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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 2024

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024, together with the comparative figures for the corresponding period of 2023.

The table below sets forth the reported net profit/(loss) of the Group and the adjusted net profit (non-IFRS measure) of the Group:

	For the six months ended	
	30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Reported Net Profit/(Loss)	3,208	(1,489)
Add: Restructuring and severance costs	545	2,033
Adjusted Net Profit (Non-IFRS measure) (Note)	3,753	544

Note: To supplement the unaudited condensed consolidated interim results of the Group prepared in accordance with the IFRS Accounting Standards (“**IFRS**”) issued by International Accounting Standards Board (“**IASB**”), certain additional non-IFRS measure (in terms of adjusted net profit) has been presented in this announcement. This unaudited non-IFRS measure should be considered in addition to, not as a substitute for, measures of the Group’s financial performance prepared in accordance with the IFRS. This non-IFRS measure could provide additional information to investors and others in understanding and evaluating the interim condensed consolidated financial information of operations of the Group in the same manner as it helps the management compare the financial results across accounting periods and with those of other peer companies. In addition, this non-IFRS measure may be defined differently from similar terms used by other companies.

The adjusted net profit (“**Adjusted Net Profit (non-IFRS measure)**”) eliminates the effect of the non-recurring restructuring and severance costs incurred to optimise the cost structure so as to maintain competitiveness of the Group in the current business environment. The term of Adjusted Net Profit (non-IFRS measure) is not defined under the IFRS. The use of Adjusted Net Profit (non-IFRS measure) has material limitations as an analytical tool, as they do not include all items that impact the profit/loss for the relevant periods. The effect of items eliminated from the Adjusted Net Profit (non-IFRS measure) is a significant component in understanding and assessing the operating and financial performance of the Group.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended	
		30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	5	52,107	50,246
Cost of sales		<u>(36,668)</u>	<u>(38,953)</u>
Gross profit		15,439	11,293
Other income		54	77
Selling and distribution expenses	6	(3,598)	(2,986)
Administrative expenses	6	(5,885)	(6,076)
Provision for impairment loss:			
– Trade receivables		(6)	(29)
Other expenses	6	(1,485)	(3,189)
Finance costs – net	7	<u>(413)</u>	<u>(923)</u>
Profit/(Loss) before tax		4,106	(1,833)
Income tax (expense)/credit	8	(898)	344
Profit/(Loss) for the period and attributable to owners of the Company		<u>3,208</u>	<u>(1,489)</u>
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(71)</u>	<u>(10)</u>
Other comprehensive loss for the period		<u>(71)</u>	<u>(10)</u>
Total comprehensive income/(loss) for the period and attributable to owners of the Company		<u>3,137</u>	<u>(1,499)</u>
Earnings/(loss) per share for profit/(loss) attributable to owners of the company:			
Basic	9	<u>US0.63 cents</u>	<u>US(0.30) cents</u>
Diluted	9	<u>US0.63 cents</u>	<u>US(0.30) cents</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2024 (Unaudited) <i>US\$'000</i>	As at 31 December 2023 (Audited) <i>US\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment and right-of-use assets		2,015	2,775
Other intangible assets		6	12
Goodwill		8,877	8,877
Deferred tax assets		286	217
Other receivables		–	628
Financial asset at amortised costs	13	3,229	–
Total non-current assets		14,413	12,509
Current assets			
Financial asset at amortised costs	13	–	3,229
Inventories		10,863	11,135
Trade receivables	10	24,339	26,251
Prepayments and other receivables		661	740
Cash and cash equivalents	12	19,423	16,872
Total current assets		55,286	58,227
Total assets		69,699	70,736
LIABILITIES			
Current liabilities			
Trade payables	11	24,343	27,711
Other payables and accruals		4,800	4,152
Advance received from customer		–	53
Interest-bearing bank loans	14	13,238	3,834
Lease liabilities		172	393
Provisions		106	131
Tax payable		775	89
Total current liabilities		43,434	36,363
Net current assets		11,852	21,864
Total assets less current liabilities		26,265	34,373

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 30 June 2024 (Unaudited) US\$'000	As at 31 December 2023 (Audited) US\$'000
Non-current liabilities			
Interest-bearing bank loans	<i>14</i>	–	11,171
Lease liabilities		71	114
Provisions		184	188
Deferred tax liabilities		62	89
		<hr/>	<hr/>
Total non-current liabilities		317	11,562
		<hr/>	<hr/>
Net assets		25,948	22,811
		<hr/>	<hr/>
EQUITY			
Share capital		5,067	5,067
Reserves		20,881	17,744
		<hr/>	<hr/>
Total equity		25,948	22,811
		<hr/>	<hr/>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 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 16 August 2024.

This interim condensed 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 2023, which have been prepared in accordance with IFRS issued by IASB.

The preparation of the interim condensed consolidated financial information requires management to make judgements, 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 judgements 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 2023.

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 2023, 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 2024. The Group has adopted all the new and revised standards, amendments and interpretations that are relevant to the Group's operations and mandatory for annual period beginning 1 January 2024. 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 1 January 2024

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangement</i>

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

Amendments to IAS 21 ⁽¹⁾	<i>Lack of Exchangeability</i>
Amendments to IFRS 10 and IAS 28 ⁽²⁾	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

⁽¹⁾ Effective for annual periods beginning 1 January 2025

⁽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 give rise to change in presentation, disclosure and measurements of certain items on the Group's results of operations and financial position, but the impacts are not expected to be significant.

4. OPERATING SEGMENT INFORMATION

An operating segment, in part, is a component of an enterprise whose operating results are regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance. Operating segments may be aggregated only to a limited extent. Management reviews the financial information about revenues and operating results as a whole for purpose of making operating decisions and assessing financial performance. Accordingly, the Group only has a single operating and reportable segment. Therefore, no further information about the operating segment is presented other than the entity-wide disclosures.

Geographical information

(a) Revenue from external customers

	For the six months ended	
	30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
North America	21,713	14,013
Europe	20,259	14,907
Asia	6,864	13,251
Latin America	3,271	8,075
	<u>52,107</u>	<u>50,246</u>

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

(b) Non-current assets

	30 June	31 December
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Audited)
North America	15	30
Europe	132	180
Asia	1,874	2,577
	<u>2,021</u>	<u>2,787</u>

The non-current asset information above is based on the locations of the non-current assets and excludes goodwill, deferred tax assets, other receivables and financial asset at amortised costs.

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 2024 and 2023 is set out below:

	For the six months ended	
	30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Customer 1	10,822	6,372
Customer 2	7,191	N/A*

* The corresponding revenue from the customer was 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	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	52,046	50,134
Royalty income	61	112
	<u>52,107</u>	<u>50,246</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	For the six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time		
– Sale of goods	52,046	50,134
Over time		
– Royalty income	61	112
Total revenue from contracts with customers	<u>52,107</u>	<u>50,246</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	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Government grants (<i>Note (a)</i>)	28	10
Others	26	67
	54	77

- (a) The government grants for the six months ended 30 June 2024 comprised subsidies received from the local governments to support the business operation of the entities.

There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	30,612	32,176
Provision for inventories	459	98
Outsourcing costs	4,617	5,018
Depreciation of property, plant and equipment	679	1,005
Depreciation of right-of-use assets	264	274
Loss on disposal of property, plant and equipment	1	4
Loss on phishing attack*	–	340
Amortisation of other intangible assets	6	10
Distribution costs	594	186
Foreign exchange differences, net	44	49
Auditor's remuneration		
– <i>Audit services</i>	75	121
– <i>Non-audit services</i>	25	59
Restructuring and severance costs	545	2,033
Expenses for short-term leases	–	29
Expenses for low-value leases	2	2
Employee benefits expense		
– <i>Wages and salaries</i>	5,080	5,199
– <i>Pension scheme contributions</i>	905	1,099
– <i>Long service award</i>	11	(2)
– <i>Share award scheme</i>	–	32
– <i>Other employee benefits</i>	121	157

- 1) During the six months ended 30 June 2024, the Group incurred expenses for the purpose of research and development of US\$2,866,000 (2023: US\$3,053,000), which comprised employee benefits expenses of US\$2,048,000 (2023: US\$2,220,000).

- * The Group recorded approximately US\$nil (2023: US\$340,000) in “other expenses” in the Interim Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2024 relating to two business email compromise attacks. These two payments made out to fictitious invoices were reported to relevant law enforcement authorities and investigated by a forensic firm and the Group.

The respected loss has been recovered from insurance in the year ended 31 December 2023. The relevant internal control system was further strengthened.

7. FINANCE COSTS – NET

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Finance costs – net		
Interests on:		
– Bank borrowings	(567)	(873)
– Lease liabilities	(12)	(17)
Amortisation of loan arrangement, facility and legal fees	(33)	(33)
Modification gain on financial assets (<i>Note (a)</i>)	199	–
	(413)	(923)

- (a) The non-current other receivables of US\$628,000 as at 31 December 2023 were loan receivables from a non-related party that bore interest at 11.0% maturing in December 2027. During the six months ended 30 June 2024, the Group agreed with the non-related party to repay the outstanding amounts for a consideration of US\$827,000 and a modification gain of US\$199,000 was recognised.

8. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands, the Company and HCIL Master Option Limited are not subject to any income tax in this jurisdiction.

The Singapore statutory income tax for Home Control Singapore Pte. Ltd. has been provided at the rate of 17% (2023: 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% (2023: 21%), and the state tax has been provided at the rate of 4% (2023: 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% (2023: 25%) on the estimated assessable profits of the PRC subsidiaries of the Group in accordance with the PRC Corporate Income Tax Law. The income tax for HCS (Suzhou) Limited has been provided at the rate of 25% (2023: 15%) on the estimated assessable profits arising in China during the reporting period. Home Control Solutions (Suzhou) Limited qualified as a Micro-sized Enterprise and was subject to a preferential income tax rate of 5% (2023: 5%) for the reporting period.

The corporate income tax rate for Home Control Europe NV has been provided at the rate of 25% (2023: 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% (2023: 24%) on the estimated assessable profits arising in Brazil during the reporting period.

The Group calculates the period income tax expense/(credit) using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense/(credit) are as follows:

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Current tax – Singapore		
Charge for the period	761	87
Under provision in prior periods	1	–
Current tax – United States of America		
Charge for the period	96	85
Current tax – China and elsewhere		
Charge for the period	141	31
	999	203
Deferred tax		
Credit for the year	(101)	(547)
Total tax expense/(credit) for the period	898	(344)

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on profit/(loss) for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 506,650,000 (2023: 502,238,372) in issue.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) 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/(loss) 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/(loss) per share are based on:

	For the six months ended	
	30 June	30 June
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	3,208	(1,489)

	Number of shares	
	For the six months ended	
	30 June 2024	30 June 2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	<u>506,650,000</u>	<u>502,238,372</u>
Effect of dilution – weighted average number of ordinary shares:		
Share awards	<u>–</u>	<u>2,508,171</u>
	<u>506,650,000</u>	<u>504,746,543</u>

10. TRADE RECEIVABLES

	30 June 2024	31 December 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	24,678	26,584
Impairment	(339)	(333)
	<u>24,339</u>	<u>26,251</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 2024	31 December 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
0-90 days	20,479	23,473
91-180 days	2,577	1,628
More than 180 days	1,283	1,150
	<u>24,339</u>	<u>26,251</u>

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

	30 June 2024	30 June 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
At beginning of period	333	253
Impairment loss	6	29
	<u>339</u>	<u>282</u>

11. TRADE PAYABLES

	30 June 2024	31 December 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Trade payables	24,343	27,711

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 2024	31 December 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
0-90 days	18,747	20,546
91-180 days	5,589	7,086
More than 180 days	7	79
	24,343	27,711

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

12. CASH AND CASH EQUIVALENTS

	30 June 2024	31 December 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Cash and cash equivalents	19,423	16,872
Denominated in:		
US\$	14,933	13,066
Euro	1,479	1,363
Singapore Dollar	235	204
RMB	2,135	1,382
British Pound Sterling	225	423
Brazilian Real	238	234
Others	178	200
Total	19,423	16,872

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.

The bank loan of the Group has been presented net of the loan arrangement fee. If Secured Overnight Financing Rate (“**SOFR**”) is less than zero, SOFR shall be deemed to be zero. All interest-bearing bank loans are denominated in USD.

- (a) As at 30 June 2024 and 31 December 2023, the bank loan was secured by a floating charge over bank accounts of Home Control Singapore Pte. Ltd. (“**HCS**”) amounting to approximately US\$14.7 million (2023: US\$11.0 million).
- (b) As at 30 June 2024, pursuant to a bank loan agreement of HCS, one of the financial covenant was breached, mainly related to the maintenance of a financial measure above an agreed level against the Group’s payment obligations within a twelve month period. As a result, the lender has the right to demand immediate repayment of the bank loan with principal of US\$10,850,000 and related interest by HCS and the entire balance is classified as a current liability.

On discovery of the breach, the Group had informed the lender subsequent to balance sheet date, and the lender has agreed to waive the non-compliance of the financial covenant prior to the date of this announcement.

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

	30 June 2024 (Unaudited) US\$’000	31 December 2023 (Audited) US\$’000
Analysed into:		
Loan from bank repayable:		
– Within one year or on demand	13,238	3,834
– In the second year	–	7,359
– In the third to fifth year, inclusive	–	3,812
	<u>13,238</u>	<u>15,005</u>

15. DIVIDENDS

No dividend has been declared by the Company during the six months ended 30 June 2024 and 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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 over 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, 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 in the pay television (TV) operator and consumer electronics domains since its inception. In addition, its sustainability portfolio, including solar and ultra-low power platforms, has received broad industry recognition and commercial interest.

The Company continues to invest in various remote control technologies, including in the areas of sustainability, advanced sensors, as well as targeted solutions for vertical segments.

BUSINESS REVIEW

The Group’s revenue for the six months ended 30 June 2024 came in at approximately US\$52.1 million, representing a slight increase of approximately 3.7% from approximately US\$50.2 million in the same period in 2023.

In line with the market expectation, and with the automation and improved cost management measures adopted by the Group as set out in the Company’s annual report 2023, coupled with a product mix with higher margins, as well as greater efficiency and material savings, and without taking into account the non-recurring restructuring costs of approximately US\$0.5 million incurred related to further optimising the cost structure, the Group has turned in an adjusted net profit (non-IFRS measure) of approximately US\$3.8 million for the six months ended 30 June 2024 as compared to an adjusted net profit (non-IFRS measure) of approximately US\$0.5 million for the six months ended 30 June 2023.^(Note)

Note: To supplement the unaudited condensed consolidated interim results of the Group prepared in accordance with the IFRS Accounting Standards (“IFRS”) issued by International Accounting Standards Board (“IASB”), certain additional non-IFRS measures (in terms of adjusted net profit) has been presented in this announcement. This unaudited non-IFRS measure should be considered in addition to, not as a substitute for, measures of the Group’s financial performance prepared in accordance with the IFRS. This non-IFRS measure could provide additional information to investors and others in understanding and evaluating the unaudited condensed consolidated interim results of operations of the Group in the same manner as it helps the management compare the financial results across accounting periods and with those of other peer companies. In addition, this non-IFRS measure may be defined differently from similar terms used by other companies.

The adjusted net profit (“**Adjusted Net Profit (non-IFRS measure)**”) eliminates the effect of the non-recurring restructuring and severance costs incurred related to optimising the cost structure so as to maintain competitiveness of the Group in the current business environment. The term of Adjusted Net Profit (non-IFRS measure) is not defined under the IFRS. The use of Adjusted Net Profit (non-IFRS measure) has material limitations as an analytical tool, as they do not include all items that impact the profit/loss for the relevant periods. The effect of items eliminated from the Adjusted Net Profit (non-IFRS measure) is a significant component in understanding and assessing the operating and financial performance of the Group.

PROSPECT AND OUTLOOK

The persistent and heightened worldwide inflation has pivoted, but the instability of the political and economic situation arising from conflicts in Russia-Ukraine and the Middle East region, as well as the risk of global recession due to high interest rates are not averted yet. These factors may impede customer resummptions 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, 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.

While the Group will continue to take steps in cost management, fresh resources will be channeled into research & development, sales force expansion to diversify into several adjacent spaces of the business, as well as improvements of its supply chain to support the existing business and the ongoing diversification. Its new digital automated production site located in the Hunan province of China has started mass production according to plan and is running at the planned capacity. The Group has mitigation plans in place if and when the global political situation evolves to materially impact the freedom of trades within our business.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2024 increased by approximately 3.7% (approximately US\$1.9 million) compared to the six months ended 30 June 2023 mainly due to an approximate US\$13 million increase in revenue in the North America and Europe regions, partially offset by an approximate US\$11.1 million decrease in the Asia and Latin America regions.

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 2024 and 30 June 2023, respectively.

	For the six months ended 30 June 2024		For the six months ended 30 June 2023		Changes	
	US\$'000 (Unaudited)	% of Revenue	US\$'000 (Unaudited)	% of Revenue	US\$'000	%
North America	21,713	41.6	14,013	27.9	7,700	55.0
Europe	20,259	38.9	14,907	29.7	5,352	35.9
Asia	6,864	13.2	13,251	26.4	(6,387)	(48.2)
Latin America	3,271	6.3	8,075	16.0	(4,804)	(59.5)
Total	<u>52,107</u>	<u>100.0</u>	<u>50,246</u>	<u>100.0</u>	<u>1,861</u>	<u>3.7</u>

Cost of sales

The cost of sales of the Group mainly consists of components including finished goods from ODM (original design manufacturing), outsourcing and overheads. The cost of sales amounted to approximately US\$36.7 million and approximately US\$39.0 million for the six months ended 30 June 2024 and the six months ended 30 June 2023 respectively, representing approximately 70.4% and approximately 77.5% 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 2024 and the six months ended 30 June 2023, respectively.

	For the six months ended 30 June 2024		For the six months ended 30 June 2023	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Cost of components	31,069	84.7	32,274	82.9
Outsourcing	4,617	12.6	5,019	12.9
Overheads	982	2.7	1,660	4.2
	<u>36,668</u>	<u>100.0</u>	<u>38,953</u>	<u>100.0</u>

Gross profit

Gross profit increased by approximately US\$4.1 million from approximately US\$11.3 million for the six months ended 30 June 2023 to approximately US\$15.4 million for the six months ended 30 June 2024. Gross profit has increased mainly due to better product mix.

Other income

Other income of the Group has remained the same at approximately US\$0.1 million for the six months ended 30 June 2024 and 30 June 2023 respectively.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately US\$3.0 million for the six months ended 30 June 2023 to approximately US\$3.6 million for the six months ended 30 June 2024. The increase in selling and distribution expenses was mainly due to an approximate US\$0.4 million increase in distribution expenses and an approximate US\$0.3 million increase in professional fees.

Administrative expenses

Administrative expenses of the Group decreased by approximately US\$0.2 million, from approximately US\$6.1 million for the six months ended 30 June 2023 to approximately US\$5.9 million for the six months ended 30 June 2024. The decrease was mainly due to an approximate US\$0.2 million decrease in wages and salaries, pension contribution expenses and other personnel expenses.

Other expenses

Other expenses of the Group decreased from approximately US\$3.2 million for the six months ended 30 June 2023 to approximately US\$1.5 million for the six months ended 30 June 2024. The decrease of US\$1.7 million was mainly due to an approximate US\$1.5 million decrease in restructuring expenses, an approximate US\$0.4 million decrease in outsourced payroll services, partially offset by a US\$0.2 million reduction in non-recurring engineering costs recovery.

Finance costs – net

Comparing to the six months ended 30 June 2023, net finance cost of the Group incurred during the six months ended 30 June 2024 decreased by approximately US\$0.5 million. The decrease was mainly due to an approximate US\$0.3 million decrease in interest on bank loans and an approximate US\$0.2 million decrease due to modification gain on financial assets.

Profit/(Loss) before tax

Profit before tax of the Group for the six months ended 30 June 2024 was approximately US\$4.1 million, as compared to a loss before tax of approximately US\$1.8 million for the six months ended 30 June 2023. This was mainly due to the changes of the profit and loss items stated above.

Income tax expense

The Group's income tax expense increased from a tax credit of approximately US\$0.3 million for the six months ended 30 June 2023 to a tax expense of approximately US\$0.9 million for the six months ended 30 June 2024. The income tax expense for the six months ended 30 June 2024 was higher mainly due to an increase in profit before tax.

Profit/(Loss) 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 2024, representing an increase of approximately US\$4.7 million from the loss after tax for the six months ended 30 June 2023 of approximately US\$1.5 million.

Earnings/(Loss) per Share

The basic and diluted earnings/(loss) per share of the Group for the six months ended 30 June 2024 is US0.63 cents and US0.63 cents, respectively (six months ended 30 June 2023: US(0.30)cents and US(0.30) cents).

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2024, the Group had cash and cash equivalents of approximately US\$19.4 million. The Board is of the opinion that the financial position of the Group is 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 2024 and 30 June 2023, respectively:

	For the six months ended	
	30 June 2024 US\$'000 (Unaudited)	30 June 2023 US\$'000 (Unaudited)
Net cash generated from operating activities	5,507	5,951
Net cash used in investing activities	(159)	(501)
Net cash used in financing activities	(2,654)	(7,990)
Net increase/(decrease) in cash and cash equivalents	2,694	(2,540)
Cash and cash equivalents at beginning of the period	16,872	15,317
Effects of exchange rate changes on cash and cash equivalents	(143)	17
Cash and cash equivalents at end of the period	19,423	12,794

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 2024 adjusted for (i) non-cash item such as depreciation of property, plant and equipment, and depreciation of right-of-use assets, interest expenses, provision for inventories and other items, which lead to the operating profit before changes in working capital; and (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, which result in net cash generated from operating activities.

For the six months ended 30 June 2024, the Group's net cash generated from operating activities was approximately US\$5.5 million, primarily due to (i) cash generated before working capital changes of approximately US\$6.0 million; (ii) decrease in trade receivables of approximately US\$2.1 million; (iii) decrease in prepayment and other receivables of approximately US\$0.7 million, partially offset by (iv) decrease in trade payables of approximately US\$3.4 million.

Net cash flow used in investing activities

Cash flow used in investing activities mainly relates to purchase of property, plant and equipment of approximately US\$0.2 million. For the six months ended 30 June 2024, the Group's net cash used in investing activities was approximately US\$0.2 million, which was primarily attributable to purchases of property, plant and equipment of approximately US\$0.2 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 2024, the Group's net cash flow used in financing activities was approximately US\$2.7 million, mainly attributable to approximately US\$1.8 million repayment of interest-bearing bank loans, approximately US\$0.6 million interest paid on loans, and approximately US\$0.3 million repayment of lease obligations.

NET CURRENT ASSETS

The Group's net current assets decreased by approximately US\$10.0 million from approximately US\$21.9 million as at 31 December 2023 to approximately US\$11.9 million as at 30 June 2024. The decrease was primarily due to (i) a decrease in trade receivables of approximately US\$1.9 million; (ii) an increase in interest-bearing loans of approximately US\$9.4 million; (iii) an increase in other payables and accruals of approximately US\$0.6 million; (iv) an increase in tax payable of approximately US\$0.7 million, and (v) reclassification of financial asset at amortised costs from current to non-current of approximately US\$3.2 million, which were partially offset by (i) an increase in cash and cash equivalents of approximately US\$2.6 million; and (ii) a decrease in trade payables of approximately US\$3.4 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 2024, the Group's capital expenditure amounted to approximately US\$0.2 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 2024, 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 statements.

BANK LOANS AND CONTINGENT LIABILITIES

Bank loans

The Group's bank loans primarily consisted of short-term trade financing from bank. As at 30 June 2024, the Group had approximately US\$13.2 million (2023: US\$3.8 million) from short-term bank loans.

As at 30 June 2024, there was a floating charge over bank accounts of Home Control Singapore Pte. Ltd. amounting to approximately US\$14.7 million to secure the Group's bank loans.

Contingent liabilities

As at 30 June 2024, 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 2024 and 31 December 2023 are approximately 22.2% and approximately 25.1%, 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 2024.

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 2024.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is U.S. Dollar. The sales of the Group are mainly denominated in U.S. Dollar while purchases are mainly denominated in U.S. Dollar or RMB. 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 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 2024, the Group had 146 employees (31 December 2023: 150 employees). The employees benefit expense incurred during the six months ended 30 June 2024 was approximately US\$6.1 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 2024. The Company adopted the Scheme on 1 May 2015 as incentive for eligible employees. As at 1 May 2022, the Scheme was terminated upon the expiry of the Scheme period. No new options were granted and exercised thereunder during six months ended 30 June 2024. As at 1 May 2022, 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. The Share Award Scheme shall terminate on the earlier of (i) the tenth (10th) anniversary date of the 20 August 2020; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Grantees under the Share Award Scheme. 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. On 5 October 2022, 2,508,166 Award Shares were vested and the Board has resolved to allot and issue a total of 2,508,166 new Shares, representing approximately 0.50% of the total issued Shares as at the date of this announcement of which (a) 1,191,379 new Shares were allotted and issued to four connected Selected Grantees (being Mr. Alain PERROT, Chairman of the Board and the then executive Director (and currently a non-executive Director), and three other connected Selected Grantees who are directors of certain subsidiaries of the Company) pursuant to specific mandate; and (b) 1,316,787 new Shares were allotted and issued to six non-connected Selected Grantees pursuant to general mandate. On 5 October 2023, 2,508,171 Award Shares were vested and the Board has resolved to allot and issue a total of 2,508,171 new Shares, representing approximately 0.50% of the total issued Shares as at the date of this announcement of which (a) 1,191,381 new Shares were allotted and issued to four connected Selected Grantees (being Mr. Alain PERROT, Chairman of the Board and the then executive Director (and currently a non-executive Director), and three other connected Selected Grantees who are directors of certain subsidiaries of the Company) pursuant to specific mandate; and (b) 1,316,790 new Shares were allotted and issued to six non-connected Selected Grantees pursuant to general mandate. As at 30 June 2024, all 5,016,337 Award Shares granted under the Share Award Scheme have been vested and no new Share Awards have been granted during the period. Accordingly, no Award Shares remain outstanding and unvested as at 30 June 2024. The details of the Share Award Scheme are disclosed in the announcements of the Company dated 20 August 2020, 5 October 2020 and 12 November 2020; and the circular of the Company dated 27 October 2020.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

INTERIM DIVIDEND

No dividend was proposed in respect of the six months ended 30 June 2024.

EVENTS AFTER THE REPORTING PERIOD

No other important events affecting the Company and its subsidiaries that require additional disclosures or adjustments occurred after the six months ended 30 June 2024 and up to the date of this announcement.

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 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 2024 except for the deviation 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 Company structure up to and until 31 March 2024, Mr. Alain PERROT was the Chairman and CEO. The Board believed 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 considered that the deviation from the code provision C.2.1 of the Corporate Governance Code was acceptable in such circumstance. In addition, at that relevant time, apart from Mr. Alain PERROT being the executive Director, the Board comprised two non-executive Directors and three independent non-executive Directors, the Board was appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders. Following the resignation of Mr. Alain PERROT from his role as the CEO and the appointment of Mr. Kwok Hoong SIU as the executive Director and the CEO with effect from 1 April 2024, the Company has fully complied with the requirements as set out in the code provision C.2.1 of the Corporate Governance Code. For details, please refer to the announcement of the Company dated 5 March 2024.

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.

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 confirmed that they have complied with the Model Code during the six months ended 30 June 2024.

REVIEW OF FINANCIAL INFORMATION BY THE AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the audit committee of the Company consists of the three independent non-executive Directors, namely, Dr. Shou Kang CHEN (Chairman), Mr. Werner Peter VAN ECK and Ms. Keet Yee LAI.

The audit committee of the Company has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 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 results announcement. The unaudited interim financial information of the Group for the six months ended 30 June 2024 has been reviewed by the auditor of the Company 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.

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 2024.

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 2024 containing all information required by the Listing Rules will be made available on the above websites in due course.

DEFINITIONS

“Award Shares”	in respect of a Selected Grantee, such number of Shares determined by and granted by the Board pursuant to the 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 Part 2 of Appendix C1 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 C3 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“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(s)”	the eligible participant(s) 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. dollar” or “US\$”	United States dollar, the lawful currency of the United States

On behalf of the Board
Home Control International Limited
Kwok Hoong SIU
Chief Executive Officer and
Executive Director

Hong Kong, 16 August 2024

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.