | 5,434 |
| Non-current | | | |
| Loan from bank – secured* | LIBOR + 2.5% | Mar 2023 – Sep 2026 | 19,540 |
| | | | 19,540 |
| | | | 24,974 |

23. INTEREST-BEARING BANK LOANS (Continued)

| | 2020 | | US\$'000 |
|------------------------------|-------------------------------------|---------------------|----------|
| | Contractual interest rate (%) | Maturity | |
| Current | | | |
| Loan from bank – secured* | LIBOR + 3.0 | Mar 2021 | 6,357 |
| Loan from bank – unsecured | LIBOR + 1.7 | Jan 2021 | 5,000 |
| | | | 11,357 |
| Non-current | | | |
| Loan from bank – secured* | LIBOR + 3.0 | Jun 2022 – Dec 2023 | 15,748 |
| Loan from bank – unsecured** | 1.0 | May 2022 | 549 |
| | | | 16,297 |
| | | | 27,654 |

* If LIBOR is less than zero, LIBOR shall be deemed to be zero.

** Paycheck Protection Program (“PPP”) Loan approved by the U.S. Small Business Association (SBA) with an interest rate of 1%, and includes a “forgiveness” clause which states that the borrower may apply for forgiveness of the loan amount if the amount is used for payroll costs, any payment of interest on a covered mortgage obligation, any payment on a covered rent obligation and any covered utility payment.

All interest-bearing bank loans are denominated in USD.

During the year ended 31 December 2021,

- i) The Group’s application of the First Draw PPP loan forgiveness amounting to US\$549,000 has been approved.
- ii) The Group obtained a Second Draw PPP loan amounting to US\$489,000 during the year, and the application of the Second Draw PPP loan forgiveness has been approved.

23. INTEREST-BEARING BANK LOANS (Continued)

During the year ended 31 December 2021, Home Control Singapore Pte. Ltd. secured a new loan facility amounting to US\$24,450,000 with a global bank to replace the existing loan facilities. The new bank loan was secured by a floating charge over bank accounts of Home Control Singapore Pte. Ltd..

As at 31 December 2020, the bank loan was secured by the following:

- (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.
- (c) Share pledge over Home Control Europe.
- (d) Share pledge over Premium Home Control Solutions.
- (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 (Note 20).

The bank loan of the Group has been presented net of the loan arrangement fee.

| | 2021 US\$'000 | 2020 US\$'000 |
|----------------------------------------|------------------|------------------|
| Analysed into: | | |
| Loan from bank repayable: | | |
| Within one year or on demand | 5,434 | 11,357 |
| In the second year | 3,534 | 2,896 |
| In the third to fifth years, inclusive | 16,006 | 13,401 |
| | 24,974 | 27,654 |

24. LEASE LIABILITIES

| | 2021 US\$'000 | 2020 US\$'000 |
|--------------------|------------------|------------------|
| Current | | |
| Lease liabilities | 408 | 470 |
| Non-current | | |
| Lease liabilities | 436 | 214 |
| | 844 | 684 |

The carrying amount of lease liabilities and the movements during the year are as follows:

| | 2021 US\$'000 | 2020 US\$'000 |
|--------------------------------------------------|------------------|------------------|
| Carrying amount at 1 January | 684 | 670 |
| New leases | 674 | 540 |
| Accretion of interest recognised during the year | 43 | 43 |
| Covid-19-related rent concessions from lessors | – | (39) |
| Payments | (557) | (530) |
| Carrying amount at 31 December | 844 | 684 |

24. LEASE LIABILITIES (Continued)

The amounts recognised in profit or loss in relation to leases are as follows:

| | 2021 US\$'000 | 2020 US\$'000 |
|--------------------------------------------------------------------------------------------------|------------------|------------------|
| Interest on lease liabilities | 43 | 43 |
| Depreciation charge of right-of-use assets | 514 | 543 |
| Expense relating to short-term leases (included in cost of sales and administrative expenses) | 173 | 16 |
| Expense relating to leases of low-value assets (included in administrative expenses) | 4 | 6 |
| Total amount recognised in profit or loss | 734 | 608 |

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in leases have been included in the lease liability. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

25. PROVISIONS

Movements in each class of provision during the year are set out below:

| | Long service awards <i>US\$'000</i> | Restructuring and severance costs <i>US\$'000</i> | Re-instatement <i>US\$'000</i> | Total <i>US\$'000</i> |
|---------------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------------|--------------------------|
| At 1 January 2020 | 466 | 121 | 106 | 693 |
| Additional provision | 14 | 23 | – | 37 |
| Amounts utilised during the year | (60) | (144) | – | (204) |
| At 31 December 2020 and 1 January 2021 | 420 | – | 106 | 526 |
| Additional provision | 55 | – | – | 55 |
| Amounts utilised during the year | (75) | – | – | (75) |
| At 31 December 2021 | 400 | – | 106 | 506 |

| | Long service awards <i>US\$'000</i> | Re-structuring and severance costs <i>US\$'000</i> | Re-instatement <i>US\$'000</i> | Total <i>US\$'000</i> |
|-------------------------------------------|----------------------------------------|-------------------------------------------------------|-----------------------------------|--------------------------|
| At 31 December 2021 | | | | |
| Portion classified as current liabilities | 52 | – | – | 52 |
| Non-current portion | 348 | – | 106 | 454 |
| | 400 | – | 106 | 506 |
| At 31 December 2020 | | | | |
| Portion classified as current liabilities | – | – | 106 | 106 |
| Non-current portion | 420 | – | – | 420 |
| | 420 | – | 106 | 526 |

25. PROVISIONS (Continued)

Long service awards

The provision is mainly attributable to the provision for the long service awards in Home Control Singapore and Omni Brazil, which is awarded to employees whose service periods reach 5, 10 and 15 years. Further details are disclosed in note 26.

Restructuring and severance costs

Restructuring and severance costs include only the direct expenditures arising from the restructuring and severance, which are those that are both: (i) necessarily entailed by the restructuring and severance; and (ii) not associated with the ongoing activities of the entity. Provision for restructuring and severance costs does not include such costs as: retraining or relocating continuing staff; marketing; or investment in new systems and distribution networks.

Reinstatement costs

Provision for reinstatement costs pertains to the costs expected to be incurred to reinstate the office to its original state as stated in the lease agreement.

26. LONG SERVICE AWARDS

The cost of long service awards as well as the present value of the long service awards obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining obligations for the long service awards are shown below:

| | 2021 % | 2020 % |
|------------------------------------------|-----------|-----------|
| Discount rate | 1.76 | 0.77 |
| Expected rate of future salary increases | 2.50 | 2.00 |

26. LONG SERVICE AWARDS (Continued)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the long service awards as at the end of the reporting period, assuming that all other assumptions were held constant:

| | Increase/ (decrease) in basis points | 2021 Effect on present value of benefit obligation US\$'000 | Effect on service cost US\$'000 |
|-------------------------|--------------------------------------------|----------------------------------------------------------------------------|---------------------------------------|
| Discount rate | +25 | (5) | (1) |
| | -25 | 5 | 1 |
| Future salary increases | +50 | 10 | 1 |
| | -50 | (10) | (1) |

| | Increase/ (decrease) in basis points | 2020 Effect on present value of benefit obligation US\$'000 | Effect on service cost US\$'000 |
|-------------------------|--------------------------------------------|----------------------------------------------------------------------------|---------------------------------------|
| Discount rate | +25 | (5) | (1) |
| | -25 | 5 | 1 |
| Future salary increases | +50 | 10 | 1 |
| | -50 | (10) | (1) |

The average duration of the long service awards at 31 December 2021 is 9.0 years (2020: 9.4 years).

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

| | Assets | | Liabilities | |
|-----------------------------------------|------------------|------------------|------------------|------------------|
| | 2021 US\$'000 | 2020 US\$'000 | 2021 US\$'000 | 2020 US\$'000 |
| Gross deferred tax assets/(liabilities) | 252 | 231 | (723) | (323) |
| Set-off deferred tax | (252) | (225) | 252 | 225 |
| Net deferred tax assets/(liabilities) | – | 6 | (471) | (98) |

Deferred tax assets

| | Provisions US\$'000 | Others US\$'000 | Total US\$'000 |
|-------------------------------------------------------------------|------------------------|--------------------|-------------------|
| At 1 January 2020 | 221 | 57 | 278 |
| Deferred tax charged to profit or loss during the year | (21) | (26) | (47) |
| At 31 December 2020 | 200 | 31 | 231 |
| Deferred tax (charged)/credited to profit or loss during the year | (29) | 51 | 22 |
| At 31 December 2021 | 171 | 82 | 253 |

27. DEFERRED TAX (continued)

Deferred tax liabilities

| | Withholding taxes <i>US\$'000</i> | Depreciation <i>US\$'000</i> | Unrealised interco loss <i>US\$'000</i> | Total <i>US\$'000</i> |
|-------------------------------------------------------------------|-----------------------------------------|---------------------------------|-----------------------------------------------|--------------------------|
| At 1 January 2020 | 121 | 249 | – | 370 |
| Deferred tax credited to profit or loss during the year | (13) | (34) | – | (47) |
| At 31 December 2020 | 108 | 215 | – | 323 |
| Deferred tax (credited)/charged to profit or loss during the year | (35) | 238 | 105 | 308 |
| Under provision in respect of prior years | – | 93 | – | 93 |
| At 31 December 2021 | 73 | 546 | 105 | 724 |

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred taxes of US\$28,000 have been recognised for withholding taxes that would be payable on the unremitted earnings as at 31 December 2021 (2020: US\$83,000).

27. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

Under US domestic tax laws, all persons making US-source payments to foreign persons ('withholding agents') are required to report and withhold 30% of the gross US-source payments, such as dividends, interest, and royalties. Under the bilateral income tax treaties between the US and Belgium, dividends paid by a subsidiary to a foreign parent corporation that has the required percentage of stock ownership are subject to a reduced rate of 5%. Since Premium Home Control Solutions is wholly owned by Home Control Europe, the stock ownership requirement is met. Hence, the applicable withholding tax rate is at 5%. In respect of US subsidiary, deferred taxes of US\$45,000 have been recognised for withholding taxes as at 31 December 2021 (2020: US\$25,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

| | 2021 US\$'000 | 2020 US\$'000 |
|--------------------------------------------------------------------------------------------|------------------|------------------|
| Authorised: 5,000,000,000 (2020: 5,000,000,000) ordinary shares of US\$0.01 each | 50,000 | 50,000 |
| Issued and fully paid: 501,633,663 (2020: 501,633,663) ordinary shares of US\$0.01 each | 5,017 | 5,017 |

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue | Share capital US\$'000 |
|------------------------------------------|------------------------------|------------------------------|
| At 31 December 2020 and 31 December 2021 | 501,633,663 | 5,017 |

29. SHARE-BASED PAYMENTS

Share option scheme

Under the share option scheme (the "Scheme"), share options are granted to senior executives for the purpose of attracting and retaining employees, officers and directors and providing additional incentives to them. The options vest upon meeting certain key performance index ("KPI") set by management. If these KPIs are not met, the options will lapse. The contractual life of each option granted is 7 years. There are no cash settlement alternatives.

There has been no cancellation or modification of the share option plan during the year.

The following share options were outstanding under the Scheme during the year.

| | 2021 | | 2020 | |
|---------------------------------|----------------------------------------------------------|-------------------|----------------------------------------------------------|-------------------|
| | Weighted average exercise price <i>US\$ per share</i> | Number of options | Weighted average exercise price <i>US\$ per share</i> | Number of options |
| At 1 January and at 31 December | 0.0877 | 39,207,921 | 0.0877 | 39,207,921 |

No share options were exercised during the years ended 31 December 2020 and 31 December 2021.

29. SHARE-BASED PAYMENTS (Continued)

Share option scheme (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2021

| Number of options | Exercise price US\$ per share | Exercise period |
|-------------------|----------------------------------|--------------------|
| 8,168,317 | 0.0877 | 31-12-15 to 1-5-22 |
| 6,534,653 | 0.0877 | 31-12-16 to 1-5-22 |
| 8,168,317 | 0.0877 | 31-12-17 to 1-5-22 |
| 8,168,317 | 0.0877 | 31-12-18 to 1-5-22 |
| 8,168,317 | 0.0877 | 31-12-19 to 1-5-22 |
| 39,207,921 | | |

2020

| Number of options | Exercise price US\$ per share | Exercise period |
|-------------------|----------------------------------|--------------------|
| 8,168,317 | 0.0877 | 31-12-15 to 1-5-22 |
| 6,534,653 | 0.0877 | 31-12-16 to 1-5-22 |
| 8,168,317 | 0.0877 | 31-12-17 to 1-5-22 |
| 8,168,317 | 0.0877 | 31-12-18 to 1-5-22 |
| 8,168,317 | 0.0877 | 31-12-19 to 1-5-22 |
| 39,207,921 | | |

The fair value of the share options granted on 1 May 2015 was US\$591,000, of which the Group did not recognise share option expense during the year (2020: US\$0).

29. SHARE-BASED PAYMENTS (Continued)

Share option scheme (Continued)

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

| | |
|----------------------------------|-------------|
| Expected volatility (%) | 41.91–43.29 |
| Risk-free interest rate (% p.a.) | 1.84–2.09 |
| Expected life of option (years) | 7 |

The expected life of the share options is not necessarily indicative of exercise patterns that may occur. Management has retrieved a historical share price of a comparable listed company as a proxy for the Company to calculate the expected volatility, which is assumed to be indicative of future trends, but may not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 39,207,921 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 39,207,921 additional ordinary shares of the Company and additional share capital of US\$392,079 (before issue expenses).

Share award scheme

Under the share award scheme on 5 October 2020 (the "Granting Date"), a total of 5,016,337 shares in the Company was granted to 10 selected employees at zero consideration in order to recognise the contributions of such selected employees in driving the continuous business operation and development of the Group.

The 50% of the total award shares shall be vested on the second anniversary of the Granting Date; and 50% of the total award shares shall be vested on the third anniversary of the Granting Date. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period.

No share awards were granted during the year ended 31 December 2021. No share awards were forfeited, expired, or exercisable during the years ended 31 December 2020 and 31 December 2021.

The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The fair value of the shares granted is measured at the grant date at the market value of the shares and is determined using forward pricing model, adjusted for the exclusion of expected dividends to be received in the vesting period.

During the year, a share award expense of US\$177,000 (2020:US\$43,000) was charged to profit or loss.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Capital reserve

The capital reserve includes contributions made by the immediate holding company to pay for costs incurred during the Company's listing process.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the consolidated financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital. However, the balance of the SRF must be maintained at a minimum of 25% of the capital after such usages.

31. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group:

| | 2021 US\$'000 | 2020 US\$'000 |
|------------------------------------------------------------|------------------|------------------|
| Short-term employee benefits | 1,224 | 1,440 |
| Pension scheme contributions | 136 | 133 |
| Equity-settled share option expense | - | - |
| Share award expense | - | 16 |
| Total compensation paid to key management personnel | 1,360 | 1,589 |

Further details of directors' and the chief executive's remuneration are included in note 8.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

| | Bank loans <i>US\$'000</i> | Lease liabilities <i>US\$'000</i> | Total <i>US\$'000</i> |
|----------------------------------------------------------------------|-------------------------------|-----------------------------------------|--------------------------|
| At 1 January 2020 | 39,440 | 670 | 40,110 |
| Changes from financing cash flows | | | |
| – Proceeds from interest-bearing bank loans | 5,549 | – | 5,549 |
| – Repayment of interest-bearing bank loans | (18,000) | – | (18,000) |
| – Principal portion of lease payments | – | (487) | (487) |
| – Covid-19-related rent concessions from lessors | – | (39) | (39) |
| – Interest portion of lease liabilities | – | (43) | (43) |
| – Interest paid | (1,259) | – | (1,259) |
| Additions | – | 540 | 540 |
| Accretion of interests | 1,270 | 43 | 1,313 |
| Amortisation of loan arrangement fee | 654 | – | 654 |
| At 31 December 2020 | 27,654 | 684 | 28,338 |
| Changes from financing cash flows | | | |
| – Proceeds from interest-bearing bank loans | 24,938 | – | 24,938 |
| – Repayment of interest-bearing bank loans | (28,200) | – | (28,200) |
| – Repayment of lease obligations | – | (514) | (514) |
| – Interest portion of lease liabilities | – | (43) | (43) |
| – Interest paid | (758) | – | (758) |
| – Loan facility and legal fee paid | (332) | – | (332) |
| Additions | – | 674 | 674 |
| Accretion of interests | 752 | 43 | 795 |
| Write-off of loan arrangement fee | 1,743 | – | 1,743 |
| Amortisation of loan arrangement fee, loan facility and legal fee | 215 | – | 215 |
| Paycheck protection program (“PPP”) loan forgiveness | (1,038) | – | (1,038) |
| At 31 December 2021 | 24,974 | 844 | 25,818 |

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

| | 2021 US\$'000 | 2020 US\$'000 |
|---------------------------|------------------|------------------|
| With operating activities | 177 | 22 |
| With financing activities | 557 | 530 |
| | 734 | 552 |

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

| | Financial assets at amortised cost | |
|------------------------------------|---------------------------------------|------------------|
| | 2021 US\$'000 | 2020 US\$'000 |
| Financial assets | | |
| Trade receivables | 40,761 | 23,355 |
| Other receivables | 181 | 349 |
| Pledged deposits | – | 286 |
| Cash and cash equivalents | 17,630 | 22,328 |
| Financial assets at amortised cost | 5,166 | 4,854 |
| | 63,738 | 51,172 |

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

| | Financial liabilities at amortised cost | |
|---------------------------------------------------------------|-----------------------------------------|------------------|
| | 2021 US\$'000 | 2020 US\$'000 |
| Financial liabilities | | |
| Trade payables | 50,365 | 25,634 |
| Financial liabilities included in other payables and accruals | 4,089 | 2,937 |
| Interest-bearing bank loans | 24,974 | 27,654 |
| Lease liabilities | 844 | 684 |
| | 80,272 | 56,909 |

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has determined that the carrying amounts of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments and other receivables, trade payables, financial liabilities included in other payables and accruals, dividend payable, current portion of interest-bearing bank loans, reasonably approximate to their fair values because these financial instruments are mostly short term in nature. The carrying amounts of long-term interest-bearing bank loans, which incur interest at floating interest rates, also approximate to their fair values as the interest rate is periodically adjusted to the market rate.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the Group of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank loans with floating interest rates.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

| | Increase/ (decrease) in basis points | Increase/ (decrease) in profit before tax <i>US\$'000</i> |
|-------------------------|-----------------------------------------------|-----------------------------------------------------------------------|
| 31 December 2021 | | |
| US\$ | 50 | (125) |
| US\$ | (50) | 125 |
| 31 December 2020 | | |
| US\$ | 50 | (138) |
| US\$ | (50) | 138 |

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further details in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 18 and 19 to the consolidated financial statements.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the region profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

| | 2021 | | 2020 | |
|---------------|----------|------------|----------|------------|
| | US\$'000 | % of total | US\$'000 | % of total |
| By region: | | | | |
| North America | 14,636 | 35.9 | 4,647 | 19.9 |
| Europe | 9,654 | 23.7 | 5,940 | 25.4 |
| Asia | 9,337 | 22.9 | 8,178 | 35.0 |
| Latin America | 7,134 | 17.5 | 4,590 | 19.7 |
| | 40,761 | 100.0% | 23,355 | 100.0 |

For the year ended 31 December 2021, approximately 25% (2020: 33%) of the Group's total revenue was derived from the top 2 (2020: 2) customers. At the end of the reporting period, approximately 34% (2020: 8.9%) of the trade receivable balance of the Group was due from the top 2 (2020: 2) customers.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the year, based on the contractual undiscounted payments, is as follows:

Analysis of financial instruments by remaining contractual maturities

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted repayment, is as follows:

| | 2021 | | | | |
|------------------------------------------------------------------|------------------------------|------------------------------------------|---------------------------------------------------|------------------------------------|--------------------------|
| | On demand <i>US\$'000</i> | Less than 3 months <i>US\$'000</i> | 3 to less than 12 months <i>US\$'000</i> | 1 to 5 years <i>US\$'000</i> | Total <i>US\$'000</i> |
| Trade payables | - | 50,365 | - | - | 50,365 |
| Financial liabilities included in other payables and accruals | 4,089 | - | - | - | 4,089 |
| Interest-bearing bank loans | - | 3,866 | 2,253 | 20,817 | 26,936 |
| Lease liabilities | - | 147 | 296 | 441 | 884 |
| Total undiscounted financial liabilities | 4,089 | 54,378 | 2,549 | 21,258 | 82,274 |

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

| | 2020 | | | | Total US\$'000 |
|------------------------------------------------------------------|-----------------------|-----------------------------------|--------------------------------------------|-----------------------------|-------------------|
| | On demand US\$'000 | Less than 3 months US\$'000 | 3 to less than 12 months US\$'000 | 1 to 5 years US\$'000 | |
| Trade payables | – | 25,634 | – | – | 25,634 |
| Financial liabilities included in other payables and accruals | 2,937 | – | – | – | 2,937 |
| Interest-bearing bank loans | – | – | 11,436 | 18,787 | 30,223 |
| Lease liabilities | – | 133 | 370 | 220 | 723 |
| Total undiscounted financial liabilities | 2,937 | 25,767 | 11,806 | 19,007 | 59,517 |

(d) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. During the year, approximately 2.5% (2020: 2.5%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 0.9% (2020: 0.1%) of purchases were denominated in currencies other than the functional currencies of the units, respectively. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures. As at 31 December 2021, the Group had no outstanding foreign currency forward exchange contract (2020: Nil).

At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the S\$, GBP and EUR exchange rates against US\$ for the monetary assets and liabilities, with all other variables held constant, of the Group's profit before tax.

| | Increase/ (decrease) in US\$ rate % | Increase/ (decrease) in profit before tax US\$'000 |
|-----------------------------------------|----------------------------------------------|----------------------------------------------------------------|
| 2021 | | |
| If the US\$ weakens against the S\$ | 10 | 131 |
| If the US\$ strengthens against the S\$ | 10 | (131) |
| | | |
| If the US\$ weakens against the GBP | 10 | 48 |
| If the US\$ strengthens against the GBP | 10 | (48) |
| | | |
| If the US\$ weakens against the EUR | 10 | 15 |
| If the US\$ strengthens against the EUR | 10 | (15) |
| | | |
| 2020 | | |
| If the US\$ weakens against the S\$ | 10 | 90 |
| If the US\$ strengthens against the S\$ | 10 | (90) |
| | | |
| If the US\$ weakens against the GBP | 10 | 28 |
| If the US\$ strengthens against the GBP | 10 | (28) |
| | | |
| If the US\$ weakens against the EUR | 10 | 27 |
| If the US\$ strengthens against the EUR | 10 | (27) |

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the financial years.

The Group's capital includes equity attributable to owners of the Company. The Group monitors capital using a gearing ratio, which is debt divided by the adjusted total assets. Debt includes interest-bearing bank loans and lease liabilities. Adjusted total assets exclude goodwill. The gearing ratios as at 31 December 2020 and 2021 are as follows:

| | 2021 US\$'000 | 2020 US\$'000 |
|---------------------------------------------|------------------|------------------|
| Total interest-bearing bank loans (Note 23) | 24,974 | 27,654 |
| Total lease liabilities (Note 24) | 844 | 684 |
| | 25,818 | 28,338 |
| Total assets excluding goodwill | 97,013 | 71,158 |
| | 26.61% | 39.82% |

37. COMPARATIVES

During the preparation of this report, certain comparative financial information has been restated to conform with current year's presentation.

38. IMPACT OF COVID-19

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 report, 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.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2021 US\$'000 | 2020 US\$'000 |
|---------------------------------------|------------------|------------------|
| Non-current assets | | |
| Investments in subsidiaries | 32,391 | 32,391 |
| Financial assets at amortised costs | 5,166 | 4,854 |
| Total non-current assets | 37,557 | 37,245 |
| Current assets | | |
| Prepayments | 58 | 120 |
| Pledged deposits | – | 286 |
| Cash and cash equivalents | 3,265 | 4,433 |
| Total current assets | 3,323 | 4,839 |
| Current liabilities | | |
| Other payables and accruals | 27,723 | 10,946 |
| Interest-bearing bank loans | 2,500 | 5,000 |
| Total current liabilities | 30,223 | 15,946 |
| Net current liabilities | (26,900) | (11,107) |
| Total assets less current liabilities | 10,657 | 26,138 |
| Non-current liabilities | | |
| Interest-bearing bank loans | – | 15,748 |
| Total non-current liabilities | – | 15,748 |
| Net assets | 10,657 | 10,390 |
| Equity | | |
| Share capital | 5,017 | 5,017 |
| Reserves (note) | 5,640 | 5,373 |
| Total equity | 10,657 | 10,390 |

Kwok King Kingsley CHAN
Director

Alain PERROT
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

| | Share premium | Accumulated loss | Share award reserve | Share option reserve | Capital reserve | Total |
|-----------------------------------------|---------------|------------------|---------------------|----------------------|-----------------|--------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At 1 January 2020 | 9,573 | (5,037) | – | 570 | 3,620 | 8,726 |
| Total comprehensive income for the year | – | (2,023) | – | – | – | (2,023) |
| Share award scheme arrangements | – | – | 43 | – | – | 43 |
| Dividend paid | – | (1,373) | – | – | – | (1,373) |
| At 31 December 2020 | 9,573 | (8,433) | 43 | 570 | 3,620 | 5,373 |
| Total comprehensive income for the year | – | 1,976 | – | – | – | 1,976 |
| Share award scheme arrangements | – | – | 177 | – | – | 177 |
| Dividend paid | – | (1,886) | – | – | – | (1,886) |
| At 31 December 2021 | 9,573 | (8,343) | 220 | 570 | 3,620 | 5,640 |

The share option reserve and share award reserve comprise the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.19 to the consolidated financial statements.

The capital reserve represents contribution by a related party for payments of listing expenses incurred by the Group.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 18 March 2022.