



HOME CONTROL INTERNATIONAL LIMITED

2021 INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Alain PERROT (*Chief Executive Officer*)

Non-executive Directors

Mr. Yu GAO (*Chairman*)

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. Yu GAO (*Chairman*)

Mr. Edmond Ming Siang JAUW

Mr. Werner Peter VAN ECK

COMPANY SECRETARY

Ms. Sum Yi TSUI *ACG, ACS*

AUTHORISED REPRESENTATIVES

Mr. Kwok King Kingsley CHAN

Ms. Sum Yi TSUI

REGISTERED OFFICE

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Cayman Islands

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Sertus Incorporations (Cayman) Limited

Sertus Chambers, Governors Square

Suite #5-204, 23 Lime Tree Bay Avenue

P.O. Box 2547

Grand Cayman, KY1-1104

Cayman Islands

HONG KONG SHARE REGISTRAR

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STOCK CODE

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COMPANY'S WEBSITE

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Financial Summary

The table below sets forth the non-International Financial Reporting Standards (“IFRS”) adjusted net profit and adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) of Home Control International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”, “We”, “Us” or “Our”). Please also see paragraph headed “Non-IFRS Financial Measures” on page 13 below:

	For the six months ended 30 June	
	2021 (Unaudited) US\$ million	2020 (Unaudited) 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.

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 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 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 Group 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 the second half of 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.

4. 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.

	(Unaudited) For the Six months ended 30 June 2021		(Unaudited) 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	46,571	100.0	69,799	100.0	(23,228)	-33.3

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.

	(Unaudited) For the Six months ended 30 June 2021		(Unaudited) For the Six months ended 30 June 2020	
	US\$'000	%	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
	35,117	100.0	55,580	100.0

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 was 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 amortisation 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 financial 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 (the "Board") of directors (the "Directors") 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:

	(Unaudited)	
	For the six months ended	
	30 June 2021 US\$'000	30 June 2020 US\$'000
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 amortisation 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 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 assets 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 had 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 presentation 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 a share award 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 report, to ten Selected Grantees pursuant to the share award scheme.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the date of this report, 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 Group may exclude in reviewing its financial results.

USE OF PROCEEDS FROM LISTING

The shares of the Company (the "Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 November 2019 (the "Listing") 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 report.

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 unutilised IPO Proceeds
1. Strategic investments or acquisitions in the OTT system and/or smart home security products	23.01	2.93	0.00	The unutilised 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 unutilised 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 unutilised 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 unutilised 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 unutilised IPO Proceeds will be applied in the same manner as set out in the Prospectus and are expected to be fully utilised 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 and Other Information

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 of the Company (the "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 code on corporate governance practices ("Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules") 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 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 for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules (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.

DISCLOSURE PURSUANT TO RULE 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.

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.

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.

SHARE OPTION SCHEME

The Company has adopted a share option plan (the “Scheme”) on 1 May 2015, under which share options were 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 Limited (the “Master Option Grantee”) an option (the “Master Option”) to purchase 40,841,584 Shares. A portion of the Master Option to purchase 32,673,266 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. As disclosed in the Prospectus, 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 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 30 June 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 (equivalent to approximately HK\$0.681 per Share).

There has been no cancellation or modification of the Scheme during the six months ended 30 June 2021.

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 six months ended 30 June 2021 (the "Period"):

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 Period	No. of Management Options exercised during the Period	Number of Shares to be issued upon full exercise of Management Options as at 30 June 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 (聶國雄)	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 Period.

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.

Corporate Governance and Other Information

As at 30 June 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 Period			As at 30 June 2021
		As at 1 January 2021	Granted during the Period	Vested during the Period	
Alain PERROT	Executive Director and Chief Executive Officer	1,254,084	–	–	1,254,084
Jean Paul L. 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' AND CHIEF EXECUTIVE'S INTERESTS AND LONG POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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, 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:

- As at 30 June 2021, the Company issued 501,633,663 Shares. The letter (L) denotes the entity's long position in the relevant Shares.
- 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	Beneficial owner	100	1%
	NHPEA IV Home Control Netherlands B.V. ("NHPEA")	N/A ^(Note 2)	N/A ^(Note 2)	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 30 June 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 pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 30 June 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 Incorporated	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 30 June 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 30 June 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.

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 report, 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 this report.

Review Report of Interim Financial Information

Report On Review of Interim Financial Information

To the Board of Directors of Home Control International Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 56, which comprises the interim condensed consolidated statement of financial position of Home Control International Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

19 August 2021

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Note	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Revenue	5	46,571	69,799
Cost of sales	7	(35,117)	(55,580)
Gross profit		11,454	14,219
Other income	5	1,164	271
Selling and distribution expenses	7	(3,522)	(3,627)
Administrative expenses	7	(5,932)	(6,348)
Reversal of impairment loss of trade receivables		248	–
Other expenses	7	(1,019)	(1,388)
Finance income	6	241	–
Finance costs	6	(2,364)	(1,122)
Profit before tax		270	2,005
Income tax expense	8	(189)	(502)
Profit for the period and attributable to owners of the Company		81	1,503
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(29)	44
Other comprehensive (loss)/income for the period		(29)	44
Total comprehensive income for the period and attributable to owners of the Company		52	1,547
Earnings per share for profit attributable to ordinary equity holders of the Company			
Basic	18	US0.02 cents	US0.30 cents
Diluted	18	US0.02 cents	US0.30 cents

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Note	30 June 2021 (Unaudited) US\$'000	31 December 2020 (Audited) US\$'000
Non-current assets			
Property, plant and equipment and right-of-use assets	9	4,533	5,729
Other intangible assets		44	109
Goodwill	10	8,877	8,877
Deferred tax assets		317	231
Financial assets at amortised costs	11	5,095	4,854
Total non-current assets		18,866	19,800
Current assets			
Inventories		17,588	13,380
Trade receivables	12	21,033	23,355
Prepayments	13	578	666
Other receivables	13	215	445
Pledged deposits	14	–	286
Cash and cash equivalents	14	21,188	22,328
Total current assets		60,602	60,460
Total assets		79,468	80,260
Current liabilities			
Trade payables	15	24,695	25,634
Other payables and accruals		3,730	4,563
Dividend payable	19	1,864	–
Contract liabilities		586	783
Interest-bearing bank loans	16	7,334	11,357
Lease liabilities		401	470
Provisions		–	106
Tax payable		293	649
Total current liabilities		38,903	43,562

Interim Condensed Consolidated Statement of Financial Position
30 June 2021

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

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share capital US\$'000 (Note 17)	Share premium* US\$'000	Statutory reserve* US\$'000	Retained profit/ (accumulated loss)* US\$'000	Share award reserve* US\$'000	Employee share option reserve* US\$'000	Exchange fluctuation reserve* US\$'000	Capital reserve* US\$'000	Total US\$'000
At 1 January 2021	5,017	9,573	47	925	43	570	(351)	3,620	19,444
Profit for the period	-	-	-	81	-	-	-	-	81
Other comprehensive loss for the period: Exchange differences related to foreign operations	-	-	-	-	-	-	(29)	-	(29)
Total comprehensive income/(loss) for the period	-	-	-	81	-	-	(29)	-	52
Share award scheme arrangements	-	-	-	-	88	-	-	-	88
Final 2020 dividends declared (Note 19)	-	-	-	(1,864)	-	-	-	-	(1,864)
At 30 June 2021 (Unaudited)	5,017	9,573	47	(858)	131	570	(380)	3,620	17,720

	Share capital US\$'000 (Note 17)	Share premium* US\$'000	Statutory reserve* US\$'000	Retained profit/ (accumulated loss)* US\$'000	Share award reserve* US\$'000	Employee share option reserve* US\$'000	Exchange fluctuation reserve* US\$'000	Capital reserve* US\$'000	Total US\$'000
At 1 January 2020	5,017	9,573	33	(1,415)	-	570	(536)	3,620	16,862
Profit for the period	-	-	-	1,503	-	-	-	-	1,503
Other comprehensive income for the period: Exchange differences related to foreign operations	-	-	-	-	-	-	44	-	44
Total comprehensive income for the period	-	-	-	1,503	-	-	44	-	1,547
Final 2019 dividends declared (Note 19)	-	-	-	(1,371)	-	-	-	-	(1,371)
At 30 June 2020 (Unaudited)	5,017	9,573	33	(1,283)	-	570	(492)	3,620	17,038

* These reserve accounts comprise the consolidated reserves of US\$12,703,000 (2020: US\$14,427,000) in the consolidated statement of financial position as at 30 June 2021.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Cash flows from operating activities			
Profit before tax		270	2,005
Adjustments for:			
Depreciation of property, plant and equipment	7	1,449	1,664
Depreciation of right-of-use assets	7	264	238
Amortisation of other intangible assets	7	65	92
Amortisation of loan arrangement fee and facility fee	6	177	327
Write-off of unamortised portion of loan arrangement fee	6	1,743	–
Share award scheme expenses	7	88	–
Provision for restructuring and severance costs	7	–	23
Loss on disposal of property, plant and equipment	7	–	108
Gain on sale of intangible assets	5	(500)	–
Provision for long service awards	7	(27)	–
Interest expenses	6	444	791
Interest income from financial assets at amortised costs	6	(241)	–
Paycheck protection program (“PPP”) loan forgiveness		(549)	–
Effect of exchange rate changes		(48)	158
		3,135	5,406
Increase in inventories		(4,208)	(356)
Decrease in trade receivables		2,322	5,926
Decrease in prepayment and other receivables		318	319
Decrease in trade payables		(939)	(7,947)
Decrease in other payables and accruals		(867)	(337)
(Decrease)/increase in contract liabilities		(197)	490
Cash (used in)/generated from operating activities		(436)	3,501
Net income tax paid		(492)	(376)
Long service awards paid		(24)	(62)
Net cash (used in)/generated from operating activities		(952)	3,063
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(422)	(1,462)
Purchases of other intangible assets		–	(2)
Proceeds from sale of intangible assets		500	–
Net cash from/(used in) investing activities		78	(1,464)

Interim Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2021

	Note	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Cash flows from financing activities			
New bank loans		24,938	549
Repayment of bank loans		(24,500)	(7,296)
Principal portion of lease payments		(257)	(255)
Interest portion of lease liabilities		(19)	(16)
Interest paid		(402)	(816)
Payment of loan facility and legal fees		(323)	–
Decrease in pledged deposits		286	–
Net cash used in financing activities		(277)	(7,834)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		22,328	28,766
Effects of exchange rate changes on cash and cash equivalents		11	(98)
Cash and cash equivalents at end of period	14	21,188	22,433

Non-cash transaction

During the period ended 30 June 2021, the PPP loan forgiveness application was approved. As a result, the loan balance of US \$549,000 was forgiven.

Notes to 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, 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 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 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 been approved for issue by the Board on 19 August 2021.

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 interim condensed consolidated financial information has 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 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 1 January 2021

Amendments to IFRS 9, IAS 39, Interest Rate Benchmark Reform – Phase 2
IFRS 7, IFRS 4 and IFRS 16

Standards and amendments which are not yet effective

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

Amendments to IFRS 3 (Revised) ⁽¹⁾	<i>Business Combinations and Business Combinations (Basis for Conclusions)</i>
Amendments to IFRS 16 ⁽³⁾	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16 ⁽¹⁾	<i>Property, Plant and Equipment</i>
Amendments to IAS 37 ⁽¹⁾	<i>Provisions, Contingent Liabilities and Contingent Assets</i>
Annual Improvements to IFRSs 2018-2020 Cycle ⁽¹⁾	<i>Improvements to HKFRSs</i>
Amendments to IAS 1 ⁽²⁾	<i>Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>
Amendments to IAS 1 (Revised) ⁽²⁾	<i>Presentation of Financial Statements</i>
Amendments to IFRS Practice Statement 2 ⁽²⁾	<i>Making Materiality Judgements</i>
Amendments to IAS 8 ⁽²⁾	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
Amendments to IAS 12 ⁽²⁾	<i>Income Taxes</i>
Amendments to IFRS 10 and IAS 28 ⁽⁴⁾	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

(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 give rise to change 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 have 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 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
North America	4,314	29,102
Europe	21,114	20,867
Asia	14,208	12,794
Latin America	6,935	7,036
	46,571	69,799

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

(b) Non-current assets

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
North America	21	38
Europe	223	195
Asia	4,333	5,605
	4,577	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 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
	46,571	69,799

5. REVENUE AND OTHER INCOME (Continued)

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	46,571	69,799

(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.

5. REVENUE AND OTHER INCOME (Continued)
Revenue from contracts with customers (Continued)

An analysis of other income is as follows:

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

- (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. FINANCE INCOME AND COSTS

	For the six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Finance income		
Interest from		
– Financial assets at amortised costs	241	–
Finance costs		
Interests on:		
– Bank borrowings	399	775
– Lease liabilities	19	16
Amortisation of loan arrangement fee and facility fee	177	327
Write off of unamortised portion of loan arrangement fee (Note)	1,743	–
Others	26	4
	2,364	1,122

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 period ended 30 June 2021.

7. 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 7.1</i>)	6,846	6,892
Expenses for low value leases	3	4

7. PROFIT BEFORE TAX (Continued)

7.1 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
	6,846	6,892

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

8. 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.

8. 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:

	For the six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (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

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

	Property, plant and equipment					Right-of-use assets				
	Furniture and fittings	Specific tools	Machinery and equipment	Construction-in-progress	Sub-Total	Re-instatement	Office premises	Motor vehicles	Sub-Total	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost										
At 31 December 2019 and 1 January 2020 (Audited)	132	4,802	5,904	632	11,470	216	2,177	462	2,855	14,325
Additions	-	-	32	1,214	1,246	-	67	-	67	1,313
Transfer	-	497	395	(892)	-	-	-	-	-	-
Disposals	-	(989)	(3)	(82)	(1,074)	-	-	-	-	(1,074)
Exchange differences	-	(6)	(28)	-	(34)	-	-	-	-	(34)
At 30 June 2020 (Unaudited)	132	4,304	6,300	872	11,608	216	2,244	462	2,922	14,530
At 31 December 2020 and 1 January 2021 (Audited)	132	4,595	6,548	174	11,449	216	2,717	462	3,395	14,844
Additions	-	-	27	395	422	-	-	87	87	509
Transfer	-	140	132	(272)	-	-	-	-	-	-
Disposals	-	(618)	-	-	(618)	-	-	-	-	(618)
Exchange differences	-	5	21	-	26	-	-	-	-	26
At 30 June 2021 (Unaudited)	132	4,122	6,728	297	11,279	216	2,717	549	3,482	14,761

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

	Property, plant and equipment					Right-of-use assets					
	Furniture and fittings	Specific tools	Machinery		Construction- in-progress	Sub-Total	Re- instatement	Office premises	Motor vehicles	Sub-Total	Total
			and equipment								
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Accumulated depreciation											
At 31 December 2019 and 1 January 2020 (Audited)	59	1,959	2,303	-	4,321	151	1,736	289	2,176	6,497	
Charge for the period	22	1,034	608	-	1,664	18	162	58	238	1,902	
Disposals	-	(966)	-	-	(966)	-	-	-	-	(966)	
Exchange differences	-	(5)	(14)	-	(19)	-	-	-	-	(19)	
At 30 June 2020 (Unaudited)	81	2,022	2,897	-	5,000	169	1,898	347	2,414	7,414	
At 31 December 2020 and 1 January 2021 (Audited)	103	2,674	3,619	-	6,396	186	2,160	373	2,719	9,115	
Charge for the period	22	918	509	-	1,449	18	207	39	264	1,713	
Disposals	-	(618)	-	-	(618)	-	-	-	-	(618)	
Exchange differences	-	3	15	-	18	-	-	-	-	18	
At 30 June 2021 (Unaudited)	125	2,977	4,143	-	7,245	204	2,367	412	2,983	10,228	
Net carrying amount											
At 30 June 2020 (Unaudited)	51	2,282	3,403	872	6,608	47	346	115	508	7,116	
At 31 December 2020 (Audited)	29	1,921	2,929	174	5,053	30	557	89	676	5,729	
At 30 June 2021 (Unaudited)	7	1,145	2,585	297	4,034	12	350	137	499	4,533	

10. GOODWILL

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Cost and net carrying amount	8,877	8,877

Impairment testing 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 remote control products cash-generating unit has been determined based on value in use calculation using cash flow projections covering a five-year period approved by management.

As at 30 June 2021, no impairment charge has been recorded against goodwill. (30 June 2020: no impairment charge).

11. FINANCIAL ASSETS AT AMORTISED COSTS

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Unlisted investment at amortised cost	5,095	4,854

The above investments were treasury management principal protected products issued by a financial institution. The investments 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 financial period ended 30 June 2021. They were classified as financial assets at amortised cost as their contractual cash flows are solely payments of principal and interest.

12. TRADE RECEIVABLES

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

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

	30 June 2021 US\$'000 (Unaudited)	30 June 2020 US\$'000 (Unaudited)
At beginning of period	358	534
Reversal of impairment loss	(248)	–
At end of period	110	534

13. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Other receivables	191	349
Value-added tax recoverable	24	96
Prepayments	578	666
	793	1,111

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Cash and bank balances	21,188	22,614
Less: Pledged deposits:		
Pledged for bank loans	–	(286)
Cash and cash equivalents	21,188	22,328
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
	21,188	22,614

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (Continued)

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

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

As at 30 June 2021, the Group's pledged deposits amounting to US\$nil (2020: US\$286,000) were pledged to secure the bank loans granted to the Group (Note 16).

15. TRADE PAYABLES

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Trade payables	24,695	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:

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

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

16. INTEREST-BEARING BANK LOANS

	As at 30 June 2021 (Unaudited)		
	Contractual interest rate (%)	Maturity	US\$'000
Current			
Loan from bank – secured*	LIBOR + 2.5	Sep 2021- Mar 2022	2,334
Loan from bank – unsecured	LIBOR + 1.7	Oct 2021	5,000
			7,334
Non-current			
Loan from bank – secured*	LIBOR + 2.5	Sep 2022- Mar 2026	21,307
Loan from bank – unsecured**	1.0	Mar 2026	488
			21,795
			29,129
	As at 31 December 2020 (Audited)		
	Contractual interest rate (%)	Maturity	US\$'000
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

16. INTEREST-BEARING BANK LOANS (Continued)

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Analysed into:		
Loan from bank repayable:		
Within one year or on demand	7,334	11,357
In the second year	3,534	2,896
In the third to fifth years, inclusive	18,261	13,401
	29,129	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.

During the period ended 30 June 2021, the Group's application of the First Draw PPP loan forgiveness amounting to US\$549,000 has been approved. The Group subsequently obtained a Second Draw PPP loan amounting to US\$488,000.

During the period ended 30 June 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.

17. SHARE CAPITAL

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Authorised: 5,000,000,000 (31 December 2020: 5,000,000,000) ordinary shares of US\$0.01 each	50,000	50,000
Issued and fully paid: 501,633,663 (31 December 2020: 501,633,663) ordinary shares of US\$0.01 each	5,017	5,017

18. 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 (30 June 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 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Earnings Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	81	1,503

18. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period 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	4,557,686	1,920,380
Share awards	2,405,675	–
	508,597,024	503,554,043

19. DIVIDENDS

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

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.

20. RELATED PARTY TRANSACTIONS

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

	For the six-months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Short-term employee benefits	589	823
Pension scheme contributions	70	101
Total compensation paid to key management personnel	659	924

21. 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	
	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
<i>Financial assets measured at amortised cost</i>		
Trade receivables	21,033	23,355
Other receivables	191	349
Cash and cash equivalents	21,188	22,328
Pledged deposits	–	286
Financial assets at amortised cost	5,095	4,854
	47,507	51,172

21. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial liabilities at amortised cost	
	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
<i>Financial liabilities measured at amortised cost</i>		
Trade payables	24,695	25,634
Financial liabilities included in other payables and accruals	2,867	2,937
Dividend payable	1,864	–
Interest-bearing bank loans	29,129	27,654
Lease liabilities	514	684
	59,069	56,909

22. 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.

23. EVENTS AFTER THE REPORTING PERIOD

No other significant events that require additional disclosures or adjustments occurred after 30 June 2021.