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HOME CONTROL INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1747)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021, together with the comparative figures for the corresponding period of 2020, as follows:

The table below sets forth the non-IFRS adjusted net profit and adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) of the Group. Please also see paragraph headed “Non-IFRS Financial Measures” below:

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US\$ million	US\$ million
Revenue	46.6	69.8
Reported Net Profit	0.1	1.5
Add: Restructuring severance expense	0.1	0.2
Add: Write-off of loan arrangement fee	1.7¹	–
Adjusted Net Profit²	1.9	1.7
Add: Income tax expense	0.2	0.5
Add: Finance costs	0.7¹	1.1
Add: Depreciation and amortisation	1.8	2.0
Adjusted EBITDA²	4.6	5.3

¹ Finance cost of US\$0.7 million for six months ended 30 June 2021 was derived from the total finance cost of US\$2.4 million less the write-off of loan arrangement fee of US\$1.7 million.

² Represents a non-IFRS financial measure.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended	
		30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	US\$'000	US\$'000
Revenue	5	46,571	69,799
Cost of sales		<u>(35,117)</u>	<u>(55,580)</u>
Gross profit		11,454	14,219
Other income	5	1,164	271
Selling and distribution expenses		(3,522)	(3,627)
Administrative expenses		(5,932)	(6,348)
Reversal of impairment loss of trade receivables		248	–
Other expenses		(1,019)	(1,388)
Finance income		241	–
Finance costs		<u>(2,364)</u>	<u>(1,122)</u>
Profit before tax	6	270	2,005
Income tax expense	7	<u>(189)</u>	<u>(502)</u>
Profit for the period and attributable to owners of the Company		<u>81</u>	<u>1,503</u>
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<u>(29)</u>	<u>44</u>
Other comprehensive (loss)/income for the period		<u>(29)</u>	<u>44</u>
Total comprehensive income for the period and attributable to owners of the Company		<u>52</u>	<u>1,547</u>
Earnings per share for profit attributable to ordinary equity holders of the Company			
Basic	8	<u>US0.02 cents</u>	<u>US0.30 cents</u>
Diluted	8	<u>US0.02 cents</u>	<u>US0.30 cents</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021 (Unaudited) <i>US\$'000</i>	As at 31 December 2020 (Audited) <i>US\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment and right-of-use assets		4,533	5,729
Other intangible assets		44	109
Goodwill		8,877	8,877
Deferred tax assets		317	231
Financial assets at amortised costs		5,095	4,854
		<hr/>	<hr/>
Total non-current assets		18,866	19,800
		<hr/>	<hr/>
Current assets			
Inventories		17,588	13,380
Trade receivables	9	21,033	23,355
Prepayments		578	666
Other receivables		215	445
Pledged deposits	11	–	286
Cash and cash equivalents	11	21,188	22,328
		<hr/>	<hr/>
Total current assets		60,602	60,460
		<hr/>	<hr/>
Total assets		79,468	80,260
		<hr/>	<hr/>
Current liabilities			
Trade payables	10	24,695	25,634
Other payables and accruals		3,730	4,563
Dividend payable	12	1,864	–
Contract liabilities		586	783
Interest-bearing bank loans		7,334	11,357
Lease liabilities		401	470
Provisions		–	106
Tax payable		293	649
		<hr/>	<hr/>
Total current liabilities		38,903	43,562
		<hr/>	<hr/>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 30 June 2021 (Unaudited) US\$'000	As at 31 December 2020 (Audited) US\$'000
Non-current liabilities		
Interest-bearing bank loans	21,795	16,297
Lease liabilities	113	214
Provisions	475	420
Deferred tax liabilities	462	323
	<hr/>	<hr/>
Total non-current liabilities	22,845	17,254
	<hr/>	<hr/>
Total liabilities	61,748	60,816
	<hr/>	<hr/>
Net assets	17,720	19,444
	<hr/>	<hr/>
Equity		
Share capital	5,017	5,017
Reserves	12,703	14,427
	<hr/>	<hr/>
Total equity	17,720	19,444
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NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 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, PO 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 Stock Exchange since the Listing Date.

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 interim condensed consolidated financial information is presented in thousands of unit of United States Dollars (“US\$’000”), unless otherwise stated.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

Taxes on income for the six month periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The financial statements have been prepared under the historical cost convention. Certain comparative figures for the six months ended 30 June 2020 have been restated to conform to the current period’s presentation.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the new standards and amendments to its existing standards which are relevant to the Group's operations and are applicable to the Group's accounting periods beginning on 1 January 2021. 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 on 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 adopted the following revised IFRSs for the first time for annual period beginning on 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
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Standards and amendments which are not yet effective

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

Amendments to IFRS 3 (Revised) ⁽¹⁾	Business Combinations and Business Combinations (Basis for Conclusions)
Amendments to IFRS 16 ⁽³⁾	COVID-19 – Related Rent Concession beyond 30 June 2021
Amendments to IAS 16 ⁽¹⁾	Property, Plant and Equipment
Amendments to IAS 37 ⁽¹⁾	Provisions, Contingent Liabilities and Contingent Assets
Annual Improvements to IFRSs 2018-2020 Cycle ⁽¹⁾	Improvements to HKFRSs
Amendments to IAS 1 ⁽²⁾	Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date
Amendments to IAS 1 (Revised) ⁽²⁾	Presentation of Financial Statements
Amendments to IFRS Practice Statement 2 ⁽²⁾	Making Materiality Judgements
Amendments to IAS 8 ⁽²⁾	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to IAS 12 ⁽²⁾	Income Taxes
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 on 1 January 2022

⁽²⁾ Effective for annual periods beginning on 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. Some 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.

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*

	For the six months ended	
	30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
North America	4,314	29,102
Europe	21,114	20,867
Asia	14,208	12,794
Latin America	6,935	7,036
	<u>46,571</u>	<u>69,799</u>

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

(b) *Non-current assets*

	30 June	31 December
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Audited)
North America	21	38
Europe	223	195
Asia	4,333	5,605
	<u>4,577</u>	<u>5,838</u>

The non-current asset information above is based on the locations of the non-current assets and excludes other investments, deferred tax assets and goodwill.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the six months ended 30 June 2021 and 2020 is set out below:

	For the six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Customer 1	N/A*	17,841
Customer 2	N/A*	10,073

* 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 period.

During the six months ended 30 June 2021, none of the customers has contributed to the Group's revenue that individually accounts for 10% or more of the Group's revenue.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	46,348	69,658
Royalty income	223	141
	<u>46,571</u>	<u>69,799</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	For the six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Timing of revenue recognition		
At a point in time		
– Sale of goods	46,348	69,658
Overtime		
– Royalty income	223	141
Total revenue from contracts with customers	<u>46,571</u>	<u>69,799</u>

(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 as the Group's licensing of patents to be used for the manufacturing of products by the licensee.

An analysis of other income is as follows:

	For the six months ended	
	30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Government grants (<i>Note (a)</i>)	664	262
Gain on disposal of intangible assets (<i>Note (b)</i>)	500	–
Others	–	9
	1,164	271

Note:

- (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. 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. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Cost of inventories sold	28,492	45,557
Outsourcing costs	4,467	7,652
Depreciation of property, plant and equipment	1,449	1,664
Depreciation of right-of-use assets	264	238
Loss on disposal of property, plant and equipment	–	108
Amortisation of other intangible assets	65	92
Foreign exchange differences, net	66	22
Withholding tax	11	22
Auditor's remuneration	184	95
Restructuring and severance costs	94	23
Employee benefits expense (<i>Note 6.1</i>)	6,846	6,892
Expenses for low value leases	3	4
	<u> </u>	<u> </u>

6.1 Employee benefits expense

	For the six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Employee benefit expense (including directors' and chief executive's remuneration)		
Wage and salaries	5,496	5,902
Pension scheme contributions	1,155	836
Long service award	(27)	–
Share award scheme	88	–
Other employee benefits	134	154
	<u> </u>	<u> </u>
	<u>6,846</u>	<u>6,892</u>

Research and development costs of US\$3,020,000 (2020: US\$2,994,000) are mainly made up of employee benefits expenses.

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit 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% (30 June 2020: 17%) on the estimated assessable profits arising in Singapore during the reporting period.

The federal tax for Premium Home Control Solutions LLC has been provided at the rate of 21% (30 June 2020: 21%), and the state tax has been provided at the rate of 4.4% (30 June 2020: 4.4%) on the estimated assessable profits arising in the United States of America during the reporting period.

The provision for Mainland China income tax has been provided at the applicable income tax rate of 25% (30 June 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% (30 June 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% (30 June 2020: 15%) for the reporting period.

The corporate income tax rate for Home Control Europe NV has been provided at the rate of 25% (30 June 2020: 25%) on the estimated assessable profits arising in Belgium during the reporting period.

The corporate income tax rate for Omni Remotes do Brasil Ltda has been provided at the rate of 24% (30 June 2020: 24%) on the estimated assessable profits arising in Brazil during the reporting period.

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 as follows:

	For the six months ended	
	30 June	
	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Current tax – Singapore		
Charge for the period	–	200
Overprovision in prior periods	(49)	(55)
Current tax – United States of America		
Charge for the period	70	209
Current tax – China and elsewhere		
Charge for the period	116	175
	137	529
Deferred tax	52	(27)
Total tax charge for the period	189	502

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on profit for the period attributable to ordinary equity holders 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 period attributable to ordinary equity holders 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.

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

	For the six months ended 30 June	
	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	81	1,503
	501,633,663	501,633,663
	4,557,686	1,920,380
	2,405,675	–
	508,597,024	503,554,043

9. TRADE RECEIVABLES

	30 June 2021	31 December 2020
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	21,143	23,713
Impairment	(110)	(358)
	21,033	23,355

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

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

	30 June 2021 <i>US\$'000</i> (Unaudited)	31 December 2020 <i>US\$'000</i> (Audited)
0-90 days	17,186	18,853
91 to 180 days	2,652	2,770
More than 180 days	1,195	1,732
	<u>21,033</u>	<u>23,355</u>

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

	30 June 2021 <i>US\$'000</i> (Unaudited)	30 June 2020 <i>US\$'000</i> (Unaudited)
At beginning of period	358	534
Reversal of impairment losses	(248)	–
At end of period	<u>110</u>	<u>534</u>

10. TRADE PAYABLES

	30 June 2021 <i>US\$'000</i> (Unaudited)	31 December 2020 <i>US\$'000</i> (Audited)
Trade payables	<u>24,695</u>	<u>25,634</u>

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

	30 June 2021 <i>US\$'000</i> (Unaudited)	31 December 2020 <i>US\$'000</i> (Audited)
0-90 days	14,489	15,798
91 to 180 days	5,147	5,576
More than 180 days	5,059	4,260
	<u>24,695</u>	<u>25,634</u>

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

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021	31 December 2020
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Cash and bank balances	21,188	22,614
Less: Pledged deposits:		
Pledged for bank loans	–	(286)
	<u>21,188</u>	<u>22,328</u>
 Denominated in:		
United States dollar (“US\$”)	18,969	19,554
Singapore dollar (“S\$”)	457	883
Euro (“EUR”)	244	1,591
British Pound Sterling (“GBP”)	–	53
Brazilian Real (“BRL”)	282	259
Chinese Renminbi (“RMB”)	1,221	259
Indian Rupee (“INR”)	15	15
	<u>21,188</u>	<u>22,614</u>

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

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

As at 30 June 2021, the Group’s pledged deposits amounting to US\$nil (31 December 2020: US\$286,000) were pledged to secure the bank loans granted to the Group.

12. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Final declared and paid – US0.37 cents (2020: US0.27 cents) per ordinary share	1,864	1,371
	<u>1,864</u>	<u>1,371</u>

At the Annual General Meeting held on 25 June 2021, the shareholders approved a final dividend of US0.37 cents per ordinary share, which amounted to US\$1,864,000 in respect of the profit for the year ended 31 December 2020. The dividend was paid on 30 July 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

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

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

2. BUSINESS REVIEW

COVID-19 has had a marked impact on the pay TV industry, with slowing subscriber acquisitions due to lockdowns and restrictions. Our product rollouts also experienced delays as a consequence of diminished lab validation windows. The Group’s revenue for the six months ended 30 June 2021 came in at approximately US\$46.6 million, representing a decrease of approximately 33.3% from approximately US\$69.8 million in the same period in 2020.

However, the Company has taken aggressive steps to mitigate the financial impact of COVID-19, through operational cost control as well as reductions from our supply base. This was further aided by steering our product mix towards higher-margin offerings. With a combination of product mix improvements and overall cost control, the Group has turned in higher adjusted net profit (after adding back the write-off of loan arrangement fee amounting to US\$1.7 million) for the six months ended 30 June 2021 as compared to the six months ended 30 June 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 six months ended 30 June 2020 to approximately 24.6% for the six months ended 30 June 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

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

Additionally, based on orders received for second half of the year, the Group currently expects the business for the full year of 2021 to catch up to that of 2020.

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

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June in 2021 decreased by approximately 33.3% compared to the six months ended 30 June 2020. The Group also experienced delay for orders during the six months ended 30 June 2021 due to the ongoing coronavirus pandemic. However, based on orders received for the second half of the year, the Group currently expects the business for the full year of 2021 to catch up to that of 2020.

The following table sets forth the breakdown of revenue of the Group by the geographical location of customers for the six months ended 30 June 2021 and 30 June 2020, respectively.

	For the Six months ended 30 June 2021		For the Six months ended 30 June 2020		Changes	
	US\$'000	%	US\$'000	%	US\$'000	%
North America	4,314	9.3	29,102	41.7	(24,788)	-85.2
Europe	21,114	45.3	20,867	29.9	247	1.2
Asia	14,208	30.5	12,794	18.3	1,414	11.1
Latin America	6,935	14.9	7,036	10.1	(101)	-1.4
Total	<u>46,571</u>	<u>100.0</u>	<u>69,799</u>	<u>100.0</u>	<u>(23,228)</u>	<u>-33.3</u>

Cost of Sales

The cost of sales of the Group mainly consists of components including finished goods from ODM (original design manufacturing), outsourcing and overheads. The cost of sales amounted to approximately US\$35.1 million and approximately US\$55.6 million for the six months ended 30 June 2021 and the six months ended 30 June 2020 respectively, representing approximately 75.4% 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 six months ended 30 June 2021 and the six months ended 30 June 2020, respectively.

	For the Six months ended 30 June 2021 US\$'000	%	For the Six months ended 30 June 2020 US\$'000	%
Cost of Components	28,492	81.1	45,557	82.0
Outsourcing	4,467	12.7	7,652	13.8
Overheads	2,158	6.2	2,371	4.2
	<u>35,117</u>	<u>100.0</u>	<u>55,580</u>	<u>100.0</u>

Gross profit

As a result of the changes in the revenue and cost of sales above, the Group's gross profit was approximately US\$11.5 million for the six months ended 30 June 2021, which was lower than the gross profit of US\$14.2 million for the six months ended 30 June 2020.

Other income

Other income of the Group increased from approximately US\$0.3 million for the six months ended 30 June 2020 to approximately US\$1.2 million for the six months ended 30 June 2021. The increase was primarily due to gain on disposal of intangible assets amounting to US\$0.5 million and the increase of US\$0.4 million in government grants.

Selling and distribution expenses

Selling and distribution expenses of the Group were approximately US\$0.1 million lower for the six months ended 30 June 2021, as compared to six months ended 30 June 2020. This is mainly due to decrease in travelling expenses.

Administrative expenses

Administrative expenses of the Group decreased by approximately 6.3% from approximately US\$6.3 million for the six months ended 30 June 2020 to approximately US\$5.9 million for the six months ended 30 June 2021. The decrease was mainly due to US\$0.3 million decrease in settlement of internal orders and US\$0.1 million decrease in professional fee expenses.

Other expenses

Other expenses of the Group decreased from approximately US\$1.4 million for the six months ended 30 June 2020 to approximately US\$1.0 million for the six months ended 30 June 2021. The decrease was mainly due to US\$0.4 million increase in recovery of non-recurring investment costs for new customer projects.

Finance income and finance costs

Comparing to the six months ended 30 June 2020, finance cost of the Group incurred during the six months ended 30 June 2021 increased by approximately US\$1.2 million. The increase was mainly due to the write-off of unamortised loan arrangement fee of approximately US\$1.7 million, partially offset by US\$0.4 million decrease in interest expenses for bank loans and US\$0.2 million decrease in amortization of loan arrangement fee.

The increase in finance income of the Group by approximately US\$0.2 million for the six months ended 30 June 2021 was mainly due to interest earned from finance assets at amortised costs.

Profit before tax

Profit before tax of the Group for the six months ended 30 June 2021 was approximately US\$0.3 million which was approximately US\$1.7 million lower than the profit before tax of approximately US\$2.0 million for the six months ended 30 June 2020. This was mainly due to the changes of the profit and loss items mentioned above.

Income tax expense

The Group's income tax expense decreased from approximately US\$0.5 million for the six months ended 30 June 2020 to approximately US\$0.2 million for the six months ended 30 June 2021. The income tax expense for the six months ended 30 June 2021 was lower mainly because of lower chargeable income for the six months ended 30 June 2021.

Profit for the period

As a result of the above, the Group recorded a net profit after tax of approximately US\$0.1 million for the six months ended 30 June 2021, as compared to a net profit after tax of approximately US\$1.5 million for the six months ended 30 June 2020.

Earnings per share

The basic and diluted earnings per share of the Group for the six months ended 30 June 2021 is US0.02 cents and US0.02 cents, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2021, the Group had cash and cash equivalents of approximately US\$21.2 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 the cash flows of the Group for the six months ended 30 June 2021 and 30 June 2020, respectively:

	For the six months ended	
	30 June 2021	30 June 2020
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash (used in)/generated from operating activities	(952)	3,063
Net cash generated from/(used in) investing activities	78	(1,464)
Net cash used in financing activities	(277)	(7,834)
Net decrease in cash and cash equivalents	(1,151)	(6,235)
Cash and cash equivalents at beginning of the period	22,328	28,480
Effects of exchange rate changes on cash and cash equivalents	11	(98)
Cash and cash equivalents at end of the period	21,188	22,147

Net cash flow used in 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 six months ended 30 June 2021 adjusted for (i) non-cash item such as depreciation of property, plant and equipment, and amortization of intangible assets, plant and equipment and other items, which lead to the operating profit before changes in working capital; (ii) effects of cash flows arising from changes in working capital, including changes in inventories, trade and other receivables and trade and other payables and other items, which lead to cash generated from operations; and income tax paid and other items, which result in net cash generated from operating activities.

For the six months ended 30 June 2021, the Group's net cash used in operating activities was approximately US\$1.0 million, primarily due to (i) increase in inventories of approximately US\$4.2 million, decrease in other payables and accruals of approximately US\$0.9 million, decrease in trade payables of approximately US\$0.9 million and net income tax paid of approximately US\$0.5 million; partially offset by (ii) cash generated before working capital changes of approximately US\$3.1 million and decrease in trade receivables of approximately US\$2.3 million.

Net cash flow generated from investing activities

Cash flow generated from investing activities mainly relates to gain on disposal of intangible assets of approximately US\$0.5 million, partially offset by purchase of property, plant and equipment of US\$0.4 million. For the six months ended 30 June 2021, the Group's net cash generated from investing activities was approximately US\$0.1 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 six months ended 30 June 2021, the Group's net cash flow used in financing activities was approximately US\$0.3 million, mainly attributable to US\$24.5 million repayment of interest bearing bank loans, US\$0.4 million interest paid on loans, repayment of lease obligations of US\$0.3 million, payment of facility and legal fees for loan amounting to US\$0.3 million, partially offset by US\$24.9 million proceeds from interest-bearing bank loans.

NET CURRENT ASSETS

The Group's net current asset increased by approximately US\$4.8 million from approximately US\$16.9 million as at 31 December 2020 to approximately US\$21.7 million as at 30 June 2021. The increase was primarily due to (i) increase in inventories of approximately US\$4.2 million; (ii) US\$4.0 million decrease in interest-bearing bank loans; partially offset by (iii) approximately US\$2.3 million decrease in trade receivables.

CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchase costs relating to property, plant and equipment. For the six months ended 30 June 2021, the Group's capital expenditure amounted to approximately US\$0.4 million for the acquisition of property, plant and equipment.

Capital and investment commitments

As at 30 June 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 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 loans. As at 30 June 2021 and 31 December 2020, the Group had approximately US\$29.1 million and approximately US\$27.7 million respectively from bank loans.

As at 30 June 2021, there was a floating charge over bank accounts of Home Control Singapore Pte. Ltd. to secure the Group's bank loans.

As at 30 June 2021, the Group has available bank facilities of US\$24,450,000 and US\$23,950,000 had been drawn down under the facilities.

Contingent liabilities

As at 30 June 2021, the Group did not have any contingent liabilities and guarantees.

Gearing ratio

Gearing ratio equals total debt divided by the adjusted total assets of the Group. Total debt includes all interest-bearing bank loans. Adjusted total assets excludes goodwill. The gearing ratios as at 30 June 2021 and 31 December 2020 are approximately 41.3% and approximately 38.7%, respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 30 June 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 six months ended 30 June 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 are always unpredictable. The Group had not entered into any agreements to hedge its exchange rate exposure, as the Group's results of operations have generally been partially mitigated by the natural offset of foreign currency receivables with foreign currency payables. Going forward, the Group expects that exchange rates of SGD, RMB and US\$ will continue to fluctuate. Changes in the foreign exchange rates between the Group's functional currencies and reporting currency may have an adverse impact on the Group's finance costs, sales and product margins, and may reduce the value of, and dividends payable on, the Shares. The Group's business and financial position may be materially and adversely affected. The management of the Group will continue to monitor the Group's foreign currency exchange exposure and will take prudent measures to minimise that currency exchange risk.

EMPLOYEES, REMUNERATION POLICY

As at 30 June 2021, the Group had 180 employees (31 December 2020: 189 employees). The employees benefit expense incurred during the six months ended 30 June 2021 was approximately US\$6.8 million. As required by the applicable laws and regulations, the Group participates in various employee social security plans for its 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 six months ended 30 June 2021. The Company adopted a share option scheme on 1 May 2015 as incentive for eligible employees. The Company adopted the Scheme on 20 August 2020 in order to recognise the contributions of such Selected Grantees and in driving the continuous business operation and development of the Group. On 5 October 2020, the Board has resolved to award a total of not more than 5,016,337 Award Shares, representing approximately 1.00% of the total issued Shares as at the date of this announcement, to ten Selected Grantees pursuant to the Scheme.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

NON-IFRS FINANCIAL MEASURES

To supplement the condensed consolidated interim results of the Group prepared in accordance with IFRS, the two non-IFRS financial measures, namely adjusted net profit and adjusted EBITDA, as additional financial measures, have been presented in this interim results announcement. These unaudited non-IFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of several non-recurring items which are considered not indicative for evaluation of the actual performance of our business. We believe these non-IFRS financial measures are a more accurate indication of our profitability and operating performance as well as liquidity of our Group. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results.

USE OF PROCEEDS FROM LISTING

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

As stated in the prospectus of the Company (the “**Prospectus**”) dated 31 October 2019, the IPO Proceeds have been and will be used in the same manner as set out under the section headed “Future Plans and Use of Proceeds” in the Prospectus. The Directors are not aware of material change to the planned use of net proceeds as at the date of this announcement.

As at 30 June 2021, the Group had utilised the IPO Proceeds as set out in the table below:

	Planned use of IPO Proceeds (adjusted on a pro rata basis on the actual net proceeds) <i>HK\$' million</i>	Planned use of IPO Proceeds (adjusted on a pro rata basis on the actual net proceeds) <i>US\$' million</i>	Utilised IPO Proceeds up to 30 June 2021 <i>US\$' million</i>	Expected timeline for the unutilized IPO Proceeds
1. Strategic investments or acquisitions in the OTT system and/or smart home security products	23.01	2.93	0.00	The unutilized IPO Proceeds will be used as per the Prospectus.
2. Repayment of bank borrowing	21.12	2.69	2.69	–
3. R&D and develop the products for OTT segment and extend product lines in smart home products	14.27	1.82	0.00	The unutilized IPO Proceeds will be used as per the Prospectus.
4. Expansion of professional sales force to support business expansion	13.8	1.76	0.10	The unutilized IPO Proceeds will be used as per the Prospectus.
5. Strengthen the supply chain management and investment by extending beyond the PRC	6.57	0.84	0.84	–
6. Working capital and general corporate purposes	6.16	0.79	0.00	The unutilized IPO Proceeds will be used as per the Prospectus.
	84.93	10.83	3.63	

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

The unutilized IPO Proceeds will be applied in the same manner as set out in the Prospectus and are expected to be fully utilized by the end of year 2021. The outbreak of COVID-19 has hindered business discussions and due diligence procedures, however the Directors will review the Group's business strategies and specific needs from time to time, and closely monitor the outbreak of COVID-19 and the Company will make further announcement if there are any changes in the use of IPO Proceeds as and when appropriate.

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

EVENTS AFTER THE REPORTING PERIOD

No other significant events that require additional disclosures or adjustments occurred after the six months period ended 30 June 2021.

CORPORATE GOVERNANCE CODE

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

The Company has adopted a corporate governance policy with provisions no less exacting than the Corporate Governance Code and complied with all the applicable code provisions set out in the Corporate Governance Code throughout the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board of the Company did not recommend to declare any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors and relevant employees. Upon specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the six months ended 30 June 2021.

REVIEW OF FINANCIAL INFORMATION BY THE AUDIT COMMITTEE

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

The Audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2021 and has confirmed with the management the accounting principles and practices adopted by the Group, risk management and internal controls and financial reporting matters of the Group and results announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS AND DISPATCH OF INTERIM REPORT

This interim results announcement is published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.omniremotes.com. The interim report for the six months ended 30 June 2021 containing all information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITIONS

“Award Shares”	in respect of a Selected Grantee, such number of Shares determined by and granted by the Board pursuant to the Scheme
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding, Hong Kong, Macau and Taiwan
“Company”	Home Control International Limited, a company incorporated in the Cayman Islands on 24 December 2014 as an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1747)
“Corporate Governance Code”	code on corporate governance practices as set out in Appendix 14 to the Listing Rules

“Director(s)”	the director(s) of the Company
“Group”, “we” or “our”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares of the Company on the Main Board of the Stock Exchange
“Listing Date”	14 November 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“Philips”	Koninklijke Philips N.V., one of the largest electronics companies in the world, incorporated under the laws of the Netherlands and headquartered in Amsterdam
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the share award scheme adopted by the Company on 20 August 2021, as amended from time to time
“Selected Grantee”	the eligible participants being selected for participation in the Scheme and conditionally awarded the Award Shares
“SGD”	Singapore dollar(s), the lawful currency of the Republic of Singapore
“Share(s)”	ordinary share(s) with nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s) of the Company
“Singapore”	the Republic of Singapore

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“U.S.” or “United States”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States

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

Hong Kong, 19 August 2021

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