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HOME CONTROL INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1747)

CHANGE IN USE OF PROCEEDS AND NOTIFIABLE TRANSACTION

Reference is made to the prospectus of Home Control International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 October 2019 (the “**Prospectus**”) and the Company’s announcement dated 13 December 2024. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Annual Reports.

ORIGINAL INTENDED USE OF PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the original estimated net proceeds of HK\$106.54 million (“**Estimated IPO Proceeds**”) were intended to be used for the following purposes:

- approximately HK\$19.10 million (equivalent to US\$2.43 million) or 17.92% of the Estimated IPO Proceeds for research and development as well as other efforts to develop (i) our core products for OTT segment, including developing new features and product capabilities in OTT devices, and work on technology integration of remote control and advanced user interface; and (ii) our extended product lines in smart home products, such as wireless enabled smart home security devices, controllers and hubs in which similar connectivity and two-way communication technologies and software programming as our existing products are embedded. Additional R&D staff responsible for product development and innovation in OTT products as well as R&D staff for researching and development smart home security products are to be hired;
- approximately HK\$30.80 million (equivalent to US\$3.92 million) or 28.91% of the Estimated IPO Proceeds for pursuing strategic investments in or acquisition of companies or businesses primarily in the fields of the design or development of OTT system and/or smart home security products by 2021;

- approximately HK\$18.48 million (equivalent to US\$2.35 million) or 17.35% of the Estimated IPO Proceeds for expanding our professional sales force for a period of four years to support our business expansion, including hiring senior sales personnel for OTT and smart home security segments, sales personnel at management level for business planning and development in our target markets, and account managers for our extended product lines in smart home security;
- approximately HK\$8.80 million (equivalent to US\$1.12 million) or 8.26% of the Estimated IPO Proceeds for extending our supply chain footprint beyond the PRC and strengthening our supply chain management and investment, including providing support to our manufacturing partners to facilitate the set up of production lines, and to provide necessary support to our suppliers in Cambodia;
- approximately HK\$21.12 million (equivalent to US\$2.69 million) or 19.82% of the Estimated IPO Proceeds for repayment of our bank borrowings under a US\$76 million facility agreement dated 12 December 2018 at an interest rate which is the aggregate of LIBOR and 3% per annum pursuant to which US\$45 million were drawn-down and utilised to repay previous banking facilities and will be fully repaid by 2023; and
- approximately HK\$8.25 million (equivalent to US\$1.05 million) or 7.74% of the Estimated IPO Proceeds for our Group’s working capital and general corporate purposes.

The actual net proceeds raised from the initial public offering of the Company were HK\$84.93 million.

CHANGE IN USE OF THE IPO PROCEEDS

As disclosed in the Company’s announcement dated 13 December, 2024, on or around 13 November 2019, a subscription letter (the “**Subscription Letter**”) was signed by a then director of the Company on behalf of the Company to subscribe for a treasury management principal protected product (the “**Investment Product**”) issued by a financial intermediary (the “**Issuer**”) in the amount of HK\$38,000,000 (the “**Subscription**”).

Principal terms of the Subscription Letter are summarised below:

Date:	13 November 2019
Parties:	(1) the Company as the purchaser; and (2) the Issuer.
Product Name:	Treasury Management Principal Protected Product
Principal amount of the Subscription:	up to HK\$50,000,000
Term:	initially 1.5 years and will be automatically rolled over unless terminated by mutual agreement of the parties

Interest:	3% per annum, on an annual and non-compounded basis, payable in lump sum at maturity date
Early redemption:	(i) redeemable by the Issuer or by mutual agreement of the parties; or (ii) redeemable in part upon request by the Company for an amount of no more than 10% of the total proposed dividend(s) to be distributed by the Company to its Shareholders.
Transfer restrictions:	non-transferrable unless agreed by the Issuer
Termination:	by mutual agreement of the parties

Along with the entering into of the Subscription Letter, the Company entered into a custody service letter (the “**Custodian Letter**”) dated 13 November 2019 with a financial intermediary (“**Custodian**”) in relation to the Company’s engagement of the Custodian to act as the custodian of all assets deposited with the securities account and cash account in the name of the Company maintained with the Custodian. The Subscription was settled through a deposit account in the name of the Company maintained with the Custodian.

The Investment Product was disclosed as an investment in financial assets at amortised costs in the Company’s annual and interim reports for 2019, 2020, 2021, 2022 and 2023. For details of the Investment Product, please refer to the Company’s 2023 annual report, the Company’s 2024 interim report and the Company’s announcement dated 13 December 2024.

NOTIFIABLE TRANSACTION

As the highest applicable percentage ratio in respect of the Subscription exceeded 5% but was less than 25%, the Subscription constituted a disclosable transaction of the Company and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INADVERTENT BREACH OF THE LISTING RULES AND REASON FOR SUCH BREACH

The Subscription Letter and the Subscription were not known to the Company’s Board and management at the time of Subscription. To the best of the Company’s knowledge, one of the then directors of the Company entered into the Subscription Letter without disclosing his intention to do so to the Company’s Board.

Accordingly, neither the Subscription nor the change of use of IPO Proceeds was disclosed by the Company at the time of the Subscription.

The entry into the Investment Product came to the attention of the Company’s Board in the course of approving the Company’s financial results for the year ended 31 December 2019, and the Investment Product was disclosed to the Company’s auditor and in the Company’s annual report for 2019 announced on 28 April 2020.

Due to the matters as described above, the Subscription was not disclosed by the Company and the Company has breached the Listing Rules requirements for reporting and announcement requirements as set out in Chapter 14 of the Listing Rules. Nevertheless, details of the Investment Product have been timely updated and disclosed in the annual reports and interim reports of the Company for previous years since 2020.

The current Directors reiterate that they have no intention for such non-compliance and the non-compliance was solely due to the reasons as stated above. The Board would also like to stress that legal and regulatory compliance has been an important culture of the Group and that it has always treated compliance with the Listing Rules as a top priority.

REMEDIAL MEASURES

To avoid the reoccurrence of such non-compliance, the Company intends to adopt the following measures:

1. The Company will maintain closer cooperation with its professional advisers in relation to regulatory compliance.
2. The Company will enhance the training provided to the Directors and the senior management to reinforce their understanding of and to emphasize the importance of strict compliance with the Listing Rules.
3. The Company will strengthen the implementation of its internal control system on transactions including but not limited to coordination and reporting arrangements for notifiable transactions among the various departments of the Company.
4. The Company will seek advice from its professional advisers on the disclosure and other compliance requirements in relation to similar transactions and consult the Stock Exchange if necessary.

The Directors also continue to assess the circumstances around the Subscription and what steps are in the best interests of the Group, including to redeem the balance of the Subscription and other possible actions.

INFORMATION OF THE PARTIES

The Company

The Company was incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is 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 Issuer

The Issuer is a private offshore company. The Issuer is principally engaged in providing equity and equity type financing solutions to enterprises.

The Custodian

The Custodian is a limited company incorporated in Hong Kong. The Custodian is principally engaged in investment management, advisory, and brokerage services primarily to PRC banks, corporate and other institutional clients.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Issuer, the Custodian and their ultimate beneficial owner(s) are independent of the Company and connected persons of the Company (as defined under the Listing Rules), other than that one of the then directors of the Company at the time of the Subscription (being the same director who entered into the Subscription Letter and Custodian Letter) was an independent non-executive director of an affiliate of the Custodian, and appears to have been a director of another affiliate of the Custodian.

By order of the Board
Home Control International Limited
Kwok Hoong SIU
Chief Executive Officer and Executive Director

Hong Kong, 25 February 2025

As of the date of this announcement, the Board comprises Mr. Kwok Hoong SIU as executive Director; Mr. Alain PERROT, Mr. Wei ZHOU and Mr. Ewing FANG as non-executive Directors; and Mr. Werner Peter VAN ECK, Dr. Shou Kang CHEN and Ms. Keet Yee LAI as independent non-executive Directors.