OMNI REMOTES

# HOME CONTROL INTERNATIONAL LIMITED

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

2020

## INTERIM REPORT

# Contents

# 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 *ACS, ACIS*

## AUTHORISED REPRESENTATIVES

Mr. Kwok King Kingsley CHAN
Ms. Sum Yi TSUI

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

151 Lorong Chuan
#04-03A
New Tech Park
Singapore 556741

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

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

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Sertus Incorporations (Cayman) Limited
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

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

## PRINCIPAL BANK

Citibank N.A. Singapore Branch
8 Marina View
#17-01 Asia Square Tower 1
Singapore 018960

## LEGAL ADVISERS TO THE COMPANY

### As to Hong Kong law

**Lu & Partners LLP in Association with HAIWEN**
Unit 1902, 19/F
New World Tower
16-18 Queen's Road Central
Hong Kong

## AUDITOR

**Ernst & Young**
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

## COMPLIANCE ADVISER

**Elstone Capital Limited**
Suite 1612, 16/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

## STOCK CODE

1747

## COMPANY'S WEBSITE

www.omniremotes.com

# Financial Summary

The table below sets forth the 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" or "Our"):

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(unaudited)** | (unaudited) |
| | ***US$ million*** | *US$ million* |
| **Revenue** | **69.8** | 81.4 |
| **Reported Net Profit** | **1.5** | (1.2) |
| Add: Restructuring severance expense | **0.2** | – |
| Add: Listing expense | **–** | 1.8 |
| **Adjusted Net Profit** | **1.7** | 0.6 |
| Add: Income tax expense | **0.5** | 0.4 |
| Add: Finance costs | **1.1** | 1.7 |
| Add: Withholding tax | **0.0** | 0.1 |
| Add: Depreciation and amortisation | **2.0** | 2.1 |
| **Adjusted EBITDA** | **5.3** | 4.9 |

# Management Discussion and Analysis

## 1. OVERVIEW

We are a globally leading home control solution provider headquartered in the Republic of Singapore ("Singapore"), with worldwide presence in North America, Europe, Asia and Latin America. Originally established as the home control division of Koninklijke Philips N.V. ("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 2019. The next-generation Simple Setup Hybrid offers the responsiveness of an on-device database in tandem with the vast coverage of a global cloud database. This unique solution is expected to launch with a major operator in 2020. The Company is progressing with advanced user input, recognition and far field voice solutions, with customer trial intents line up in 2020. Our strategy to offer a new off-the-shelf Android TV remote control, the VINO portfolio, built from the ground up for the streaming segment, continue its design wins worldwide. We will expand the portfolio in second half of 2020 to cater for the increasing demand made possible by our leading industrial design and ease of integration.

## 2. BUSINESS REVIEW

In the second quarter of 2020, some of our customers' rollout and installation were impacted when their countries began the COVID-19 lock-down control orders. This translated to postponement of some shipments from the second quarter to the third quarter of 2020, and the Group's revenue for the six months ended 2020 came in at approximately US$69.8 million, representing a decrease of 14.2% from US$81.4 million in the same period in 2019.

Since the beginning of the outbreak of COVID-19 in early 2020, the Company has been able to take swift actions to minimize the overall impact to the business. With a combination of product mix and overall cost control, the Group has turned in better profit for the first six months ended 2020 as compared to the first six months ended 2019. Product mix has improved mainly due to the move to selling higher margin products, as shown from the improvement in gross margin from 17.5% for the six months ended 2019 to 20.4% for the six months ended 2020.

Net income reversed from a loss of US$1.2 million for the six months ended 30 June 2019 to a profit of US$1.5 million of the same period in 2020.

Net cash from operating activities improved significantly due to improvement in profitability for the six months ended 30 June 2020 compared to the same period in 2019.

## 3. PROSPECT AND OUTLOOK

If the outbreak situation does not get worse, the Group expects to maintain its cost control & profit momentum similar to the first half of 2020. In addition, the Company has secured refinancing of bank loan with lower interest rate starting from the second half of 2020 for further cost savings. The reason for securing new bank loan is to partially repay the existing bank loan with a higher interest rate and to plan ahead in case of good opportunities.

In the first half of 2020, the overall cash flow of the Group has improved, which provides the resilience the Company needs to continue navigating through this striving period. The Company will continue to exercise prudency while exploring new avenue to deliver shareholder values.

Other than investments in research & development ("R&D"), sales force expansion, as well as improvements to our supply chain for our existing business, the Company has initiated a program for the vertical markets. Our new COVID-19 contact tracing system is highly scalable and secure, comprising wearable devices as well as a cloud management system. According to a Mercer survey, over half of US companies are planning contact tracing for employees, with IDC estimating a potential market worth US$4.3 billion. Our solution is expected to hit the market by end of the third quarter of 2020, and early feedback from global customers has been very positive so far.

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

## FINANCIAL REVIEW

### Revenue

Revenue of the Group for the six months ended 30 June in 2020 decreased by approximately 14.2% compared to the six months ended 30 June 2019, which was mainly contributed by COVID-19.

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 2020 and 30 June 2019, respectively.

| | For six months ended 30 June 2020 | | For six months ended 30 June 2019 | | Changes | |
|---|---|---|---|---|---|---|
| | *US$'000* | *%* | *US$'000* | *%* | *US$'000* | *%* |
| North America | **29,102** | **41.7%** | 33,669 | 41.4% | (4,567) | (13.6%) |
| Europe | **20,867** | **29.9%** | 19,169 | 23.6% | 1,698 | 8.9% |
| Asia | **12,794** | **18.3%** | 19,233 | 23.6% | (6,439) | (33.5%) |
| Latin America | **7,036** | **10.1%** | 9,305 | 11.4% | (2,269) | (24.4%) |
| Total | **69,799** | **100.0%** | 81,376 | 100.0% | (11,577) | (14.2%) |

## 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$55.6 million and approximately US$67.2 million for the six months ended 30 June 2020 and the six months ended 30 June 2019 respectively, representing approximately 79.6% and approximately 82.5% 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 2020 and the six months ended 30 June 2019, respectively.

| | For six months ended 30 June 2020 | | For six months ended 30 June 2019 | |
|---|---|---|---|---|
| | *US$'000* | *%* | *US$'000* | *%* |
| Cost of Components | **45,557** | **82.0%** | 56,865 | 84.7% |
| Outsourcing | **7,652** | **13.8%** | 8,040 | 12.0% |
| Overheads | **2,371** | **4.2%** | 2,263 | 3.3% |
| | **55,580** | **100.0%** | 67,168 | 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$14.2 million for the six months ended 30 June 2020, which was on par with the gross profit of US$14.2 million for the six months ended 30 June 2019.

## Other income and gains

Other income and gains of the Group increased from approximately US$0.0 million for the six months ended 30 June 2019 to approximately US$0.3 million for the six months ended 30 June 2020. The increase was primarily because of an increase in government grants.

## Selling and distribution expenses

Selling and distribution expenses of the Group decreased from approximately US$4.1 million for the six months ended 30 June 2019 to approximately US$3.6 million for the six months ended 30 June 2020. The decrease in selling and distribution expenses was mainly due to approximately US$0.2 million decrease in travelling expenses because of COVID-19, approximately US$0.1 million decrease in distribution expenses and approximately US$0.1 million decrease in employee benefit expenses.

## Administrative expenses

Administrative expenses of the Group decreased by approximately 24.1% from approximately US$8.3 million for the six months ended 30 June 2019 to approximately US$6.3 million for the six months ended 30 June 2020. The decrease was mainly due to the decrease in listing expenses of approximately US$1.8 million incurred for the six months ended 30 June 2020.

## Other expenses

Other expenses of the Group increased from approximately US$0.9 million for the six months ended 30 June 2019 to approximately US$1.4 million for the six months ended 30 June 2020. Other expenses of the Group for the six months ended 30 June 2020 mainly consist of restructuring expenses of US$0.2 million, R&D project related costs of US$0.2 million, legal expenses of US$0.3 million, withholding tax of US$22,000, Human Resources Management system costs of US$0.1 million, samples and model makings costs of US$0.1 million, foreign exchange differences of US$22,000 and other miscellaneous expenses. The increase was mainly due to approximately US$0.2 million increase in restructuring expenses, approximately US$0.2 million increase in legal expenses and approximately US$0.1 million increase in project related costs.

For comparison purpose, other expenses of the Group for the year ended 31 December 2019 amounted to US$1.8 million, which mainly consist of restructuring expenses of US$0.1 million, R&D project related cost of US$0.5 million, legal expenses of US$0.1 million, withholding tax of US$0.2 million, Human Resources Management system costs of US$0.1 million, samples and model makings costs of US$0.1 million, foreign exchange differences of US$0.1 million and other miscellaneous expenses.

### Finance costs

Comparing to the six months ended 30 June 2019, finance cost of the Group incurred during the six months ended 30 June 2020 decreased by approximately US$0.6 million. The decrease was mainly due to approximately US$0.5 million decrease in interest on bank borrowings.

### Profit before tax

Profit before tax of the Group for the six months ended 30 June 2020 was approximately US$2.0 million which was approximately US$2.8 million higher than the loss before tax of approximately US$0.8 million for the six months ended 30 June 2019. This was mainly due to an approximately US$2.0 million decrease in administrative expenses, approximately US$0.6 million decrease in finance costs and approximately US$0.5 million decrease in selling and distribution expenses.

### Income tax expense

The Group's income tax expense increased from approximately US$0.4 million for the six months ended 30 June 2019 to approximately US$0.5 million for the six months ended 30 June 2020. The income tax expense for the six months ended 30 June 2020 was higher mainly because of higher chargeable income for the six months ended 30 June 2020.

### Profit for the period

As a result of the above, the Group recorded a net profit after tax of approximately US$1.5 million for the six months ended 30 June 2020, as compared to a net loss after tax of approximately US$1.2 million for the six months ended 30 June 2019.

### Earnings per share

The basic and diluted earnings per share of the Group for the six months ended 30 June 2020 is US0.30 cents and US0.30 cents, respectively.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2020, the Group had cash and cash equivalents and pledged deposits of approximately US$22.4 million. The board (the "Board") of directors (the "Directors") of the Company 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 2020 and 30 June 2019, respectively:

| | For the six months ended | |
|---|---|---|
| | **30 June 2020 US$'000** | 30 June 2019 US$'000 |
| Net cash from operating activities | **3,063** | 521 |
| Net cash used in investing activities | **(1,464)** | (1,566) |
| Net cash used in financing activities | **(7,834)** | (1,028) |
| **Net decrease in cash and cash equivalents** | **(6,235)** | (2,073) |
| Cash and cash equivalents at beginning of the period | **28,766** | 19,854 |
| Effects of exchange rate changes on cash and cash equivalents | **(98)** | (7) |
| **Cash and cash equivalents at end of the period** | **22,433** | 17,774 |
| **Analysis of balances of cash and cash equivalents** | | |
| Cash and cash equivalents as stated in the statement of financial position | **22,147** | 17,774 |
| Pledged for bank loans | **286** | – |
| **Cash and cash equivalents as stated in the statement of cash flows** | **22,433** | 17,774 |

## Net cash flow generated from operating activities

The Group generates cash from operating activities primarily from sales of goods. Cash flows from operating activities reflects profit before taxation for the six months ended 30 June 2020 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 2020, the Group's net cash generated from operating activities was approximately US$3.1 million, primarily reflected (i) cash generated before working capital changes of approximately US$5.4 million; (ii) decrease in trade receivables of approximately US$5.9 million; partially offset by decrease in trade payables of approximately US$7.9 million, and payment for tax of approximately US$0.4 million.

### Net cash flow used in investing activities

Cash flow used in investing activities mainly relates to purchase and disposal of property, plant and equipment. For the six months ended 30 June 2020, the Group's net cash used in investing activities was approximately US$1.5 million, which was primarily attributable to purchases of property, plant and equipment of approximately US$1.5 million.

### Net cash flow 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 2020, the Group's net cash flow used in financing activities was approximately US$7.8 million, mainly attributable to US$7.3 million repayment of interest bearing bank loans, US$0.8 million interest paid and repayment of lease obligations of US$0.3 million.

## NET CURRENT ASSETS

The Group's net current asset decreased by approximately US$5.4 million from approximately US$20.9 million as at 31 December 2019 to approximately US$15.5 million as at 30 June 2020. The decrease was primarily due to (i) a decrease in trade receivables of approximately US$5.9 million; (ii) a decrease in cash and cash equivalents of approximately US$6.3 million; (iii) an increase in other payables and accruals and dividend payable of approximately US$1.0 million, partially offset by a decrease in trade payables of approximately US$7.9 million.

## CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchase costs relating to property, plant and equipment. For the six months ended 30 June 2020, the Group's capital expenditure amounted to approximately US$1.5 million for the acquisition of property, plant and equipment. The Group funded such capital expenditure primarily with cash generated from operating activities.

### Capital and investment commitments

As at 30 June 2020, the Group did not have any capital and investment expenditure contracted for as at the end of the reporting period but not recognised in the financial statements.

## BANK LOANS AND CONTINGENT LIABILITIES

### Bank loans

The Group's bank loans primarily consisted of short and long-term trade financing from bank loans. As at 30 June 2020 and 31 December 2019, the Group had approximately US$33.3 million and approximately US$39.4 million respectively from bank loans.

As at 30 June 2020, the following were pledged to secure the Group's bank loans:

(a) Charge over 375,000,000 shares of the Company ("Shares") held by NHPEA IV Home Control Netherlands B.V. ("NHPEA"), the controlling shareholder of the Company.

(b) Share charge over Home Control Singapore Pte. Ltd..

(c) Share pledge over Home Control Europe NV.

(d) Share pledge over Premium Home Control Solutions LLC.

(e) A minimum bank balance in the amount equivalent to the interest payable for the next six months and the Group's deposits amounting to US$286,000.

As at 30 June 2020, the Group had available bank facilities of US$45,000,000 and US$35,000,000 has been drawn down under the facilities.

### Contingent liabilities

As at 30 June 2020, 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 31 December 2019 and 30 June 2020 are approximately 39.7% and approximately 38.4%, 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 2020.

## MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

## FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is the United States of America ("U.S.") dollar ("US$"). The sales of the Group are mainly denominated in U.S. dollars while purchases are mainly denominated in U.S. dollars or Renminbi ("RMB") (only in the case of sales and purchases in the People's Republic of China (the "PRC")). In addition, the Group has its headquarters in Singapore and operating subsidiaries in the U.S., Belgium, the PRC and Brazil, of which overheads are settled in local currencies and therefore the Group is exposed to foreign exchange risks. Fluctuations in foreign exchange rates may be caused by various factors such as change in government policies, change in domestic and international economic and political conditions, and is always unpredictable. The Group had not entered into any agreements to hedge its exchange rate exposure, as the Group's results of operations has generally been partially mitigated by the natural offset of foreign currency receivables with foreign currency payables. Going forward, the Group expects that exchange rates of Singapore dollars ("SGD"), RMB and US$ 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 AND SHARE OPTION SCHEME

As at 30 June 2020, the Group had 192 employees (31 December 2019: 191 employees). The employees benefit expense incurred during the six months ended 30 June 2020 was approximately US$6.9 million. As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local government. The Group's remuneration policy rewards employees and Directors based on individual's performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. We did not experience any material labour disputes during the six months ended 30 June 2020. The Company adopted a share option scheme on 1 May 2015 as incentive for eligible employees.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the date of this report, 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 of Hong Kong Limited (the "Stock Exchange") on 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 2020, the Group had utilised the IPO Proceeds as set out in the table below:

| | Planned use of IPO Proceeds (adjusted on a pro rata basis on the actual net proceeds) *HK$'million* | Planned use of IPO Proceeds (adjusted on a pro rata basis on the actual net proceeds) *US$'million* | Utilized IPO Proceeds up to 30 June 2020 *US$'million* | Expected timeline for the unutilized IPO Proceeds |
|---|---|---|---|---|
| 1 Strategic investments or acquisitions in the OTT system and/or smart home security products | 23.01 | 2.93 | 0.00 | The unutilized IPO Proceeds will be used as per the Prospectus. |
| 2 Repayment of bank borrowing | 21.12 | 2.69 | 2.69 | – |
| 3 R&D and develop the products for OTT segment and extend product lines in smart home products | 14.27 | 1.82 | 0.00 | The unutilized IPO Proceeds will be used as per the Prospectus. |
| 4 Expansion of professional sales force to support business expansion | 13.8 | 1.76 | 0.00 | The unutilized IPO Proceeds will be used as per the Prospectus. |
| 5 Strengthen the supply chain management and investment by extending beyond the PRC | 6.57 | 0.84 | 0.84 | – |
| 6 Working capital and general corporate purposes | 6.16 | 0.79 | 0.00 | The unutilized IPO Proceeds will be used as per the Prospectus. |
| | 84.93 | 10.83 | 3.53 | |

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

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

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

## EVENTS AFTER THE REPORTING PERIOD

No other significant events that require additional disclosures or adjustments occurred after the six months period ended 30 June 2020.

# 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 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 2020.

## INTERIM DIVIDEND

The Board did not recommend to declare any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 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 2020.

## DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES

On 15 May 2020, NHPEA, the controlling shareholder of the Company (the "Controlling Shareholder"), charged 375,000,000 ordinary shares of the Company, representing approximately 74.76% of the total issued share capital of the Company as at the date of this report, in favour of a bank (the "Lender"), as security for medium-term loan facilities in an aggregate amount of US$45,000,000 provided by the Lender to the Company and its wholly-owned subsidiary (the "Facility"). The Lender is an authorized institution as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong. The final repayment date of the Facility is 14 December 2023, save for extension or early termination or repayment of the Facility.

Pursuant to the terms of the Facility, in the event the Controlling Shareholder ceases to own at least 70% of the voting shares of the Company, the Company shall promptly notify the Lender upon becoming aware of the event; and if the Lender so requires, the Lender may cancel the Facility and declare all outstanding loans, together with accrued interest, and all other amounts accrued thereunder to be immediately due and payable.

To gradually diversify the Company'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 ("Facility Agreement") with a bank (the "Bank") as lender in relation to term loan facilities of up to US$6,000,000 (or its equivalent amount in other currencies) (the "New Facility"). The maturity date of the New Facility is 30 June 2021, which can be extended thereafter at the Bank's discretion. The purpose of the New Facility is for general working capital purposes. The aggregate outstanding drawdown amount under the Existing Loan Facilities and the New Facility will in any event not exceed the current level of debt of the Company as at the date of this report, being approximately US$35,000,000.

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

## 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 2020.

## SHARE OPTION SCHEME

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

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

The maximum number of shares of the Company that may be issued by the Company upon the exercise of all options granted under the Scheme is 40,841,584 shares, representing approximately 8.14% of the Shares in issue as at 30 June 2020. All the options under the Scheme were granted to grantees prior to the Listing and no further options will be granted under the Scheme after the Listing. Subject to the terms and conditions set forth under the Scheme, the exercise price of all the share options granted under the Scheme is approximately US$0.0877 per share of the Company (equivalent to approximately HK$0.689 per share of the Company).

There has been no cancellation or modification of the Scheme during the six months ended 30 June 2020.

The following table discloses movements in the underlying shares of the Company of the outstanding options granted and vested to all grantees under the Scheme during the six months ended 30 June 2020:

| Grantee | Number of Shares to be issued upon full exercise of the relevant share options as at 1 January 2020 | No. of shares exercised during the six months ended 30 June 2020 | Number of Shares to be issued upon full exercise of the relevant share options as at 30 June 2020 |
|---|---|---|---|
| ***Director*** | | | |
| Mr. Alain PERROT | 5,717,822 | – | 5,717,822 |
| ***Senior Management*** | | | |
| Mr. Jean Paul L. ABRAMS | 4,084,158 | – | 4,084,158 |
| Mr. Kwok Hoong SIU (蕭國雄) | 1,633,663 | – | 1,633,663 |
| ***Employees and other grantee*** | | | |
| Mr. Pang Hwa HO (何邦華) | 1,633,663 | – | 1,633,663 |
| Mr. Yuechun ZHU (朱閱春) | 1,633,663 | – | 1,633,663 |
| Total | 14,702,969 | – | 14,702,969 |

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled under the Scheme during the six months ended 30 June 2020.

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

As at 30 June 2020, 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 | 5,717,822 (L) | 1.14% |

*Notes:*

1. As at 30 June 2020, the Company issued 501,633,663 shares. The letter (L) denotes the entity's long position in the relevant shares.

2. Mr. PERROT is interested in the management option granted under the Scheme to, subject to the terms and conditions thereunder, subscribe for 5,717,822 shares of the Company.

## (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 | 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 2020, 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 2020, 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 *(Note 1)* | Approximate percentage of shareholding *(Note 1)* |
|---|---|---|---|
| Morgan Stanley | Interest of controlled corporation | 375,000,000 (L) *(Notes 2 and 3)* | 74.76% |
| MS Holdings Incorporated | Interest of controlled corporation | 375,000,000 (L) *(Notes 2 and 3)* | 74.76% |
| Morgan Stanley Private Equity Asia IV, Inc. | Interest of controlled corporation | 375,000,000 (L) *(Notes 2 and 3)* | 74.76% |
| Morgan Stanley Private Equity Asia IV, L.L.C. | Interest of controlled corporation | 375,000,000 (L) *(Notes 2 and 3)* | 74.76% |
| North Haven Private Equity Asia IV, L.P. | Interest of controlled corporation | 375,000,000 (L) *(Notes 2 and 3)* | 74.76% |
| North Haven Private Equity Asia IV Holdings Limited | Interest of controlled corporation | 375,000,000 (L) *(Notes 2 and 3)* | 74.76% |
| NHPEA IV Holding Cooperatief U.A. | Interest of controlled corporation | 375,000,000 (L) *(Notes 2 and 3)* | 74.76% |
| NHPEA | Beneficial owner | 375,000,000 (L) *(Notes 2 and 3)* | 74.76% |

*Notes:*

1. As at 30 June 2020, 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 (the "Shareholders") 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 2020, 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 2020 and discussed with the management the accounting principles and practices adopted by the Group, risk management and internal controls and financial reporting matters of the Group and this report.

# Review Report of Interim Financial Information

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EY 安永

**Independent review report**
**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 26 to 50, which comprises the condensed consolidated statement of financial position of Home Control International Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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" issued by the International Auditing and Assurance Standards Board. 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 is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**
Certified Public Accountants
Hong Kong
20 August 2020

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

For the six months ended 30 June 2020

| | Notes | 2020 (Unaudited) US$'000 | 2019 (Unaudited) US$'000 |
|---|---|---|---|
| **Revenue** | 4 | **69,799** | 81,376 |
| Cost of sales | | **(55,580)** | (67,168) |
| **Gross profit** | | **14,219** | 14,208 |
| Other income | 4 | **271** | 4 |
| Selling and distribution expenses | | **(3,627)** | (4,111) |
| Administrative expenses | | **(6,348)** | (8,312) |
| Other expenses | | **(1,388)** | (912) |
| Finance costs | | **(1,122)** | (1,669) |
| **Profit/(loss) before tax** | 5 | **2,005** | (792) |
| Income tax expense | 6 | **(502)** | (418) |
| **Profit/(loss) for the period attributable to owners of the parent** | | **1,503** | (1,210) |
| **Other comprehensive income** | | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | **44** | 4 |
| **Other comprehensive income for the period** | | **44** | 4 |
| **Total comprehensive income/(loss) for the period attributable to owners of the parent** | | **1,547** | (1,206) |
| **Earnings/(loss) per share attributable to ordinary equity holders of the parent** | | | |
| Basic | 14 | **US0.30 cents** | US(0.29) cents |
| Diluted | 14 | **US0.30 cents** | US(0.29) cents |

# Interim Condensed Consolidated Statement of Financial Position

30 June 2020

| | Notes | 30 June 2020 (Unaudited) *US$'000* | 31 December 2019 (Audited) *US$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *7* | **7,116** | 7,828 |
| Other intangible assets | | **161** | 251 |
| Goodwill | | **8,877** | 8,877 |
| Deferred tax assets | | **294** | 278 |
| Prepayments, other receivables and other assets | | **366** | 150 |
| Other investments | *8* | **4,854** | 4,854 |
| Total non-current assets | | **21,668** | 22,238 |
| **Current assets** | | | |
| Inventories | | **19,358** | 19,002 |
| Trade receivables | *9* | **30,990** | 36,916 |
| Prepayments, other receivables and other assets | | **1,216** | 1,208 |
| Pledged deposits | *10* | **286** | 286 |
| Cash and cash equivalents | *10* | **22,147** | 28,480 |
| Total current assets | | **73,997** | 85,892 |
| Total assets | | **95,665** | 108,130 |
| **Current liabilities** | | | |
| Trade payables | *11* | **35,360** | 43,307 |
| Other payables and accruals | | **4,977** | 5,314 |
| Dividend payable | *15* | **1,371** | – |
| Contract liabilities | | **926** | 436 |
| Interest-bearing bank loans | *12* | **14,346** | 14,346 |
| Lease liabilities | | **186** | 386 |
| Provisions | | **144** | 121 |
| Tax payable | | **1,191** | 1,038 |
| Total current liabilities | | **58,501** | 64,948 |
| **Net current assets** | | **15,496** | 20,944 |
| Total assets less current liabilities | | **37,164** | 43,182 |

| | Notes | 30 June 2020 (Unaudited) US$'000 | 31 December 2019 (Audited) US$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Interest-bearing bank loans | *12* | **18,961** | 25,094 |
| Lease liabilities | | **295** | 284 |
| Provisions | | **511** | 572 |
| Deferred tax liabilities | | **359** | 370 |
| Total non-current liabilities | | **20,126** | 26,320 |
| **Net assets** | | **17,038** | 16,862 |
| **Equity** | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | *13* | **5,017** | 5,017 |
| Reserves | | **12,021** | 11,845 |
| **Total equity** | | **17,038** | 16,862 |

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

| | Share capital US$'000 | Share premium* US$'000 | Statutory reserve* US$'000 | Accumulated losses* US$'000 | Employee share option reserve* US$'000 | Exchange fluctuation reserve* US$'000 | Capital reserve* US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2020 (Audited) | 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 15) | – | – | – | (1,371) | – | – | – | (1,371) |
| At 30 June 2020 (Unaudited) | 5,017 | 9,573 | 33 | (1,283) | 570 | (492) | 3,620 | 17,038 |

Interim Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2020

| | Share capital US$'000 | Share premium US$'000 | Statutory reserve US$'000 | Accumulated losses US$'000 | Employee share option reserve US$'000 | Exchange fluctuation reserve US$'000 | Capital reserve US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2019 (Audited) | 1 | 3,990 | 29 | (4,153) | 560 | (402) | – | 25 |
| Profit for the period | – | – | – | (1,210) | – | – | – | (1,210) |
| Other comprehensive income for the period: | | | | | | | | |
| Exchange differences related to foreign operations | – | – | – | – | – | 4 | – | 4 |
| Total comprehensive income for the period | – | – | – | (1,210) | – | 4 | – | (1,206) |
| Transfer to statutory reserve | – | – | 6 | (6) | – | – | – | – |
| Equity-settled share option arrangements | – | – | – | – | 9 | – | – | 9 |
| Capital contribution by a related party | – | – | – | – | – | – | 1,696 | 1,696 |
| At 30 June 2019 (Unaudited) | 1 | 3,990 | 35 | (5,369) | 569 | (398) | 1,696 | 524 |

* These reserve accounts comprise the consolidated reserves of US$12,021,000 in the consolidated statement of financial position as at 30 June 2020.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

| | Notes | 2020 (Unaudited) US$'000 | 2019 (Unaudited) US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) before tax | | **2,005** | (792) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | *5* | **1,664** | 1,475 |
| Depreciation of right-of-use assets | *5* | **238** | 218 |
| Amortisation of other intangible assets | *5* | **92** | 449 |
| Amortisation of loan arrangement fee | | **327** | 327 |
| Equity-settled share option expenses | | **–** | 9 |
| Provision for restructuring and severance costs | *5* | **23** | 33 |
| Loss on disposal of property, plant and equipment | *5* | **108** | 20 |
| Interest expenses | | **791** | 1,323 |
| Listing expenses | | **–** | 1,770 |
| Effect of exchange rate changes | | **158** | (578) |
| | | **5,406** | 4,254 |
| (Increase)/decrease in inventories | | **(356)** | 587 |
| Decrease in trade receivables | | **5,926** | 930 |
| Decrease/(Increase) in prepayments and other receivables | | **319** | (170) |
| Decrease in trade payables | | **(7,947)** | (2,067) |
| Decrease in other payables and accruals | | **(337)** | (2,596) |
| Increase in contract liabilities | | **490** | – |
| **Cash generated from operating activities** | | **3,501** | 938 |
| Net income tax paid | | **(376)** | (369) |
| Long service awards paid | | **(62)** | (15) |
| Restructuring and severance costs paid | | **–** | (33) |
| **Net cash from operating activities** | | **3,063** | 521 |

| | 2020 (Unaudited) US$'000 | 2019 (Unaudited) US$'000 |
|---|---|---|
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | **(1,462)** | (1,547) |
| Purchases of other intangible assets | **(2)** | (19) |
| **Net cash used in investing activities** | **(1,464)** | (1,566) |
| **Cash flows from financing activities** | | |
| New bank loans | **549** | – |
| Repayment of bank loans | **(7,296)** | – |
| Principal portion of lease payments | **(255)** | (147) |
| Interest portion of lease liabilities | **(16)** | (19) |
| Interest paid | **(816)** | (862) |
| **Net cash used in financing activities** | **(7,834)** | (1,028) |
| **Net decrease in cash and cash equivalents** | **(6,235)** | (2,073) |
| Cash and cash equivalents at beginning of period | **28,766** | 19,854 |
| Effects of exchange rate changes on cash and cash equivalents | **(98)** | (7) |
| **Cash and cash equivalents at end of period** | **22,433** | 17,774 |
| **Analysis of balances of cash and cash equivalents** | | |
| Cash and cash equivalents as stated in the statement of financial position | **22,147** | 17,774 |
| Pledged deposits for bank loans | **286** | – |
| **Cash and cash equivalents as stated in the statement of cash flows** | **22,433** | 17,774 |

# Notes to Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2020

## 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Accordingly, the interim condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements 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 2019.

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

## 2. 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 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to IFRS 3 | *Definition of a Business* |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | *Interest Rate Benchmark Reform* |
| Amendment to IFRS 16 | *COVID-19-Related Rent Concessions (early adopted)* |
| Amendments to IAS 1 and IAS 8 | *Definition of Material* |

Other than as explained below regarding the impact of amendment to IFRS 16, the directors do not anticipate that the application of the revised IFRSs above will have a material effect on the Group's interim condensed consolidated financial information.

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office premises have been waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of US$39,000 has been crediting to profit or loss for the period ended 30 June 2020.

## 3. OPERATING SEGMENT INFORMATION

An operating segment, in part, is a component of an enterprise whose operating results are regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance. Operating segments may be aggregated only to a limited extent. Management reviews the financial information about revenues for purpose of making operating decisions and assessing financial performance. Accordingly, the Group only 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 | |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| North America | **29,102** | 33,669 |
| Europe | **20,867** | 19,169 |
| Asia | **12,794** | 19,233 |
| Latin America | **7,036** | 9,305 |
| | **69,799** | 81,376 |

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

*(b)* *Non-current assets*

| | **30 June** | 31 December |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Audited) |
| North America | **71** | 21 |
| Europe | **266** | 270 |
| Asia | **7,306** | 7,938 |
| | **7,643** | 8,229 |

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

## 3. 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 2020 and 2019 is set out below:

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| Customer 1 | **17,841** | 13,736 |
| Customer 2 | **10,073** | N/A* |
| Customer 3 | **N/A*** | 13,352 |

* 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.

## 4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| *Revenue from contracts with customers* | | |
| Sale of goods | **69,658** | 81,177 |
| Royalty income | **141** | 199 |
| | **69,799** | 81,376 |

## 4. REVENUE AND OTHER INCOME (Continued)

### Revenue from contracts with customers

**(i) Disaggregated revenue information**

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Timing of revenue recognition** | | |
| At a point in time | | |
| – Sale of goods | **69,658** | 81,177 |
| Overtime | | |
| – Royalty income | **141** | 199 |
| Total revenue from contracts with customers | **69,799** | 81,376 |

**(ii) Performance obligations**

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

*Sale of goods*

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

*Royalty income*

The performance obligation is satisfied over time as the Group's licensing of patents to be used for the manufacturing of products by the licensee.

## 4. REVENUE AND OTHER INCOME (Continued)

An analysis of other income is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| Government grants (Note) | **262** | – |
| Others | **9** | 4 |
| | **271** | 4 |

Note: The government grants represent subsidies received from the local governments to support the entities to keep the business running 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.

## 5. PROFIT/(LOSS) BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **45,557** | 56,865 |
| Depreciation of property, plant and equipment | **1,664** | 1,475 |
| Depreciation of right-of-use assets | **238** | 218 |
| Loss on disposal of property, plant and equipment | **108** | 20 |
| Amortisation of other intangible assets* | **92** | 449 |
| Foreign exchange differences, net | **22** | 41 |
| Withholding tax | **22** | 78 |
| Auditor's remuneration | **95** | 61 |
| Restructuring and severance costs | **23** | 33 |
| Research and development costs | **2,994** | 3,129 |
| Expenses for low value leases | **4** | 3 |
| Employee benefits expense (including director's and chief executive's remuneration): | | |
| Wage and salaries | **5,902** | 5,967 |
| Pension scheme contributions | **836** | 682 |
| Other employee benefits | **154** | 130 |
| Equity-settled share option expense | **–** | 9 |
| | **6,892** | 6,788 |
| Listing expenses | **–** | 1,770 |

* The amortisation of other intangible assets for the period amounting to US$92,000 (six months ended 30 June 2019: US$114,000) and nil (six months ended 30 June 2019: US$335,000) is included in "Administrative expenses" and "Cost of sales" in the statement of profit or loss and other comprehensive income.

## 6. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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 | |
|---|---|---|
| | **2020 US$'000 (Unaudited)** | 2019 US$'000 (Unaudited) |
| Current tax – Singapore | | |
| Charge for the period | **200** | 34 |
| Overprovision in prior periods | **(55)** | (196) |
| Current tax – United States of America | | |
| Charge for the period | **209** | 227 |
| Current tax – Elsewhere | | |
| Charge for the period | **175** | 307 |
| | **529** | 372 |
| Deferred tax | | |
| – Singapore | **(27)** | 46 |
| Total tax charge for the period | **502** | 418 |

## 7. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fittings US$'000 | Specific tools US$'000 | Machinery and equipment US$'000 | Construction-in-progress US$'000 | Right-of-use assets: Re-instatement US$'000 | Right-of-use assets: Office premises US$'000 | Right-of-use assets: Motor vehicles US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2019 (Audited) | 132 | 5,061 | 4,048 | 675 | 216 | 2,177 | 389 | 12,698 |
| Additions | – | 2,193 | 2,020 | 552 | – | – | 73 | 4,838 |
| Transfer | – | 595 | – | (595) | – | – | – | – |
| Disposals | – | (3,064) | (172) | – | – | – | – | (3,236) |
| Exchange differences | – | 17 | 8 | – | – | – | – | 25 |
| At 31 December 2019 and 1 January 2020 (Audited) | **132** | **4,802** | **5,904** | **632** | **216** | **2,177** | **462** | **14,325** |
| Additions | **–** | **–** | **32** | **1,214** | **–** | **67** | **–** | **1,313** |
| Transfer | **–** | **497** | **395** | **(892)** | **–** | **–** | **–** | **–** |
| Disposals | **–** | **(989)** | **(3)** | **(82)** | **–** | **–** | **–** | **(1,074)** |
| Exchange differences | **–** | **(6)** | **(28)** | **–** | **–** | **–** | **–** | **(34)** |
| At 30 June 2020 (Unaudited) | **132** | **4,304** | **6,300** | **872** | **216** | **2,244** | **462** | **14,530** |

## 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Furniture and fittings US$'000 | Specific tools US$'000 | Machinery and equipment US$'000 | Construction-in-progress US$'000 | Right-of-use assets: Re-instatement US$'000 | Right-of-use assets: Office premises US$'000 | Right-of-use assets: Motor vehicles US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | | |
| At 1 January 2019 (Audited) | 15 | 3,260 | 1,159 | – | 116 | 1,370 | 182 | 6,102 |
| Charge for the period | 44 | 1,707 | 1,237 | – | 35 | 366 | 107 | 3,496 |
| Disposals | – | (3,007) | (101) | – | – | – | – | (3,108) |
| Exchange differences | – | (1) | 8 | – | – | – | – | 7 |
| At 31 December 2019 and 1 January 2020 (Audited) | **59** | **1,959** | **2,303** | **–** | **151** | **1,736** | **289** | **6,497** |
| Charge for the period | **22** | **1,034** | **608** | **–** | **18** | **162** | **58** | **1,902** |
| Disposals | **–** | **(966)** | **–** | **–** | **–** | **–** | **–** | **(966)** |
| Exchange differences | **–** | **(5)** | **(14)** | **–** | **–** | **–** | **–** | **(19)** |
| At 30 June 2020 (Unaudited) | **81** | **2,022** | **2,897** | **–** | **169** | **1,898** | **347** | **7,414** |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2019 (Audited) | 73 | 2,843 | 3,601 | 632 | 65 | 441 | 173 | 7,828 |
| At 30 June 2020 (Unaudited) | **51** | **2,282** | **3,403** | **872** | **47** | **346** | **115** | **7,116** |

## 8. OTHER INVESTMENTS

| | **30 June 2020 US$'000 (Unaudited)** | 31 December 2019 US$'000 (Audited) |
|---|---|---|
| Unlisted investments, at cost | **4,854** | 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 roll over automatically unless there is a mutual agreement to terminate the products. They were classified as financial assets at amortised cost as their contractual cash flows are solely payments of principal and interest.

## 9. TRADE RECEIVABLES

| | 30 June 2020 US$'000 (Unaudited) | 31 December 2019 US$'000 (Audited) |
|---|---|---|
| Trade receivables | **31,524** | 37,450 |
| Impairment | **(534)** | (534) |
| | **30,990** | 36,916 |

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

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

| | 30 June 2020 US$'000 (Unaudited) | 31 December 2019 US$'000 (Audited) |
|---|---|---|
| Not past due | **21,772** | 28,254 |
| Past due 0–90 days | **7,598** | 7,501 |
| Past due above 90 days | **1,620** | 1,161 |
| | **30,990** | 36,916 |

## 9. TRADE RECEIVABLES (Continued)

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

| | 30 June 2020 US$'000 (Unaudited) | 31 December 2019 US$'000 (Audited) |
|---|---|---|
| At beginning of period/year | **534** | 456 |
| Impairment losses recognised | **–** | 135 |
| Write-off | **–** | (57) |
| At end of period/year | **534** | 534 |

## 10. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | 30 June 2020 US$'000 (Unaudited) | 31 December 2019 US$'000 (Audited) |
|---|---|---|
| Cash and bank balances | **22,433** | 28,766 |
| Less: Pledged deposits: | | |
| Pledged for bank loans | **(286)** | (286) |
| Cash and cash equivalents | **22,147** | 28,480 |
| Denominated in: | | |
| United States dollars ("US$") | **18,143** | 23,805 |
| Singapore dollars ("S$") | **414** | 388 |
| Euros ("EUR") | **130** | 912 |
| British Pound Sterling ("GBP") | **425** | 531 |
| Brazilian Real ("BRL") | **307** | 302 |
| Chinese Renminbi ("RMB") | **521** | 329 |
| Indian Rupee ("INR") | **20** | 20 |
| Hong Kong dollars ("HK$") | **2,473** | 2,479 |
| | **22,433** | 28,766 |

## 10. 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 2020, the Group's pledged deposits amounting to US$286,000 (31 December 2019: US$286,000) were pledged to secure the bank loans granted to the Group (Note 12).

## 11. TRADE PAYABLES

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | **35,360** | 43,307 |

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

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Audited) |
| Not past due | **26,167** | 32,111 |
| Past due 0–90 days | **9,193** | 11,196 |
| | **35,360** | 43,307 |

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

## 12. INTEREST-BEARING BANK LOANS

| | As at 30 June 2020 (Unaudited) | | |
|---|---|---|---|
| | Contractual interest rate *(%)* | Maturity | *US$'000* |
| **Current** | | | |
| Loan from bank – secured | LIBOR+3.0 | 2020 | 14,346 |
| **Non-current** | | | |
| Loan from bank – secured | LIBOR+3.0 | 2021-2023 | 18,412 |
| Loan from bank – unsecured* | 1.0 | 2022 | 549 |
| | | | 18,961 |
| | | | 33,307 |

| | As at 31 December 2019 (Audited) | | |
|---|---|---|---|
| | Contractual interest rate *(%)* | Maturity | *US$'000* |
| **Current** | | | |
| Loan from bank – secured | LIBOR+3.0 | 2020 | 14,346 |
| **Non-current** | | | |
| Loan from bank – secured | LIBOR+3.0 | 2021-2023 | 25,094 |
| | | | 39,440 |

## 12. INTEREST-BEARING BANK LOANS (Continued)

| | 30 June 2020 US$'000 (Unaudited) | 31 December 2019 US$'000 (Audited) |
|---|---|---|
| Loan from bank repayable: | | |
| Within one year or on demand | **14,346** | 14,346 |
| In the second year | **2,346** | 2,346 |
| In the third to fifth years, inclusive | **16,615** | 22,748 |
| | **33,307** | 39,440 |

* Paycheck Protection Program Loan approved by the 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.

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

The bank loan was secured by the following:

(a) Charge over 375,000,000 Shares held by NHPEA IV Home Control Netherlands B.V., the controlling shareholder of the Company (Note 16).

(b) Share charge over Home Control Singapore Pte. Ltd..

(c) Share pledge over Home Control Europe NV.

(d) Share pledge over Premium Home Control Solutions LLC.

(e) A minimum bank balance in the amount equivalent to the interest payable for the next six months and the Group's deposits amounting to US$286,000 (31 December 2019: US$286,000).

## 13. SHARE CAPITAL

| | 30 June 2020 US$'000 (Unaudited) | 31 December 2019 US$'000 (Audited) |
|---|---|---|
| Authorised: | | |
| 5,000,000,000 (31 December 2019: 5,000,000,000) ordinary shares of US$0.01 each | **50,000** | 50,000 |
| Issued and fully paid: | | |
| 501,633,633 (31 December 2019: 501,633,633) ordinary shares of US$0.01 each | **5,017** | 5,017 |

## 14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 501,633,663 (2019: 412,500,000, as adjusted to reflect the capitalization issue during the six months ended 30 June 2019) 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 parent. 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.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

## 14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| Earnings/(loss) | | |
| Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation | **1,503** | (1,210) |

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Unaudited) |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation | **501,633,663** | 412,500,000 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **1,920,380** | – |
| | **503,554,043** | 412,500,000 |

## 15. DIVIDENDS

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| Final declared and paid – US0.27 cents per ordinary share | **1,371** | – |

## 15. DIVIDENDS (Continued)

At the Annual General Meeting held on 26 June 2020, the shareholders approved a final dividend of US0.27 cents per ordinary share, which amounted to US$1,371,000 in respect of the profit for the year ended 31 December 2019. The dividend is paid on 31 July 2020.

## 16. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere, the Group had the following transactions with related parties during the six months ended 30 June 2019 and 30 June 2020:

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| Listing expenses payable/paid by a related party | **–** | 1,696 |

(b) Other transactions with related parties:

The controlling shareholder, NHPEA IV Home Control Netherlands B.V., charged 375,000,000 ordinary shares of the Company as security of the Group's bank loan facilities of up to US$45,000,000 from 15 May 2020.

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| Short-term employee benefits | **823** | 796 |
| Pension scheme contributions | **101** | 134 |
| Total compensation paid to key management personnel | **924** | 930 |

## 17. 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 2020 US$'000 (Unaudited)** | 31 December 2019 US$'000 (Audited) |
| ***Financial assets*** | | |
| Trade receivables | **30,990** | 36,916 |
| Financial assets included in prepayments, other receivables and other assets | **82** | 292 |
| Cash and cash equivalents | **22,147** | 28,480 |
| Pledged deposits | **286** | 286 |
| Other investments | **4,854** | 4,854 |
| | **58,359** | 70,828 |

| | Financial liabilities at amortised cost | |
|---|---|---|
| | **30 June 2020 US$'000 (Unaudited)** | 31 December 2019 US$'000 (Audited) |
| ***Financial liabilities*** | | |
| Trade payables | **35,360** | 43,307 |
| Financial liabilities included in other payables and accruals | **3,310** | 2,914 |
| Dividend payable | **1,371** | – |
| Interest-bearing bank loans | **33,307** | 39,440 |
| Lease liabilities | **481** | 670 |
| | **73,829** | 86,331 |

## 18. 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, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, dividend payables, 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.

## 19. EVENTS AFTER THE REPORTING PERIOD

No other significant events that require additional disclosures or adjustments occurred after the six months ended 30 June 2020.