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 2022

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 2022 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 2022

	Notes	**2022**	2021
		HK$'000	*HK$'000*
Revenue	*3*	**127,755**	139,069
Cost of sales		**(54,696)**	(55,793)
Gross profit		**73,059**	83,276
Other income, gains and losses		**2,985**	2,665
Distribution costs		**(24,357)**	(25,685)
General and administrative expenses		**(46,040)**	(51,817)
Reversal of impairment losses recognised for inventories		**—**	20
Finance costs		**(629)**	(1,105)

	Notes	2022 HK$'000	2021 HK$'000
Profit before taxation		**5,018**	7,354
Income tax expense	*5*	**(460)**	(1,665)
Profit for the year		**4,558**	5,689
Other comprehensive income/(expense):			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefits pension plans		**20,090**	37,012
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(10,796)**	12,141
Other comprehensive income for the year		**9,294**	49,153
Total comprehensive income for the year		**13,852**	54,842
Earnings per share			
— Basic and diluted	*7*	**HK2.06 cents**	HK2.62 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**38,811**	34,582
Right-of-use assets		**5,214**	4,303
Retirement benefit surplus		**7,165**	—
		51,190	38,885
Current assets			
Inventories	*8*	**20,934**	23,105
Trade and other receivables	*9*	**23,837**	26,539
Loan receivables	*10*	**5,854**	9,018
Tax recoverable		**112**	285
Cash and cash equivalents		**108,260**	118,848
		158,997	177,795
Current liabilities			
Trade and other payables	*11*	**46,612**	48,601
Contract liabilities		**24,096**	24,970
Lease liabilities		**2,728**	2,674
Warranty provision		**1,053**	1,062
Amount due to a director		**—**	2,180
Amount due to the ultimate holding company		**—**	11,733
Tax payable		**26**	26
		74,515	91,246
Net current assets		**84,482**	86,549
Total assets less current liabilities		**135,672**	125,434

	2022	2021
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**2,393**	1,753
Retirement benefit obligations	**—**	16,018
	2,393	17,771
Net assets	**133,279**	107,663
Capital and reserves		
Share capital	**26,044**	21,704
Reserves	**107,235**	85,959
Total equity	**133,279**	107,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for defined benefit retirement plan 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 and services. 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 by the Hong Kong Companies Ordinance.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively, the "**Group**") has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021

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 the consolidated financial statements.

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

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[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 HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022.
[2] Effective for annual periods beginning on or after 1 January 2023.
[3] Effective for annual periods beginning on or after a date to be determined.

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 in the foreseeable future.

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:

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15 *Revenue from Contracts with Customers*		
Sales of cultural products	**2,777**	3,137
Technology — Sales of systems including software licensing	**55,836**	68,095
Technology — Rendering of installation and maintenance services	**45,624**	43,643
	104,237	114,875
Technology — Leasing of system products	**23,518**	24,194
	127,755	139,069

(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 directors of the Company, being the chief operating decision maker, 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 chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Information regarding the above segments is reported below:

	Sales of cultural products *HK$'000*	Technology: System sales including software licensing and services *HK$'000*	Technology: Leasing of system products *HK$'000*	Consolidated *HK$'000*
Year ended 30 June 2022				
REVENUE				
External and total revenue				
Recognised at a point in time	2,777	55,836	—	58,613
Recognised over time	—	45,624	23,518	69,142
	2,777	101,460	23,518	127,755
RESULTS				
Segment result	(390)	7,931	2,312	9,853
Interest income				574
Finance costs				(629)
Unallocated expenses, net				(4,780)
Profit before taxation				5,018
Year ended 30 June 2021				
REVENUE				
External and total revenue				
Recognised at a point in time	3,137	68,095	—	71,232
Recognised over time	—	43,643	24,194	67,837
	3,137	111,738	24,194	139,069
RESULTS				
Segment result	249	15,971	4,976	21,196
Interest income				811
Finance costs				(1,105)
Unallocated expenses, net				(13,548)
Profit before taxation				7,354

(b) 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		Non-current assets	
	Year ended 30 June		As at 30 June	
	2022	2021	**2022**	2021
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
People's Republic of China (the "**PRC**"), including Hong Kong and Macau	**2,777**	3,137	**972**	—
Europe (mainly United Kingdom ("**UK**") and Germany)	**124,978**	135,932	**43,053**	38,885
	127,755	139,069	**44,025**	38,885

(c) Information about major customer

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

	2022	2021
	HK$'000	*HK$'000*
Customer A	**14,904**	—

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

4. DEPRECIATION

	2022	2021
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment included in general and administrative expenses	**8,182**	7,243
Depreciation of right-of-use assets included in general and administrative expenses	**2,847**	2,906

5. INCOME TAX

	2022	2021
	HK$'000	*HK$'000*
Current tax:		
— Germany corporate income tax	**573**	471
— Malaysia corporate income tax	**—**	68
— PRC enterprise income tax	**—**	26
	573	565
Under/(over) – provision in prior years:		
— Germany corporate income tax	**14**	—
— Malaysia corporate income tax	**(127)**	—
— UK corporate income tax	**—**	1,100
	(113)	1,100
Income tax expense	**460**	1,665

UK corporate income tax is calculated at 19% (2021: 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% (2021: 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% (2021: 24%) on the estimated assessable profit of the subsidiary which carried on business in Malaysia.

Pursuant to the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

Hong Kong profits tax is calculated at 16.5% (2021: 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 2022 nor has any dividend been proposed since the end of reporting period (2021: Nil).

7. EARNINGS PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Profit for the year	**4,558**	5,689
Number of ordinary shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**221,438**	217,039

Diluted earnings per share for the year ended 30 June 2022 and 30 June 2021 were the same as the basic earnings per share as there were no potential ordinary shares outstanding during both years.

8. INVENTORIES

	2022	2021
	HK$'000	*HK$'000*
Raw materials	**8,711**	7,285
Work in progress	**1,760**	5,807
Finished goods *(notes)*	**10,463**	10,013
	20,934	23,105

Notes:

(i) Included in finished goods are cultural products (including precious stone and artifacts) of HK$4,303,000 (2021: HK$4,419,000) which are held for trading and resale in the ordinary course of business.

(ii) As at 30 June 2022 and 2021, all cultural products of the Group were stored in a secured warehouse run by a world-renowned security company, which is an independent third party to the Group.

9. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables *(note)*	**13,261**	14,822
Other receivables	**10,576**	11,717
	23,837	26,539

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 (net of expected credit losses) presented based on the invoice date at the end of the reporting period is as follows:

	2022	2021
	HK$'000	*HK$'000*
0–60 days	**10,658**	14,618
61–90 days	**2,428**	204
91–180 days	**175**	—
	13,261	14,822

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 ageing analysis of trade receivables (net of expected credit losses) that are neither individually nor collectively considered to be impaired are as follows:

	2022	2021
	HK$'000	*HK$'000*
Neither past due nor impaired	**12,923**	14,618
Less than 1 month past due	**338**	204
	13,261	14,822

10. LOAN RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Loan receivables	**11,708**	15,631
Less: provision for impairment losses	**(5,854)**	(6,613)
	5,854	9,018

As at 30 June 2022, loan receivables (net of expected credit losses) of approximately HK$5,854,000 (2021: approximately HK$9,018,000) were due from three borrowers (2021: four borrowers), unsecured and with personal guarantee. All the loan receivables are denominated in Renminbi ("**RMB**"). The loan receivables carry fixed interest rates ranging from 8% to 10% (2021: 8% to 10%) per annum with maturity date within 12 months from the loan draw down date. Up to the date of this announcement, approximately HK$5,854,000 was received by the Group.

11. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**3,220**	4,189
Other payables	**43,392**	44,412
	46,612	48,601

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

	2022	2021
	HK$'000	*HK$'000*
0–60 days	**3,220**	4,189

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 total revenue for the twelve months ended 30 June 2022 of approximately HK$128 million as compared with approximately HK$139 million for the previous year, representing a decrease of approximately 8 percent. Same as last year, this was mainly due to the changes in the product mix and the scaling down of marketing activities due to COVID-19 which could not be substantially substituted by cyber promotions during the year on account of the nature of the services and products that the Group has been selling.

Profit Attributable to Owners of the Company

Profit for the year ended 30 June 2022 was approximately HK$4.6 million as compared with profit of approximately HK$5.7 million for the previous year. The decrease in profit for the year was mainly due to decrease in revenue by 8 percent despite a decrease in general and administrative expenses by 11%. Earnings per share was HK2.06 cents as compared with earnings per share of HK2.62 cents for the previous year.

Distribution Costs

The Group's distribution costs for the twelve months ended 30 June 2022 were mainly attributed to our principal subsidiary in United Kingdom ("**UK**") — Multitone Electronics PLC ("**Multitone**"), which recorded distribution costs of approximately HK$24.4 million compared with approximately HK$25.7 million for the previous year, representing a decrease of about 5 percent. The negative impact of COVID-19 on the ability to travel combined with the cancellation of trade shows and exhibitions led to a decrease in selling costs.

General and Administrative Expenses

General and administrative expenses for the year ended 30 June 2022 were decreased by approximately 11 percent to approximately HK$46 million (2021: approximately HK$51.8 million). The decrease was due to the prudent cost control and also because the share of common expenses with our former parent company — Champion Technology Holdings Limited was stopped on the date of change of substantial become effective on 9 November 2021.

Finance Costs

Finance costs for the year was decreased to approximately HK$629,000 from approximately HK$1,100,000 as compared with the fiscal year 2021.

REVIEW OF OPERATIONS

As we entered the 2021/22 trading period it was with optimism that the world economy would recover from the effects of the COVID pandemic. The impact of COVID lessened, but it was soon to be replaced by the impact of the War in Ukraine.

Despite the operational challenges we continued to invest in operations, particularly within R&D, Sales and Marketing to support the development of products that will give us a competitive advantage. Whilst some areas of the worldwide economy have suppressed business opportunities, our foothold in Public and Private Healthcare, and our development of smart products continues to provide opportunities.

The performance of the group is a considerable achievement set against the backdrop of post COVID recovery, and the outbreak of War in Ukraine.

Technology Business — System Products

Cloud i-Message — Amazon Web Services

A significant proportion of our investment in R&D has contributed to the migration of our Multitone i-Message solution from on-premise to the cloud.

Our partnership with Amazon Web Services (AWS) on which our cloud platform is deployed has enabled us to offer a trusted cloud platform to our existing healthcare customers who are adopting a cloud first strategy.

Multitone is a member of the AWS Partner Network as a Technology Partner and we will continue to work with AWS to deliver ultra-fast, highly reliable Multitone i-Message services in the cloud.

AWS is highly secure and offers excellent resilience with over 99.9% availability. AWS is also global, delivering cloud services across every continent which will help Multitone to market our cloud solutions worldwide. (As referenced at https://www.multitone.com/partnerships/)

We now have a number of NHS customers in the UK utilising our AWS instance for the provision of Smartphone Messaging applications, to supplement their existing on-premise radio paging solutions.

This combination of being able to support Smartphone applications from our AWS cloud instance, and also support the radio based on-premise paging infrastructure from the cloud is a key differentiator between Multitone and its competitors in the UK.

The Award winning EkoTek Personal Security solution

Through continued innovation of our EkoTek and EkoCare family of products we have been successful in winning a number of high-profile contracts within the Mental Healthcare market.

Our next generation EkoTek Hub (aka Controller) was released to sales as expected in Q1 2022 and has resulted in the ability to deploy larger EkoTek solutions supporting a greater number of devices.

The development of a vandal and ligature resistant call point device for our EkoTek range of products, resulted in a successful bid to deploy our solution at the Camden & Islington Mental Healthcare NHS Trust, Highgate Hospital.

This was the largest ever EkoTek solution deployed in the UK which has led to EkoTek becoming an award-winning solution at the Health Tech Digital Awards 2022 for Best Mental Health Solution.

Paging

The demand for paging remained strong during the period under review. The period showed a modest growth in the volume of paging receivers sold, which supports our continued investment in paging as the best technology for critical messaging.

Cultural Products

Cultural products, including precious stones and artifacts, valued at HK$4,303,000 (as at 30 June 2021: HK$4,419,000) have been held for trading and resale in the ordinary course of business. They were included in the inventories of the Group as at 30 June 2022. During the year under review, we purchase and sold 3 pure gold ornaments.

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.

Controlling Shareholder

Champion Technology Holdings Limited ("**Champion**"), the former holding company of the Company, Innovative City Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Chan Koon Wa, ("**Offeror**") and the Company jointly announced that on 31 May 2021, Champion and the Offeror entered into the Sale and Purchase Agreement ("**SPA**"), pursuant to which the Offeror had conditionally agreed to acquire and Champion had conditionally agreed to sell the Sale Shares, being 128,137,958 Shares, representing approximately 59.04% of the entire issued share capital of the Company.

Since the resolutions proposed for the Champion Shareholders to approve, among other things, the SPA and the transactions thereunder at the Champion's special general meeting had been duly passed and all the conditions precedent had been fulfilled, the Offeror, Champion and Kantone announced that the completion took place on 9 November 2021 ("**Completion**"). Immediately upon Completion, the Offeror and parties acting in concert with it became interested in a total of 128,137,958 Shares, representing approximately 59.04% of the entire issued share capital of the Company. Upon Completion, the Company ceased to be a subsidiary of Champion and the Company's financial results after 9 November 2021 are no longer consolidated into the consolidated financial statements of the Champion Group. The Offeror became the controlling shareholder of the Company since then.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror and the parties acting in concert with it made a mandatory unconditional general offer in cash for all the issued Kantone Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) ("**Offer**").

After Completion and before the commencement of the Offer period, the Offeror and parties acting in concert with it were interested in a total of 128,137,958 Shares, representing approximately 59.04% of the entire issued share capital of the Company. Taking into account the valid acceptances in respect of 8,490,486 Offer Shares under the Offer, immediately after the close of the Offer, the Offeror and parties acting in concert with it became interested in a total of 136,628,444 Shares, representing approximately 62.95% of the entire issued share capital of the Company.

The sole director and shareholder of the Offeror Mr. Chan Koon Wa was appointed chairman and executive director of the Company at the Company's annual general meeting held on 30 December 2021. As stated in the Composite Documents of the Company dated 3 December 2021, the Offeror would conduct a review of the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification would be appropriate in order to enhance the long-term growth potential of the Group. Lately, the board has been studying the possibility of bringing Multitone's products to Hong Kong and other Asian countries such as Malaysia on one hand, and building up the Company's technology business in Hong Kong on the other. However, such business plans would call for additional working capital and therefore may require some fund-raising actions. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

Money Lending Transactions

During the Period, the Company's PRC subsidiary entered into two lending contracts ("**Loans**") with two PRC companies respectively, both of which are independent third parties. The amount of loan is RMB2.6 million and RMB2.4 million respectively. The terms of the Loans are for a period of six months started from the drawdown date, and interest rate is 8% per annum. The Loans are properly backed by two guarantors whose financial strength are considered strong enough to act as guarantors of these loans.

Money lending services were only provided incidentally by the PRC subsidiary of the Company. Such PRC subsidiary has never held itself out to the public as money lenders and has never canvassed any borrower to borrow money from it. Therefore, the Directors do not consider or regard that money lending is part of the Company's principal or core business during this Period.

The money lendings were confined to term loan financing with fixed interest rates. All proposed lendings were considered case by case and no particular industry was specified for this purpose. However, the Company does have its own money lending checklist which the Directors would have to observe should the occasion arise.

Any loan will only be made with our idle funds, and it should only be granted to those who approach the directors of the subsidiary by their acquaintances. They would then carry out the credit assessment process and if the results were to their satisfaction, they would submit the requests to the Directors in Hong Kong for further assessment and approval.

Such assessment and know your client ("**KYC**") processes follow the procedures below:

1. Verify the identity of the directors of the borrowers and guarantors;

2. Verify the address proof of the borrowers and guarantors;

3. Obtain a copy of the business registration certificate and company number if applicable;

4. Check the memorandum & articles of association of the borrower and the guarantor if applicable;

5. Identify the tax position of the borrower by checking the tax clearance certificate from the PRC competent authority;

6. Obtain the due diligence report from TianYanCha (天眼查), and if necessary, seek advice from external legal advisers; and

7. Obtain and study the financial statements, preferably audited financial statements if the potential borrower is an entity.

After the collection and verification of above background information of the intending borrowers, our PRC director and the company secretary department of the Group would conduct a loan assessment process through:

1. Obtaining the corporate bank account information;

2. Assessing the creditability and financial position of the borrowers by checking the latest audit report and management accounts and personal financial background of the guarantor, where appropriate; and

3. Obtaining board minutes of the borrowers for approving the lending.

After having due regard to the borrower's financial situation, the extent and quality of collaterals/ guarantee and the loan tenure, the director of the PRC subsidiary would offer an interest rate which would tend to maximize profit and yet would comply with the PRC's rule in determining the maximum interest rates of the loans to ensure that we would not impose interest rates higher than the statutory ceiling. Normally, the PRC subsidiary would charge not less than double of the China Loan Prime Rate (“**CLPR**”).

As of now, the maximum interest rate should not exceed 14.6% p.a., i.e. 4 times of the CLPR which is around 3.65% p.a..

The above due diligence report, KYC and credit assessment documents together with the amount, terms and repayment method of the loans would be submitted to the board of directors of the Group for approval. After the approval was granted, the final loan agreement would be signed by our PRC director of the subsidiary with the borrower and the guarantor.

The PRC directors of the subsidiary would maintain personal contact with the borrowers from time to time during the tenure of the loan and would start reminding them for repayment about one month before the respective due dates.

The following are our standard procedures for any delinquent loans:

1. Demand letter will be sent to the borrower for immediate repayment;

2. Instruct our PRC lawyer to issue demand letter to the borrower and guarantor to demand for immediate repayment; and

3. Formal legal action will be taken if:

    (a) The borrower refuses to repay; or

    (b) After 14 working days from the date of our legal demand letter if no settlement arrangement could be reached.

Ever since the current management permitted the granting of such term loans, there has been no sign that Loans would become delinquent.

Acquisition of an UK Property

On 29 October 2021, Multitone Electronics PLC (“**Multitone**”), a wholly-owned subsidiary of Kantone, entered into the Sale and Purchase Agreement with the collectively (i) Jonathan Michael Horne, (ii) Simon Francis Rogers and (iii) NSS Trustees Limited (As trustee of the IT Events Limited Pension Scheme) (“**Vendors**”), pursuant to which Multitone agreed to acquire and the Vendors agreed to sell the Unit A of The Green Buildings (“**Property**”) at a consideration of £575,000 (exclusive of refundable VAT of £115,000) (the “**Acquisition**”).

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the Acquisition for the Company exceeded 5% but less than 25%, the Acquisition constituted a discloseable transaction for the Company.

Multitone's current head office premises is situated at Multitone House, United Kingdom (the "**Head Office**") which is right next to the Property. The Board is of the view that the acquisition of the Property will allow us to better control in the development of the area in Shortwood Copse Lane where the Head Office and the Property are situated and provide Multitone the opportunity to expand their office premises and to transfer part or all of the operation team from its branch office, which is approximately 240 kilometers away from Head Office, to the Property if and when required.

In the short term, Multitone intends to hold the Property for investment purpose and will lease out the Property after the Acquisition for rental income while retaining a small portion for its own office use. Therefore, by acquiring the Property at a discounted price as compared to the market value of the Property, the Group may enjoy stable rental income and potential capital appreciation.

For details, please refer to the Company's announcement dated 2 November 2021.

OUTLOOK

After a tentative recovery in 2021, this was followed by increasingly gloomy developments in 2022 as risks began to materialize. Global output contracted in the second quarter of 2022. Several shocks have hit a world economy already weakened by the COVID pandemic: higher-than-expected inflation worldwide––especially in the United States and major European economies––triggering tighter financial conditions; and further negative spill overs from the war in Ukraine.

The forecast is for growth to slow from 6.1 percent last year to 3.2 percent in 2022. In Europe, significant downgrades reflect spill overs from the war in Ukraine and tighter monetary policy. Global inflation has been revised up due to food and energy prices as well as lingering supply-demand imbalances and is anticipated to reach 6.6 percent in advanced economies and 9.5 percent in emerging market and developing economies this year — upward revisions of 0.9 and 0.8 percentage point, respectively. In 2023, disinflationary monetary policy is expected to bite, with global output growing by just 2.9 percent. The risks to the outlook are overwhelmingly tilted to the downside.

Latest forecasts are predicting growth in the eurozone of 2.6 percent in 2022 whilst growth in the UK economy has been revised from 4.7 percent to 2.3 percent, and from 2.3 percent to just 0.5 percent in 2023.

Although we expect the first half of the 2022/23 financial year to be challenging, as we enter 2023, we hope to have secured a number of key contracts to help us deliver a strong result for the year.

Technology Business — System Products

EkoTek with BLE (Bluetooth Low Energy) dementia care solution

A new innovative addition to the EkoTek product range will be made available to sales in Q3 2022, providing elopement detection for vulnerable people. The new EkoTek addition will utilise wristbands to enable carers to perform duties other than monitoring doorways or forbidden zones. The system uses the latest Bluetooth technology and seamlessly integrates into the employee alerting EkoTek network. It also provides data to the live alarm, dash and mapping boards displayed on EkoMS (EkoTek Management Software).

This solution will enable our German subsidiary to fulfil existing customer requirements following the withdrawal of third-party products from the dementia care market in Europe due to obsolescence issues.

This will also provide new opportunities for Multitone to address the growing aged care and dementia market in the UK.

"Project Aurora"

As set out in previous reports "Aurora" will be a microservices platform supporting both Cloud and Hybrid on-premise critical messaging and clinical collaboration solutions.

"Aurora" will become the successor to our highly successful i-Message platform and our investment in R&D is focussed heavily in this area. We are still on target for the delivery of the first element of "Project Aurora" which will be a cloud-based Messaging solution with a device agnostic, OS independent messaging application which will integrate with existing i-Message solutions initially.

Wi-Fi Paging

Development work continues with the addition of Wi-Fi call acknowledgement features to our existing radio paging receivers. This has progressed to proof-of-concept, with Wi-Fi enabled pagers being deployed in a number of NHS customers. We are on target to release a Wi-Fi enabled RPR950 paging receiver by Q4 2022.

Digital Alerter

Building on the knowledge gained from the addition of Wi-Fi technology within our existing paging receiver, we have also commenced the development of our next generation of paging devices.

The "Digital Alerter" will combine synthesised frequency support, Wi-Fi and BLE technology, e-ink displays and advanced battery technology allowing fast charging, which will modernise our radio paging device portfolio.

The UK Market

As we emerge from the COVID pandemic the UK market was showing signs of recovery, but now somewhat hampered by the energy crisis. However, there are still opportunities for our solutions within Public and Private Healthcare, and especially within Mental Healthcare where we have seen recent success.

We will be attending the Emergency Services show in Birmingham, in the UK in Q3 2022 to expand our reach in the Emergency Services market beyond the traditional Fire & Rescue Services.

Public sector services within the UK are being encouraged to adopt a cloud first and cloud hybrid approach, and with our focus on the development of Cloud i-Message and "Project Aurora" we are well placed to support this investment.

With the UK Government still committed to investment in the NHS our development roadmap reflects the need for smart cloud-based solutions for critical messaging, clinical workflow and asset tracking.

The International Market

Multitone has strengthened its position in the APAC region with the addition of a new distributor in New Zealand.

We are also seeking to re-invigorate the North American market by agreeing a plan of investment with our existing US based distribution partners.

The EkoTek family of products remain a strong brand in all international regions where Multitone is a market leader for the provision of personal security and lone-worker solutions, such as those deployed into major psychiatric clinic chains in Germany. These solutions are utilised to protect care-staff from assaults and attacks.

Autonomous radio networks with 100% availability, built using mesh network technology, combined with small and handy emergency call fobs, with sensors that can make voluntary or involuntary calls. The systems meet the highest DIN (Deutsches lnstitut fur Normung e.V. (German lnstitute for Standardization)) quality standards for security within dangerous workplaces.

Iconic Projects

As well as our award-winning deployment of EkoTek within the Camden & Islington Mental Healthcare NHS Trust we have also been successful in deploying EkoTek to Springfield Hospital, part of the St Georges Mental Healthcare NHS Trust in the UK.

Multitone also continues to be successful in its provision of crew mobilisation solutions for the Emergency Services sector in the UK, with the award of the Southwest Fire & Rescue Services tender for the supply of station end solutions to the Devon & Somerset Fire & Rescue Service.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position and Gearing

The Group's financial position remained positive.

As at 30 June 2022, the Group had approximately HK$108 million (2021: approximately HK$119 million) liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK$159 million (2021: approximately HK$178 million) and current liabilities amounted to approximately HK$75 million (2021: approximately HK$91 million). With net current assets of approximately HK$84,000,000 million (2021: approximately HK$87 million), the Group maintained a healthy level of financial liquidity. As at 30 June 2022, the Group had no borrowings (2021: no borrowings) and a zero-gearing ratio (2021: zero gearing ratio of the Group, defined as the Group's total borrowings to equity attributable to owners of the Company, was zero).

Finance costs for the year ended 30 June 2022 was approximately HK$629,000 (2021: approximately HK$1.1 million).

Fund Raising Activities

During the year ended 30 June 2022, the Group completed a fund-raising exercise to strengthen its financial position and raised total gross proceeds of approximately HK$11.5 million, with the net proceeds therefrom having been applied as follows:

<table>
<tr><th>Date of Announcement</th><th>Fund raising activity</th><th>Net proceeds raised</th><th>Intended use of proceeds</th><th>Actual use of proceeds</th></tr>
<tr><td>24 May 2022</td><td>Placing of new Ordinary shares under general mandate</td><td>Approximately HK$11.5 million</td><td>Approximately HK$9.0 million for repayment of debts and the remaining approximately HK$2.5 million for general working capital purpose</td><td>HK$9.0 million was utilized for repayment of a debts and approximately HK$1.3 million was utilized for administrative expenses and operation expenses. The board of directors expected that the remaining balance approximately of HK$1.2 million will be fully utilised during the fiscal year of 2023.

Set out below is a further breakdown of the use of approximately HK$1.3 million as administrative expenses and operation expenses:

<table><tr><th>Use of proceeds</th><th>Amount
(HK$'000)</th></tr><tr><td>Directors' remuneration</td><td>260</td></tr><tr><td>Legal and professional fees</td><td>1,025</td></tr><tr><td>General expenses</td><td>21</td></tr><tr><td>Total:</td><td>1,306</td></tr></table></td></tr>
</table>

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 and from the capital market.

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 2022 (2021: Nil).

Charges

Certain property, plant and equipment of the Group with the aggregate carrying amounts of approximately HK$10 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 2022.

Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities (2021: 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 2022.

REMUNERATION POLICY

As at 30 June 2022, the Group employed about 167 full-time and part-time staff around the globe. Staff costs for the year ended 30 June 2022 were approximately HK$67 million (2021: approximately HK$76 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.

The Company has adopted a share option scheme that may serve as an incentive to Directors, eligible employees and consultants where appropriate.

FINAL DIVIDEND

The Directors do not recommend any payment of final dividend for the year ended 30 June 2022 (2021: 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 2022.

SCOPE OF WORK OF CHENG & CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, CHENG & CHENG LIMITED, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CHENG & CHENG LIMITED in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CHENG & CHENG LIMITED on the preliminary announcement.

CODE OF CORPORATE GOVERNANCE

Throughout the year ended 30 June 2022, 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 (there is no such requirement since 1 January 2022) of the CG Code, all non-executive Directors should be appointed for a specific term, subject to reelection. Whilst one of the non-executive Director, Ms. To Yin Fong Cecilica is not appointed for a specific term, however, 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 2022, 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 2022 have been reviewed by the Audit Committee.

By order of the Board
KANTONE HOLDINGS LIMITED
Chan Koon Wa
Chairman

Hong Kong, 28 September 2022

As at the date of this announcement, the executive director of the Company is Mr. Chan Koon Wa; the non-executive directors of the Company are Mr. Liu Ka Lim and 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. Ip Wai Lun William.