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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 2022

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022, together with the comparative figures for the corresponding period of 2021, as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	For the six months ended 30 June	
		2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Revenue	5	64,998	46,571
Cost of sales		(50,371)	(35,117)
Gross profit		14,627	11,454
Other income	5	106	1,164
Selling and distribution expenses		(3,996)	(3,522)
Administrative expenses		(5,024)	(5,932)
(Impairment)/reversal of impairment loss of trade receivables		(82)	248
Other expenses		(1,083)	(1,019)
Finance income		74	241
Finance costs		(448)	(2,364)
Profit before tax	6	4,174	270

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		For the six months ended	
		30 June	
		2022	2021
	<i>Notes</i>	(Unaudited)	(Unaudited)
		US\$'000	US\$'000
Income tax expense	7	(981)	(189)
Profit for the period and attributable to owners of the Company		<u>3,193</u>	<u>81</u>
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<u>(176)</u>	<u>(29)</u>
Other comprehensive loss		<u>(176)</u>	<u>(29)</u>
Total comprehensive income for the period and attributable to owners of the Company		<u>3,017</u>	<u>52</u>
Earnings per share for profit attributable to owners of the Company			
Basic	8	<u>US0.64 cents</u>	<u>US0.02 cents</u>
Diluted	8	<u>US0.63 cents</u>	<u>US0.02 cents</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022 (Unaudited) US\$'000	As at 31 December 2021 (Audited) US\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment and right-of-use assets		4,667	5,456
Other intangible assets		28	27
Goodwill		8,877	8,877
Financial assets at amortised costs		5,240	5,166
		<hr/>	<hr/>
Total non-current assets		18,812	19,526
		<hr/>	<hr/>
Current assets			
Inventories		23,649	27,185
Trade receivables	9	33,622	40,761
Prepayments		506	438
Other receivables		276	350
Cash and cash equivalents	11	16,321	17,630
		<hr/>	<hr/>
Total current assets		74,374	86,364
		<hr/>	<hr/>
Total assets		93,186	105,890
		<hr/>	<hr/>
Current liabilities			
Trade payables	10	34,241	50,365
Other payables and accruals		4,505	5,862
Dividend payable	12	1,903	–
Interest-bearing bank loans		8,534	5,434
Lease liabilities		283	408
Provisions		–	52
Tax payable		2,000	1,297
		<hr/>	<hr/>
Total current liabilities		51,466	63,418
		<hr/>	<hr/>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 30 June 2022 (Unaudited) US\$'000	As at 31 December 2021 (Audited) US\$'000
Non-current liabilities		
Interest-bearing bank loans	17,773	19,540
Lease liabilities	349	436
Provisions	459	454
Deferred tax liabilities	379	471
	<hr/>	<hr/>
Total non-current liabilities	18,960	20,901
	<hr/>	<hr/>
Total liabilities	70,426	84,319
	<hr/>	<hr/>
Net assets	22,760	21,571
	<hr/>	<hr/>
Equity		
Share capital	5,017	5,017
Reserves	17,743	16,554
	<hr/>	<hr/>
Total equity	22,760	21,571
	<hr/>	<hr/>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 2022.

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 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing this unaudited interim condensed consolidated financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

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.

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 2021, 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 2022. 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 2022. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's current and prior years' results or financial position.

The Group has adopted the following revised IFRSs for the first time for annual period beginning on 1 January 2022:

Amendments to IFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3 (Revised)	Business Combinations and Business Combinations (Reference to the Conceptual Framework)
Amendments to IAS 16	Property, Plant and Equipment (Proceeds before Intended Use)
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)
Annual Improvements to IFRSs 2018-2020 Cycle	Improvements to IFRSs 2018-2020

Standards and amendments which are not yet effective and not early adopted

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

Amendments to IAS 1 ⁽¹⁾	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 (Revised) ⁽¹⁾	Presentation of Financial Statements
Amendments to IFRS Practice Statement 2 ⁽¹⁾	Making Materiality Judgments
Amendments to IAS 8 ⁽¹⁾	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)
Amendments to IAS 12 ⁽¹⁾	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IFRS 10 and IAS 28 ⁽²⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 17 ⁽¹⁾	Insurance Contracts

⁽¹⁾ Effective for annual periods beginning on 1 January 2023

⁽²⁾ 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	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
North America	17,652	4,314
Europe	26,931	21,114
Asia	10,850	14,208
Latin America	9,565	6,935
	<u>64,998</u>	<u>46,571</u>

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

(b) *Non-current assets*

	30 June	31 December
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Audited)
North America	15	33
Europe	237	244
Asia	4,443	5,206
	<u>4,695</u>	<u>5,483</u>

The non-current asset information above is based on the locations of the non-current assets and excludes financial assets at amortised costs 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 2022 and 2021 is set out below:

	For the six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Customer 1	<u>12,267</u>	<u>N/A*</u>

* 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.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	64,453	46,348
Royalty income	<u>545</u>	<u>223</u>
	<u>64,998</u>	<u>46,571</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	For the six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Timing of revenue recognition		
At a point in time		
– Sale of goods	64,453	46,348
Overtime		
– Royalty income	<u>545</u>	<u>223</u>
Total revenue from contracts with customers	<u>64,998</u>	<u>46,571</u>

(ii) *Performance obligations*

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

Sale of goods

The performance obligation is satisfied upon passage of control of goods.

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.

An analysis of other income is as follows:

	For the six months ended	
	30 June	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Government grants (<i>Note (a)</i>)	105	664
Gain on disposal of intangible assets (<i>Note (b)</i>)	–	500
Others	1	–
	<hr/>	<hr/>
	106	1,164
	<hr/>	<hr/>

Notes:

- (a) The government grants for the six months ended 30 June 2021 included the approval of the Group's application of the Paycheck Protection Program ("PPP") Loan forgiveness amounting to US\$549,000.
- (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 for period ended 30 June 2021.

6. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	41,969	28,492
Outsourcing costs	6,246	4,467
Depreciation of property, plant and equipment	1,185	1,449
Depreciation of right-of-use assets	274	264
Amortisation of other intangible assets	14	65
Distribution costs	1,162	773
Foreign exchange differences, net	34	66
Withholding tax	20	11
Auditor's remuneration		
– audit service	205	184
– non-audit services	48	52
Restructuring and severance costs	12	94
Expenses for short term leases	154	–
Expenses for low value leases	1	3
Reversal of IT service accrual*	(1,074)	–
Employee benefits expense		
– Wage and salaries	5,444	5,496
– Pension scheme contributions	1,151	1,155
– Share award scheme	75	88
– Other employee benefits	128	107

During the six months ended 30 June 2022, the Group incurred expenses for the purpose of research and development of US\$2,711,000 (2021: US\$3,020,000), which comprised employee benefits expenses of US\$2,276,000 (2021: US\$2,474,000).

* The reversal of IT service accrual pertains to release of liability which was accrued in the past in relation to services received. Management, after seeking legal advice on the Limitation Act, considered there to be no further payment obligation after the period of the statute of limitation.

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% (2021: 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% (2021: 21%), and the state tax has been provided at the rate of 4.3% (2021: 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% (2021: 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% (2021: 5%) for the reporting period. HCS (Suzhou) Limited was qualified as an Advanced Technology Service Enterprise and was subject to a preferential income tax rate of 15% (2021: 15%) for the reporting period until November 2024.

The corporate income tax rate for Home Control Europe NV has been provided at the rate of 25% (2021: 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% (2021: 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	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Current tax – Singapore		
Charge for the period	654	–
Under/(Over)provision in prior periods	17	(49)
Current tax – United States of America		
Charge for the period	157	70
Over provision in prior periods	(1)	–
Current tax – China and elsewhere		
Charge for the period	230	116
Under provision in prior periods	16	–
	1,073	137
Deferred tax	(92)	52
Total tax charge for the period	981	189

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 501,633,663 (2021: 501,633,663) in issue.

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

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

	For the six months ended 30 June	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	<u>3,193</u>	<u>81</u>
	Number of shares For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>501,633,663</u>	<u>501,633,663</u>
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	4,557,686
Share awards	<u>5,016,337</u>	<u>2,405,675</u>
	<u>506,650,000</u>	<u>508,597,024</u>

9. TRADE RECEIVABLES

	30 June 2022	31 December 2021
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	<u>33,896</u>	40,953
Impairment	<u>(274)</u>	<u>(192)</u>
	<u>33,622</u>	<u>40,761</u>

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

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

	30 June 2022	31 December 2021
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
0-90 days	24,991	35,854
91 to 180 days	6,983	3,538
More than 180 days	1,648	1,369
	<u>33,622</u>	<u>40,761</u>

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

	30 June 2022	30 June 2021
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
At beginning of period	192	358
Impairment loss/(impairment loss written back)	82	(248)
	<u>274</u>	<u>110</u>

10. TRADE PAYABLES

	30 June 2022	31 December 2021
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Trade payables	34,241	50,365

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 2022	31 December 2021
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
0-90 days	22,101	30,519
91 to 180 days	11,420	11,121
More than 180 days	720	8,725
	<u>34,241</u>	<u>50,365</u>

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

11. CASH AND CASH EQUIVALENTS

	30 June 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)
Cash and cash equivalents	16,321	17,630
Denominated in:		
United States Dollar	10,929	12,847
Euro	2,031	202
Singapore Dollar	329	1,343
Chinese Renminbi (“RMB”)	200	387
Hong Kong Dollar	2,459	2,476
Others	373	375
	<u>16,321</u>	<u>17,630</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.

12. DIVIDENDS

	For the six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Ordinary dividends		
Final declared and paid in respect of the previous financial year – US0.38 cents (2021: US0.37 cents) per ordinary share	<u>1,903</u>	<u>1,864</u>

At the Annual General Meeting held on 24 June 2022, the shareholders approved a final dividend of US0.38 cents per ordinary share, which amounted to US\$1,903,000 in respect of the profit for the year ended 31 December 2021. The dividend was paid on 29 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

The Group is 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, the Group has been operating in this industry for almost 30 years. Under the brand “Omni Remotes”, the Group develops and offers high quality and bespoke remote controls for a vast array of pay television (TV) operators and consumer electronics brands. The 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.

The Group maintains 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, its intelligent multi-device control solution, has been deployed to dozens of customers since its inception 5 years ago, while the next-generation cloud-enabled Simple Setup Hybrid has gone live and has been 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

With the major part of the world adopting a “living with COVID” policy, the customers of the Group were able to broadly resume consumer acquisitions. Together with the Group’s ability to manage the component shortage situation, this has translated to its improved shipments year on year. The Group’s revenue for the six months ended 30 June 2022 came in at approximately US\$65.0 million, representing an increase of approximately 39.6% from approximately US\$46.6 million in the same period in 2021.

The Company has taken and will continue to take steps in cost management for shareholder value, through operation cost control via automation, while lowering finance costs by refinancing the bank loans with lower interest rates. Gross profit improved from approximately US\$11.5 million for the six months ended 30 June 2021, to approximately US\$14.6 million for six months ended 30 June 2022. With overall cost control, the Group has turned in higher net profit of approximately US\$3.2 million for the six months ended 30 June 2022 as compared to approximately US\$0.1 million for the six months ended 30 June 2021.

3. PROSPECT AND OUTLOOK

The Group has managed well on the macro situations around the pandemic and component shortage and turned in higher profit for the period and attributable to owners of the Company for the six months ended 30 June 2022, as compared to that for the six months ended 30 June 2021. However, the resurgence of COVID outbreaks with the BA-4 and BA-5 variants, the heightened worldwide inflation, the weakened currency market, and the instability of the political and economic situation arising from the Russia-Ukraine conflict are impacting the momentum of customer resumption of new projects and consumer acquisitions. It is difficult to estimate the full impact given the dynamic nature of these circumstances. The Group will pay continuous attention to the situation, adhere to government measures and recommendations, and continue to mitigate foreseeable risks with all sites and subsidiaries, and endeavor to operate with minimal impact on any function serving the business and the customers.

The Group will continue with its investments in research & development, sales force expansion into several adjacent spaces of the business, as well as improvements of its supply chain for its existing business. Its new digital automated production site located in the Hunan province of China has started mass production according to plan, and is expected to run at its planned capacity by spring of 2023.

Estimating from the present customer orders and forecasts for the whole year, 2022 outlook for the Group is expected to be better than the past 2 years, provided that the worldwide financial, geopolitical, and COVID-19 situations stabilize.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2022 increased by approximately 39.6%, as compared to the six months ended 30 June 2021. This is mainly due to an approximate US\$21.8 million increase in revenue in the North America, Europe and Latin America region, partially offset by an approximate US\$3.4 million decrease in the revenue from Asia region.

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 2022 and 30 June 2021, respectively.

	For the six months ended 30 June 2022 (unaudited) US\$'000	%	For the six months ended 30 June 2021 (unaudited) US\$'000	%	Changes	
					US\$'000	%
North America	17,652	27.2	4,314	9.3	13,338	309.2
Europe	26,931	41.4	21,114	45.3	5,817	27.6
Asia	10,850	16.7	14,208	30.5	(3,358)	(23.6)
Latin America	9,565	14.7	6,935	14.9	2,630	37.9
Total	64,998	100.0	46,571	100.0	18,427	39.6

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\$50.4 million and approximately US\$35.1 million for the six months ended 30 June 2022 and the six months ended 30 June 2021 respectively, representing approximately 77.5% and approximately 75.4% 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 2022 and the six months ended 30 June 2021, respectively.

	For the six months ended 30 June 2022 (unaudited) US\$'000	%	For the six months ended 30 June 2021 (unaudited) US\$'000	%
Cost of Components	41,969	83.3	28,492	81.1
Outsourcing	6,246	12.4	4,467	12.7
Overheads	2,156	4.3	2,158	6.2
	<u>50,371</u>	<u>100.0</u>	<u>35,117</u>	<u>100.0</u>

Gross profit

As a result of the changes in revenue and cost of sales above, the Group's gross profit was approximately US\$14.6 million for the six months ended 30 June 2022, which was higher than the gross profit of US\$11.5 million for the six months ended 30 June 2021.

Other income

Other income of the Group was approximately US\$0.1 million and US\$1.2 million for the six months ended 30 June 2022 and 30 June 2021 respectively. The approximate US\$1.1 million decrease in other income was due to approximate US\$0.6 million decrease in government grants and approximate US\$0.5 million decrease since there was no gain on sale of disposal of intangible asset for the six months ended 30 June 2022.

Selling and distribution expenses

Selling and distribution expenses of the Group were approximately US\$0.5 million higher for the six months ended 30 June 2022, as compared to six months ended 30 June 2021. This is mainly due to an approximate US\$0.4 million increase in distribution costs and an approximate US\$0.1 million increase in travelling expenses.

Administrative expenses

Administrative expenses of the Group decreased by approximately US\$0.9 million from approximately US\$5.9 million for the six months ended 30 June 2021 to approximately US\$5.0 million for the six months ended 30 June 2022. The decrease was mainly due to the reversal of information and technology service accrual of approximately US\$1.1 million.

Other expenses

Other expenses of the Group increased from approximately US\$1.0 million for the six months ended 30 June 2021 to approximately US\$1.1 million for the six months ended 30 June 2022. The increase was mainly due to approximately US\$0.1 million increase in foreign exchange losses.

Finance income and finance costs

Comparing to the six months ended 30 June 2021, finance costs of the Group incurred during the six months ended 30 June 2022 decreased by approximately US\$1.9 million. The decrease was mainly due to an approximate US\$1.7 million decrease in write-off of loan arrangement fee and an approximate US\$0.1 million decrease in amortisation of loan arrangement and loan facility and legal fees.

The decrease in finance income of the Group by approximately US\$0.2 million for the six months ended 30 June 2022 was due to decrease in interest earned from finance assets at amortised costs.

Profit before tax

Profit before tax of the Group for the six months ended 30 June 2022 was approximately US\$4.2 million which was approximately US\$3.9 million higher than the profit before tax of approximately US\$0.3 million for the six months ended 30 June 2021. This was mainly due to the changes of the profit and loss items mentioned above.

Income tax expense

The Group's income tax expense increased from approximately US\$0.2 million for the six months ended 30 June 2021 to approximately US\$1.0 million for the six months ended 30 June 2022. The income tax expense for the six months ended 30 June 2022 was higher mainly because of higher chargeable income for the six months ended 30 June 2022.

Profit for the period

As a result of the above, the Group recorded a net profit after tax of approximately US\$3.2 million for the six months ended 30 June 2022, as compared to a net profit after tax of approximately US\$0.1 million for the six months ended 30 June 2021.

Earnings per share

The basic and diluted earnings per share of the Group for the six months ended 30 June 2022 is US0.64 cents and US0.63 cents, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2022, the Group had cash and cash equivalents of approximately US\$16.3 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 2022 and 30 June 2021, respectively:

	For the six months ended	
	30 June 2022	30 June 2021
	(unaudited)	(unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash used in operating activities	(1,094)	(952)
Net cash (used in)/generated from investing activities	(643)	78
Net cash generated from/(used in) financing activities	613	(277)
Net decrease in cash and cash equivalents	(1,124)	(1,151)
Cash and cash equivalents at beginning of the period	17,630	22,328
Effects of exchange rate changes on cash and cash equivalents	(185)	11
Cash and cash equivalents at end of the period	16,321	21,188

Net cash flow used in operating activities

The Group generates cash from operating activities primarily from sales of goods. Cash flow from operating activities reflects profit before taxation for the six months ended 30 June 2022 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 2022, the Group's net cash used in operating activities was approximately US\$1.1 million, primarily due to (i) decrease in trade payables of approximately US\$16.1 million, decrease in other payables and accruals of approximately US\$0.3 million; partially offset by (ii) cash generated before working capital changes of approximately US\$5.1 million, decrease in trade receivables of approximately US\$7.1 million and decrease in inventories of approximately US\$3.5 million.

Net cash flow used in investing activities

Cash flow used in investing activities mainly relates to purchase of property, plant and equipment of US\$0.6 million. For the six months ended 30 June 2022, the Group's net cash used in investing activities was approximately US\$0.6 million.

Net cash flow generated from financing activities

Cash flow generated from financing activities mainly includes proceeds from interest-bearing bank loans and repayment of interest-bearing bank loans. For the six months ended 30 June 2022, the Group's net cash flow generated from financing activities was approximately US\$0.6 million, mainly attributable to an approximate US\$2.5 million proceeds from interest-bearing bank loans, partially offset by an approximate US\$1.2 million repayment of interest-bearing bank loans, an approximate US\$0.4 million interest paid on loans, and repayment of principal and interest portions of lease obligations of approximately US\$0.3 million.

NET CURRENT ASSETS

The Group's net current asset was approximately US\$22.9 million as at 30 June 2022 and 31 December 2021.

CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchase costs relating to property, plant and equipment. For the six months ended 30 June 2022, the Group's capital expenditure amounted to approximately US\$0.6 million for the acquisition of property, plant and equipment.

Capital and investment commitments

As at 30 June 2022, 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 interim condensed consolidated financial information.

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 2022 and 31 December 2021, the Group had approximately US\$26.3 million and approximately US\$25.0 million respectively from bank loans.

As at 30 June 2022, there was a floating charge over bank accounts of Home Control Singapore Pte. Ltd. to secure the Group's bank loans.

Contingent liabilities

As at 30 June 2022, 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 and lease liabilities. Adjusted total assets excludes goodwill. The gearing ratios as at 30 June 2022 and 31 December 2021 are approximately 32.0% and approximately 26.6%, 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 2022.

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 2022.

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 2022, the Group had 178 employees (31 December 2021: 175 employees). The employees benefit expense incurred during the six months ended 30 June 2022 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. The Group did not experience any material labour disputes during the six months ended 30 June 2022. The Company adopted the Scheme on 1 May 2015 as incentive for eligible employees. As at the date of this announcement, the Scheme was terminated upon the expiry of the Scheme period. No new options were granted and exercised thereunder during the six months ended 30 June 2022. As at the date of this announcement, all options granted and accepted prior to such termination and not yet exercised under the Scheme were lapsed in accordance with the terms of the Scheme. The Company adopted the 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 announcement, to ten Selected Grantees pursuant to the Share Award Scheme.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

USE OF PROCEEDS FROM LISTING

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

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

Based on the Directors’ best estimation and assumption of future market conditions, the unutilised IPO Proceeds are expected to be fully utilised by 2024. Set out below is the Group’s planned use and actual use of the IPO Proceeds as at 30 June 2022:

		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>	Unutilised IPO Proceeds as at beginning of the financial year i.e. 1 January 2022 <i>US\$' million</i>	IPO Proceeds utilised during the financial year ended 30 June 2022 <i>US\$' million</i>	Utilised IPO Proceeds up to 30 June 2022 <i>US\$' million</i>	Expected timeline for the unutilised IPO Proceeds
1	Strategic investments or acquisitions in the over-the-top content (“OTT”) system and/or smart home security products	23.01	2.93	2.93	–	–	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	1.82	–	–	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	1.56	0.10	0.30	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	0.79	–	–	The unutilised IPO Proceeds will be used as per the Prospectus.
		<u>84.93</u>	<u>10.83</u>	<u>7.10</u>	<u>0.10</u>	<u>3.83</u>	

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

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

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

EVENTS AFTER THE REPORTING PERIOD

No other significant events that require additional disclosures or adjustments occurred after the six months period ended 30 June 2022.

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 2022 except for the deviation from code provision C.2.1 as detailed below.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current structure of the Company, Mr. Alain Perrot is the Chairman and CEO. The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision C.2.1 of the Corporate Governance Code is acceptable in such circumstance. In addition, under the supervision of the Board which, apart from Mr. Alain Perrot being the executive Director, comprises two non-executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders.

INTERIM DIVIDEND

The Board did not recommend to declare any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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 2022.

REVIEW OF FINANCIAL INFORMATION BY THE AUDIT COMMITTEE

The Company has established 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 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 2022 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 2022.

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 2022 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

“Audit Committee”	the audit committee of the Board
“Award Shares”	in respect of a Selected Grantee, such number of Shares determined by and granted by the Board pursuant to the Share Award Scheme
“Board”	the board of Directors

“CEO”	the chief executive officer of the Company
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China and for the purpose of this announcement, excludes, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China 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”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	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 stock option plan of the Company as approved by the Board on 1 May 2015
“Selected Grantee”	the eligible participants being selected for participation in the Share Award 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
“Share Award Scheme”	the share award scheme adopted by the Company on 20 August 2020, as amended from time to time
“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
Alain PERROT
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 19 August 2022

As of the date of this announcement, the Board comprises Mr. Alain PERROT as executive Director; Mr. Wei ZHOU 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.