KANTONE HOLDINGS LIMITED
看 通 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1059)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kantone Holdings Limited (the "**Company**", together with its subsidiaries, collectively, the "**Group**") announces the consolidated results of the Group for the year ended 30 June 2020 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	**2020**	2019
		HK\$'000	*HK\$'000*
Revenue	*3*	**146,944**	143,966
Cost of sales		**(63,813)**	(59,679)
Gross profit		**83,131**	84,287
Other income, gains and losses		**5,929**	3,407
Gain on disposal of subsidiaries		**–**	109
Distribution costs		**(27,172)**	(29,229)
General and administrative expenses		**(58,392)**	(54,014)
Impairment losses recognised for inventories		**(22)**	–
Research and development costs expensed		**(1,556)**	(2,518)
Finance costs		**(808)**	(249)

	Note	2020 HK$'000	2019 HK$'000
Profit before taxation		**1,110**	1,793
Income tax credit	*5*	**2,765**	644
Profit for the year		**3,875**	2,437
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefits pension plans		**(20,922)**	(882)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(3,314)**	(5,011)
Other comprehensive expense for the year		**(24,236)**	(5,893)
Total comprehensive expense for the year		**(20,361)**	(3,456)
Earnings per share			
— Basic and diluted	*7*	**HK1.94 cents**	HK1.24 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**27,921**	28,666
Right-of-use assets		**3,890**	–
Development costs for systems and networks		**–**	–
		31,811	28,666
Current assets			
Inventories	*8*	**20,721**	24,227
Trade and other receivables	*9*	**21,322**	25,157
Loan receivables	*10*	**14,480**	–
Tax recoverable		**2,437**	1,023
Cash and cash equivalents		**95,472**	83,365
		154,432	133,772
Current liabilities			
Trade and other payables	*11*	**44,452**	39,547
Contract liabilities		**22,096**	21,587
Lease liabilities		**2,177**	–
Warranty provision		**1,230**	1,347
Amount due to a director		**2,180**	4,180
Amount due to ultimate holding company		**8,561**	3,016
Tax payable		**93**	2
		80,789	69,679
Net current assets		**73,643**	64,093
Total assets less current liabilities		**105,454**	92,759

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**1,893**	–
Retirement benefit obligations	**50,740**	25,301
	52,633	25,301
Net assets	**52,821**	67,458
Capital and reserves		
Share capital	**21,704**	19,731
Reserves	**31,117**	47,727
Total equity	**52,821**	67,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all the HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong. Historical cost is generally based on the fair value of the consideration given in exchange for goods. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied, for the first time in the current year, the following new and revised HKFRSs issued by the HKICPA:

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRSs	Annual Improvements 2015–2017 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 Leases ("**HKFRS 16**") for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets. The lease liabilities were measured at their present value discounted using the incremental borrowing rates of the relevant group entities at the date of initial application. And the right-of-use assets were measured, by applying HKFRS 16.C8(b)(i) transition, at their carrying amounts as if the standard applied since the commencement date but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of lease with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate of around 3.5% has been applied.

	At 1 July 2019 *HK$'000*
Operating lease commitments disclosed as at 30 June 2019	6,207
Lease liabilities discounted at relevant incremental borrowing rates	6,036
Less: Recognition exemption — short term leases	(2,318)
Lease liabilities as at 1 July 2019	3,718
Analysed as:	
Current	1,402
Non-current	2,316
	3,718

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,509
By class:	
Buildings	1,886
Motor vehicles	1,623
	3,509

As a lessor

Lessor accounting under HKFRS 16 is substantially, unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 does not have an impact for leases where the Group is the lessor.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 July 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Right-of-use assets	–	3,509	3,509
Current Liabilities			
Lease liabilities	–	1,402	1,402
Non-current Liabilities			
Lease liabilities	–	2,316	2,316
Capital and Reserves			
Accumulated losses	(1,718,789)	(209)	(1,718,998)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[5]
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods on or after 1 January 2021

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact of the amounts reported and disclosures made in the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the amounts received and receivable for goods sold and services provided by the Group to external customers.

The revenue of the Group comprises the following:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Technology — Sales of systems including software licensing	**89,410**	92,961
Technology — Rendering of installation and maintenance services	**36,108**	29,366
Technology — System sales including software licensing and maintenance services	**125,518**	122,327
Technology — Leasing of system products	**21,426**	21,639
	146,944	143,966

(b) Segment information

The operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs, which are regularly reviewed by the executive directors, for the purpose of allocating resources to segments and assessing their performance. Three operating and reportable segments under HKFRS 8 Operating Segments are identified as follows:

- Sales of cultural products – includes income from trading of cultural products
- Technology: System sales including software licensing and services – includes income from sales of systems including software licensing and provision of installation and maintenance services
- Technology: Leasing of system products – includes income from leasing of system products

Segment results represent the profit or loss before taxation recognised by each reportable segment, excluding interest income, finance costs, unallocated income and expenses such as central administration costs and directors' salaries. This is the measure reported to the executive directors, the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance.

Information regarding the above segments is reported below:

		Technology		
	Sales of cultural products *HK$'000*	**System sales including software licensing and services** *HK$'000*	**Leasing of system products** *HK$'000*	**Consolidated** *HK$'000*
Year ended 30 June 2020				
REVENUE				
External and total revenue				
Recognised at a point in time	**–**	**89,410**	**–**	**89,410**
Recognised over time	**–**	**36,108**	**21,426**	**57,534**
	–	**125,518**	**21,426**	**146,944**
RESULTS				
Segment result	**(516)**	**15,047**	**3,115**	**17,646**
Interest income				**2,691**
Finance costs				**(808)**
Unallocated expenses, net				**(18,419)**
Profit before taxation				**1,110**

	Sales of cultural products	Technology: System sales including software licensing and services	Technology: Leasing of system products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2019				
REVENUE				
External and total revenue				
Recognised at a point in time	–	92,961	–	92,961
Recognised over time	–	29,366	21,639	51,005
	–	122,327	21,639	143,966
RESULTS				
Segment result	(1,035)	13,243	2,915	15,123
Interest income				1,150
Gain on disposal of subsidiaries				109
Finance costs				(249)
Unallocated expenses, net				(14,340)
Profit before taxation				1,793

	Sales of cultural products	**Technology: System sales including software licensing and services**	**Technology: Leasing of system products**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 30 June 2020				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	**21**	**6,775**	**610**	**7,406**
Depreciation of right-of-use assets	**–**	**1,570**	**275**	**1,845**
Impairment losses recognised for inventories	**22**	**–**	**–**	**22**

	Sales of cultural products	Technology: System sales including software licensing and services	Technology: Leasing of system products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2019				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	63	6,062	510	6,635

No information about segment assets and liabilities is presented as such information is not regularly provided to the chief operating decision maker for resource allocation and performance assessment purposes.

(c) Geographical information

The following table provides an analysis of the Group's revenue and non-current assets by location of customers and by location of assets respectively:

	Revenue Year ended 30 June		**Non-current assets As at 30 June**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
People's Republic of China (the "**PRC**"), including Hong Kong and Macau	**–**	–	**2**	26
Europe (mainly United Kingdom ("**UK**") and Germany)	**146,944**	143,966	**31,809**	28,640
	146,944	143,966	**31,811**	28,666

(d) Information about major customer

Revenue from customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**27,310**	15,152

Customer A contributed revenue from system sales including software licensing and services.

4. DEPRECIATION

	2020	2019
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment, included in general and administrative expenses	**7,406**	6,635
Depreciation of right-of-use assets included in general and administrative expenses	**1,845**	–

5. INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
— Germany corporate income tax	**329**	405
— Malaysia corporate income tax	**150**	10
	479	415
Overprovision in prior years:		
— UK corporate income tax	**(3,244)**	(1,059)
Income tax credit	**(2,765)**	(644)

UK corporate income tax is calculated at 19% (2019: 19%) on the estimated assessable profit derived from UK.

Pursuant to the rules and regulations of Germany, the Group is subject to corporate income tax at 15% (2019: 15%) on the estimated assessable profit of the subsidiary which carried on business in Germany.

Pursuant to the rules and regulations of Malaysia, the Group is subject to corporate income tax at 24% (2019: 24%) on the estimated assessable profit of the subsidiary which carried on business in Malaysia.

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits derived from Hong Kong. There is no estimated assessable profit for Hong Kong Profits Tax for both years.

6. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2020 nor has any dividend been proposed since the end of reporting period (2019: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**3,875**	2,437
Number of ordinary shares	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**199,632**	197,308

Diluted earnings per share for the year ended 30 June 2020 and 30 June 2019 were the same as the basic earnings per share as there were no potential ordinary shares outstanding during both years.

8. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**8,464**	7,117
Work in progress	**2,056**	6,352
Finished goods *(notes)*	**10,201**	10,758
	20,721	24,227

Notes:

(i) Included in finished goods are cultural products (including precious stone and artifacts) of HK$4,014,000 (2019: HK$4,187,000) which are held for trading and resale in the ordinary course of business.

(ii) As at 30 June 2020 and 2019, all cultural products of the Group were stored in a warehouse run by a world-renowned security company, which is an independent third party to the Group.

9. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables *(note)*	**14,299**	22,889
Other receivables	**7,023**	2,268
	21,322	25,157

Note:

The Group maintains a well-defined credit policy regarding its trade customers depending on their credit worthiness, nature of services and products, industry practice and condition of the market with credit period ranging from 30 days to 180 days.

The ageing analysis of trade receivables (after impairment allowance) presented based on the invoice date at the end of the reporting period is as follows:

	2020	2019
	HK$'000	*HK$'000*
0–60 days	**10,753**	18,811
61–90 days	**3,180**	3,453
91–180 days	**366**	625
	14,299	22,889

Before accepting any new customer, the Group's finance and sales management team would assess the potential customer's credit worthiness and define credit limits accordingly for the customers. Credit limits attributable to customers are reviewed regularly with reference to past settlement history and where appropriate, information about their current reputation. The Group's finance and sales management team considers trade receivables that are neither past due nor impaired to be of a good credit quality as continuous repayments have been received.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2020	2019
	HK$'000	*HK$'000*
Neither past due nor impaired	**14,299**	21,756
Less than 1 month past due	**–**	853
1 to 3 months past due	**–**	280
	–	1,133
	14,299	22,889

10. LOAN RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Loan receivables	**19,965**	5,808
Less: provision for impairment losses	**(5,485)**	(5,808)
	14,480	–

As at 30 June 2020, loan receivables (net of ECL) of HK$14,480,000 (2019: Nil) were due from five borrowers (2019: a borrower), unsecured and with personal guarantee. All the loan receivables are denominated in RMB. The loan receivables carry fixed interest rates ranging from 10% to 16% (2019: 10%) per annum with maturity date within 12 months from the loan draw down date. Up to the date of this announcement, HK$14,480,000 was received by the Group.

11. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**5,933**	3,954
Other payables	**38,519**	35,593
	44,452	39,547

The aging analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2020	2019
	HK$'000	*HK$'000*
0–60 days	**5,933**	3,954

The credit period for purchases of goods ranged from 30 days to 60 days.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Revenue

The Group reported a revenue for the year under review of approximately HK$147 million, as compared with approximately HK$144 million of the previous year.

The Group recorded an increase in revenue of approximately HK$3 million. During the year under review, the Group's growth in the European market within the healthcare, emergency services and smart city communication sectors remained steady.

In order to maintain the products' competitiveness, the Group has continued to focus on optimizing its development resources to provide customers with specific critical messaging solutions in the niche markets.

In addition, the Group's management has been working with the technical team in UK to develop a new business model for our potential customers in mainland China and Hong Kong market by providing them with tailor-made solutions. For details, please refer to the "OUTLOOK" section.

Profit Attributable to Owners of the Company

Profit for the year was approximately HK$3.9 million, as compared with the profit for the previous fiscal year of approximately HK$2.4 million, representing an increase of approximately 62.5 percent. Earnings per share is HK$1.94 cents compared with earnings per share of HK$1.24 cents with the previous year.

Distribution Costs

The Group's distribution costs for the year were mainly attributed to our principal subsidiary in UK — Multitone Electronics PLC ("**Multitone UK**"), which recorded distribution costs for the year under review of approximately HK$27 million as compared with approximately HK$29 million in 2019.

General and Administrative Expenses

General and administrative expenses for the year increased by approximately 7.4 percent to approximately HK$58 million from approximately HK$54 million of previous year. For this year, even the general and administrative expenses remained at an acceptable level with some mitigation of cost, the net amount was still increased. This was mainly owing to the recognition of the cost of retirement benefit of approximately HK$9.3 million (2019: approximately HK$1 million).

Impairment Losses

The Group recognised an impairment loss on inventories of approximately HK$22,000 (2019: Nil) in the fiscal year 2020.

Finance Costs

Finance costs for the year increased to approximately HK$808,000 from approximately HK$249,000 as compared with the fiscal year 2019.

REVIEW OF OPERATIONS

2020 has been a most volatile year. The outbreak of COVID-19 has swept the world by storm. Tourism and flight transportation industry were suddenly brought to a standstill. The dining and retail industries have slowed to a trickle. The stock market of the financial and traditional sectors plunged and the surrender of deposits by buyers of newly developed properties resurfaced. Global business environment was gravely challenging.

COVID-19 has forced people to keep social distance. Traditional business sectors were suffering from the impact of the pandemic, although the degree of impact varied across different sectors. However, the development of information technology industry seems to have been scarcely affected. The pandemic has provoked people to rethink deeper contemplation, it also compels management of enterprises and social organizations to transform and look for smart intelligent products, and the awareness for social distancing. The needs to reduce social contact are recognized by the society as a whole. The business of the Group has always targeted for high-tech and smart products. It is time for the Group to serve the society with its profession and tailor-made IoT smart products. There are ample business opportunities ahead of the Group.

System Products

The progress of our plan to develop a new business model with our holding company — Champion Technology Holdings Limited for our potential customers in mainland China and Hong Kong market experienced some delay due to the pandemic, and new system solution product for our target customers, such as IoT integration will be our development focus. For details, please refer to the "OUTLOOK" section.

COVID-19 has disrupted human communications and traditional supply chains, which in turn has evolved into an economic crisis. However, the presence of Internet of Things (IoT), through smart machines and remote control, has helped operators reduce or eliminate the need for direct contact with customers while continuing with social and economic activities. We are confident that the Group will efficiently harness technology to overcome all challenges! The Group is committed to the promotion of IoT, which is the best anti-pandemic means for corporates to revolutionize their business with smart elements, in order to get out of the shadow of COVID-19 and to lead the field as it revives.

Cultural Products

Cultural products, including precious stones and artifacts, valued at HK$4,014,000 (as at 30 June 2019: HK$4,187,000) which have been held for trading in the ordinary course of business are included in the inventories of the Group as at 30 June 2020.

All such cultural products, totalling 143 pieces, have been kept in a secured warehouse run by a world-renowned security solution company, which is an independent third party to the Group.

OUTLOOK

No one could have gazed into a crystal ball and forecasted the pandemic and recession this year. In spite of this, the management of the Group remains prudent in financial management and will keep monitoring the external economic environment. Although the business environment is unprecedently challenging, the Group will persevere with its operation amidst adversity.

The Group is technology based and has played an active part in the fight against pandemic.

Expansion of the markets and customer base for our Multitone UK into Mainland China was temporarily delayed somewhat by the pandemic. Due to this reason, our holding company, Champion Technology Holdings Limited decided to partner with the founder of OT Systems Limited ("**OT systems**") by setting up a subsidiary company to attain synergy effect and to take the first step in providing service in Hong Kong before fully exploring Mainland China market. OT Systems has extensive business network and possesses advanced and excellent technology in the field of networking products, a number of mobile surveillance, thermal detection, smart environment and hygiene solutions and construction safety solutions, etc. Their customers include Hong Kong International Airport and Food and Environmental Hygiene Department, Environmental Protection Department, Water Supplies Department, CLP Power Hong Kong Limited and China Overseas Construction, etc. In addition, their Artificial Intelligence Video Analytics for traffic control helps us improve and promote our Mall Call Smart Alert System in UK and also in Hong Kong. A smart city is one which applies different innovation and technology in the systems and services of urban management to enhance resource efficiency, urban management and services and the betterment of citizen's quality of life. The furtherance of smart city has always been a top priority in the government's agenda. The business in smart city application are a relatively stable and safe source of revenue.

The Covid-19 has not yet been under control. The Group will continue to use stable, long-lasting, and far-reaching smart communication technology to assist customers and the public to overcome the difficulty.

Transformation in the midst of stability is the doctrine of the Group. Our advanced IoT technology, professional and diligent team and responsiveness in decision making are the best assets of the Group. To accommodate the Group and its customers with enhanced returns in the long run, the Group will continue to commit to innovation in order to cater for the social needs. At the same time, it will keep creating a variety of business opportunities and promoting technology development to contribute to the prosperity of the industry.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position and Gearing

The Group's financial position remained positive.

As at 30 June 2020, the Group had approximately HK$95 million (2019: approximately HK$83 million) liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK$154 million (2019: approximately HK$134 million) and current liabilities amounted to approximately HK$81 million (2019: approximately HK$70 million). With net current assets of approximately HK$74 million (2019: approximately HK$64 million), the Group maintained a healthy level of financial liquidity. As at 30 June 2020, the Group had no borrowings (2019: no borrowings) and a zero gearing ratio (2019: zero gearing ratio of the Group, defined as the Group's total borrowings to equity attributable to owners of the Company, was zero).

As at 30 June 2020, the Group had no borrowings (2019: no borrowings). Finance costs for the year was approximately HK$808,000 (2019: approximately HK$249,000).

Fund Raising Activities

During the year ended 30 June 2020, the Group completed a fund-raising exercise to strengthen its financial position and raised total gross proceeds of approximately HK$6.3 million, with the net proceeds therefrom having been applied as follows:

Date of Announcement	**Fund raising activity**	**Net proceeds raised**	**Intended use of proceeds**	**Actual use of proceeds**
6 May 2020	Placing of new Ordinary shares under general mandate	Approximately HK$5.9 million	General working capital purpose	HK$2.0 million was utilized for repayment of a loan owing to Director and approximately HK$300,000 was utilized for administrative expenses and operation expenses; and the remaining amount of approximately HK$3.6 million will be utilized for general working capital purpose.

Set out below is a further breakdown of the use of approximately HK$300,000 as administrative expenses and operation expenses:

Use of proceeds	**Amount** *(HK$'000)*
Directors' remuneration	140
Legal and professional fees	139
General expenses	21
Total:	300

Treasury Policy

The Group is committed to manage its financial resources prudently and to maintain a positive liquid financial position with reasonable gearing. The Group finances its operation and business development by a combination of internally generated resources, capital market instruments and banking facilities.

As there was no borrowing during the year under review, there was no currency risk exposure associated with the Group's borrowings.

The Group does not engage in any speculative derivatives or structured product transactions, interest rate or foreign exchange speculative activities. It is the Group's policy to manage foreign exchange risk through matching foreign exchange income with expense and, where significant exposure to foreign exchange is anticipated, appropriate hedging instruments may be used.

Capital Commitments

The Group did not have any capital commitments as at 30 June 2020 (2019: Nil).

Charges

Certain property, plant and equipment of the Group with the aggregate carrying amounts of approximately HK$9.8 million have been pledged as collaterals for the defined benefit retirement scheme of certain subsidiaries operated in UK.

Save as disclosed above, the Group did not have any charges on assets as at 30 June 2020.

Contingent liabilities

As at 30 June 2020, the Group had no material contingent liabilities (2019: Nil).

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

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

There is no plan for other material investments or additions of capital assets as at the date of this announcement.

REMUNERATION POLICY

As at 30 June 2020, the Group employed about 175 full-time and part-time staff around the globe. Staff costs for the year ended 30 June 2020 were HK$78 million (2019: HK$75 million).

The remuneration of the employees of the Group is determined with reference to market terms and the capabilities, performance, qualifications and experience of the individual employee.

Emoluments of the Directors are recommended by the Human Resources and Remuneration Committee of the Company after considering factors such as the Company's operating results, individual performance, salaries paid by comparable companies, and time commitment and responsibilities of the relevant director.

FINAL DIVIDEND

The Directors do not recommend any payment of final dividend for the year ended 30 June 2020 (2019: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed the Company's listed securities during the year ended 30 June 2020.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2020 have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on this preliminary announcement.

ACTIONS TAKEN IN RESPONSE TO THE REGULATORY ANNOUNCEMENT PUBLISHED BY THE STOCK EXCHANGE OF HONG KONG ON 27 APRIL 2020

With reference to the allegations made by, regulatory concerns and findings of, and disciplinary actions taken by the Listing Committee of the Hong Kong Stock Exchange as announced on 27 April 2020 (available on hkexnews website of the Exchange) (the "**Censure Announcement**"), the Company has obtained experienced counsel's advice on the matters set out in that Censure Announcement and has been liaising with law enforcement and investigation bodies.

The Board of Directors have been making its own investigations and working closely with the Stock Exchange on the matters set out in the Censure Announcement since 2017. Such investigations have so far led to actions on the Company's cultural products as disclosed in the Company's annual reports of 2017, 2018 and 2019 as well as announcements made on 5, 14 and 26 February 2018. The Company's investigations remain ongoing, as a result of which legal proceedings may be issued and the Company and/or one or more of its subsidiaries may be party(ies) as plaintiff(s) or defendant(s), or in favour of or against which court orders may be issued.

To the extent required, and not prohibited or restricted by law and regulations, further announcement(s) will be made if the Company becomes aware of any important milestone or any inside information (as defined in Part XIVA of the Securities and Futures Ordinance).

CODE OF CORPORATE GOVERNANCE

Throughout the year ended 30 June 2020, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules, save for the deviations of code provision A.4.1 of the CG Code below:

Under the code provision A.4.1 of the CG Code, all non-executive Directors should be appointed for a specific term, subject to reelection. Whilst the non-executive Directors are not appointed for a specific term, the term of office for non-executive Directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the articles of association of the Company. At each annual general meeting of the Company, one-third of the Directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation so that each Director shall be subject to retirement at least once every three years. As such, the Company considers that such provision is sufficient to meet the underlying objectives of CG Code.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the year ended 30 June 2020, each of them has complied with the required standards as set out in the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed with the management of the Group on the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters.

The annual results of the Company for the year ended 30 June 2020 have been reviewed by the Audit Committee.

By order of the Board
KANTONE HOLDINGS LIMITED
WONG MAN WINNY
Chairperson

Hong Kong, 29 September 2020

As at the date of this announcement, the executive directors of the Company are Ms. Wong Man Winny and Mr. Liu Ka Lim; the non-executive director of the Company is Ms. To Yin Fong Cecilica; and the independent non-executive directors of the Company are Mr. Leung Man Fai, Ms. Chung Sau Wai Ada and Mr. Clayton Ip.