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 2023

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 2023 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 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	3	**128,737**	127,755
Cost of sales		**(54,438)**	(54,696)
Gross profit		**74,299**	73,059
Other income, gains and losses		**3,551**	2,985
Fair value gain on financial assets at fair value through profit or loss		**10,582**	—
Gain on disposal of financial assets at fair value through profit or loss		**1,181**	—
Distribution costs		**(26,696)**	(24,357)
General and administrative expenses		**(48,305)**	(46,040)
Impairment losses recognised for inventories	8	**(3,544)**	—
Impairment losses recognised for loan receivables		**(132)**	—
Finance costs		**(1,290)**	(629)

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Profit before taxation		**9,646**	5,018
Income tax credit/(expense)	*5*	**48**	(460)
Profit for the year		**9,694**	4,558
Other comprehensive income/(expense):			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefits pension plans		**(9,779)**	20,090
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**1,399**	(10,796)
Other comprehensive (expense)/income for the year		**(8,380)**	9,294
Total comprehensive income for the year		**1,314**	13,852
Earnings per share			
— Basic and diluted		**HK3.72 cents**	HK2.06 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**35,094**	38,811
Right-of-use assets		**4,986**	5,214
Investment property		**6,013**	—
Retirement benefit surplus		**—**	7,165
Other receivables	*9*	**2,295**	—
		48,388	51,190
Current assets			
Inventories	*8*	**23,150**	20,934
Trade and other receivables	*9*	**34,092**	23,837
Loan receivables	*10*	**2,787**	5,854
Financial assets at fair value through profit or loss		**14,027**	—
Tax recoverable		**747**	112
Cash and cash equivalents		**100,760**	108,260
		175,563	158,997
Current liabilities			
Trade and other payables	*11*	**51,743**	46,612
Contract liabilities		**31,402**	24,096
Lease liabilities		**3,087**	2,728
Warranty provision		**1,123**	1,053
Tax payable		**59**	26
		87,414	74,515
Net current assets		**88,149**	84,482
Total assets less current liabilities		**136,537**	135,672

	2023	2022
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**1,924**	2,393
Retirement benefit obligations	**20**	—
	1,944	2,393
Net assets	**134,593**	133,279
Capital and reserves		
Share capital	**26,044**	26,044
Reserves	**108,549**	107,235
Total equity	**134,593**	133,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

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.

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[3]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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:

	2023	2022
	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
Technology — Sales of systems including software licensing	**59,722**	55,836
Technology — Rendering of installation and maintenance services	**45,806**	45,624
	105,528	104,237
Technology — Leasing of system products	**23,209**	23,518
	128,737	127,755

(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:

		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 2023				
REVENUE				
External and total revenue				
Recognised at a point in time	—	59,722	—	59,722
Recognised over time	—	45,806	23,209	69,015
	—	105,528	23,209	128,737
RESULTS				
Segment result	(3,307)	3,413	922	1,028
Interest income				571
Fair value gain on financial assets at fair value through profit or loss				10,582
Gain on disposal of financial assets at fair value through profit or loss				1,181
Finance costs				(1,290)
Unallocated expenses, net				(2,426)
Profit before taxation				9,646
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

	Sales of cultural products	Technology: System sales including software licensing and services	Technology: Leasing of system products	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2023					
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	—	6,791	1,473	—	8,264
Depreciation of right-of-use assets	—	2,338	304	508	3,150
Impairment losses recognised for inventories	3,544	—	—	—	3,544
Year ended 30 June 2022					
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	—	6,314	1,868	—	8,182
Depreciation of right-of-use assets	—	2,477	328	42	2,847

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	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
People's Republic of China (the "**PRC**"), including Hong Kong and Macau	**—**	2,777	**464**	972
Europe (mainly United Kingdom ("**UK**") and Germany)	**128,737**	124,978	**45,629**	43,053
	128,737	127,755	**46,093**	44,025

(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:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**23,790**	14,904

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

4. DEPRECIATION

	2023	2022
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment included in general and administrative expenses	**8,264**	8,182
Depreciation of right-of-use assets included in general and administrative expenses	**3,150**	2,847

5. INCOME TAX

	2023	2022
	HK$'000	*HK$'000*
Current tax:		
— Germany corporate income tax	**463**	573
— Malaysia corporate income tax	**67**	—
— Hong Kong profits tax	**36**	—
	566	573
Under/(over) – provision in prior years:		
— Germany corporate income tax	**(1)**	14
— Malaysia corporate income tax	**11**	(127)
— UK corporate income tax	**(624)**	—
	(614)	(113)
Income tax (credit)/expense	**(48)**	460

UK corporate income tax is calculated at 20.5% (2022: 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 31.45% (2022: 31%) 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% (2022: 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.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

6. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2023 nor has any dividend been proposed since the end of reporting period (2022: Nil).

7. EARNINGS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Profit for the year	**9,694**	4,558
Number of ordinary shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**260,443**	221,438

Diluted earnings per share for the years ended 30 June 2023 and 30 June 2022 were the same as the basic earnings per share as there were no potential ordinary shares outstanding during both years.

8. INVENTORIES

	2023	2022
	HK$'000	*HK$'000*
Raw materials	**9,477**	8,711
Work in progress	**4,594**	1,760
Finished goods *(notes)*	**9,079**	10,463
	23,150	20,934

Notes:

(i) Included in finished goods are cultural products (including precious stone and artifacts) of HK$567,000 (2022: HK$4,303,000) which are held for trading and resale in the ordinary course of business.

(ii) As at 30 June 2023 and 2022, 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

	2023	2022
	HK$'000	*HK$'000*
Trade receivables *(Note)*	**20,377**	13,261
Other receivables	**16,010**	10,576
	36,387	23,837
Represented by:		
Current portion	**34,092**	23,837
Non-current portion	**2,295**	—
	36,387	23,837

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:

	2023	2022
	HK$'000	*HK$'000*
0–60 days	**17,702**	10,658
61–90 days	**1,091**	2,428
91–180 days	**1,584**	175
	20,377	13,261

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) presented based on past due status at the end of the reporting period is as follows:

	2023	2022
	HK$'000	*HK$'000*
Not past due	**18,761**	12,923
Less than 1 month past due	**1,402**	338
1 to 3 months past due	**204**	—
3 to 12 months past due	**10**	—
	20,377	13,261

10. LOAN RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Loan receivables	**2,914**	11,708
Less: provision for impairment losses	**(127)**	(5,854)
	2,787	5,854

As at 30 June 2023, loan receivables (net of expected credit losses) of approximately HK$2,787,000 (2022: approximately HK$5,854,000) were due from one borrower (2022: three borrowers), unsecured and with personal guarantee. All the loan receivables are denominated in Renminbi ("**RMB**"). The loan receivables carry fixed interest rate at 6% (2022: ranged from 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$2,914,000 was received by the Group.

11. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**7,870**	3,220
Other payables *(Note)*	**43,873**	43,392
	51,743	46,612

Note:

It mainly represents amount due to the former ultimate holding company, accrued expenses and accrued directors' bonus to certain subsidiaries operated in UK.

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

	2023	2022
	HK$'000	*HK$'000*
0–60 days	**7,017**	3,220
91–180 days	**853**	—
	7,870	3,220

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

As the world emerged from the COVID-19 pandemic with optimism, a conflict in The Ukraine and political instability in the UK led to a sharp economic downturn affecting our operations in the UK & the EU. The rising cost of energy to our operation was considerable, and the knock-on impact to the cost and availability of electronic components required careful and considerable management.

Public sector budgets have been squeezed by the need to satisfy wage demands and private sector investment has weakened.

Despite this, the group has risen to the challenge and has broadened our supply chain to secure inventory for our critical messaging devices.

During the year under review, we continued to invest in the development of our next generation of products for the delivery of critical messaging which would embrace Cloud and Internet of Things ("**IOT**") solutions.

The business continued to focus on the delivery of critical messaging solutions. In this regard, our vision is to be the leading provider of integrated communications and automation solutions, helping people embrace the opportunities provided by apps and the Internet of Things whilst guaranteeing business continuity with intelligent systems and robust radio technologies.

Technology Business — System Products

Cloud messaging solutions

The migration of our highly successful Multitone i-Message® critical messaging platform, to allow it to be provisioned from a Cloud computing instance has proven successful as reflected by sales to public sector healthcare in the UK, and interest from other International markets. As an AWS Partner, Multitone continues to utilise the AWS (Amazon Web Services) platform for Cloud computing.

During the year under review the Multitone Messenger smartphone application was released to the market as an additional offering in the field of clinical collaboration.

The Multitone i-Message® platform will continue to be maintained and supported whilst we have shifted our R&D focus and investment to our next generation Cloud microservices platform known as Multitone Aurora™.

EkoTek® & MaBLE

Continued development of Multitone's award winning EkoTek® personal security platform has led to an increase in sales in the UK within Mental Healthcare. Following the addition of a new vandal and ligature resistant call point device for the Mental Healthcare market, we are now in the process of developing an enhanced anti-vandal device with an increased impact ("**IK**") rating in order to satisfy further market demands.

In addition to this, Multitone successfully developed and integrated a wander alarm wristband solution for elderly and dementia patient care. MaBLE utilises Bluetooth Low Energy technology and is fully integrated with our EKOMS — EkoTek Management System reporting platform to alert EkoTek users when patient elopement occurs. This product was launched during the period under review and has become a key part of our German subsidiary's sales focus.

Revenue

The Group reported a total revenue for the twelve months ended 30 June 2023 of approximately HK$129 million as compared with approximately HK$128 million for the previous year, representing an increase of approximately 1.0 percent. This was mainly attributed by the performance in several of our business products, such as (i) sales of EkoTek across the group, which were largely driven by sales into UK Public Sector Mental Healthcare market, and the recovery of the Australian market during the year; (ii) sales of Fires solutions to UK Fire & Rescue services increased; (iii) UK Product Support service contract revenue increase; (iv) sales of Cordless/DECT solutions in the Australian market as this market recovered following COVID; (v) Cloud messaging solutions sales were still modest in contribution to overall i-Message sales. However. Cloud is still a new proposition and as most of our contracts renew, we expect to convert to Cloud based solutions. Alder Hey Children's Hospital is an example of a Cloud sale to UK Healthcare for the year under review.

Profit Attributable to Owners of the Company

Profit for the year ended 30 June 2023 was approximately HK$9.7 million as compared with profit of approximately HK$4.6 million for the previous year. The increase in profit for the year was mainly due to the fair value gain on financial asset. Earnings per share was HK3.72 cents as compared with earnings per share of HK2.06 cents for the previous year.

Distribution Costs

The Group's distribution costs for the twelve months ended 30 June 2023 were mainly attributed to our principal subsidiary in United Kingdom ("**UK**") — Multitone Electronics PLC ("**Multitone**"), which recorded distribution costs of approximately HK$26.7 million compared with approximately HK$24.4 million for the previous year, representing an increase of about 9.4 percent. The increase in distribution cost was mainly due to increase in salaries, pensions and employment costs due to increase in headcount in marketing and headcount in product management, and increase in sales commissions as a result of increase in sales. Furthermore, we implemented 5% salary review and staff retention bonus was provided in view of the UK's tight labour market during the year under review.

General and Administrative Expenses

General and administrative expenses for the year ended 30 June 2023 were increased by approximately 5.0 percent to approximately HK$48.3 million (2022: approximately HK$46.0 million). The increase was due to increase in research and development costs for project development, and rising energy costs (especially Electricity), increase in legal & professional fees for UK Group's one-off and non- recurring legal cost on staff dismissal matters of about £75,000 and increase in amortisation & depreciation which was due to the heavy investment in R&D expenditure in recent years.

Finance Costs

Finance costs for the year was increased to approximately HK$1,290,000 from approximately HK$629,000 as compared with the fiscal year 2022.

REVIEW OF OPERATIONS

Securities Investments

As part of the Group's short term investment activities, the Group has invested in some Hong Kong listed securities, the details and information of which are as follows:

As at 30 June 2023, the fair value of the listed equity investments in Hong Kong classified as financial assets at fair value through profit or loss amounted to approximately HK$14.0 million. This investment portfolio comprised 1 equity security listed in main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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$567,000 (as at 30 June 2022: HK$4,303,000) 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 2023. Unfortunately, due to the COVID-19 pandemic which led to the significant deterioration of economy had caused very substantial downturn in both prices and turnover of cultural products in China.

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.

Money Lending Transactions

During the year under review, the Company's PRC subsidiary entered into four lending contracts ("**Loans**") with four PRC companies respectively, both of which are independent third parties. The amount of loan is RMB2.6 million, RMB2.4 million, RMB2.5 million and RMB2.7 million respectively. The terms of the three Loans are for a period of six months and the remaining one is for a period of twelve month started from the drawdown date, and interest rate is 8% and 6% per annum respectively. The Loans are properly backed by four guarantors whose financial strength are considered strong enough to act as guarantors of these loans. All these loans were settled in full on time.

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 National Enterprise Credit Information Publicity System (國家企業信用信息公示系統), 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.

OUTLOOK

Following two years of volatility due to the COVID-19 pandemic it was hoped that we would see a return to more predictable outcomes. However, the conflict in The Ukraine, and the resultant fiscal policies adopted to counter the impact of inflationary pressures has led to a continued impact on the supply chain, coupled with rising energy prices.

Component shortages, supply chain interruption, and cost increases continue to challenge the management team, but these are starting to ease, leading to a recovery in the second half of the fiscal year.

Multitone Aurora™

Development effort continues on the Cloud optimised planned successor to the Multitone i-Message® platform. The first deliverable from the project is due in the forthcoming fiscal year, which will provide a device agnostic secure messaging and chat application supporting desktop, tablet and mobile devices. Additional phases of development have commenced to support features for Healthcare, Estate Management and Retail customers.

Paging and the future — The Multitone Digital Alerter ("MDA")

Whilst traditional paging continues to support the majority of our hardware device sales in the UK and internationally, there is a continued drive towards newer transmission technologies such as Wi-Fi and Bluetooth.

Our new device being developed under the project name of the Multitone Digital Alerter ("**MDA**") includes an e-ink display, rapid charging, 2 way communication and message receipt acknowledgement using Wi-Fi and Bluetooth Low Energy ("**BLE**"). Whilst development of this device continues, early iterations of the design are promising with an expected sales release towards the end of 2023.

Wander Alarm Wristband Solution for Elderly and Dementia Patient Care

MaBLE utilises Bluetooth Low Energy technology and is fully integrated with our EKOMS — EkoTek Management System reporting platform to alert EkoTek users when patient elopement occurs. This product was launched during the period under review and is a key part of our German subsidiary's sales focus.

Since MaBLE was released in the last quarter during the year under review and therefore, it does not have impact on the revenue for the year under review. The initial development was focused on features required for the German market. We expect a contribution to sales in Germany in the next financial year.

The UK Market

The UK Sales operation has exceeded targets for the fiscal year despite significant challenges. Whilst it is largely expected that the challenges highlighted earlier in this report will remain until at least the end of 2023, there are significant projects within the sales pipeline. The UK team remains focused and confident that they can achieve an increased sales target in the new fiscal year.

There is also much to take from the success we have seen during the period under review and positivity regarding the Multitone Cloud offerings and performance of our EkoTek® sales in the UK Public sector Mental Healthcare market.

It is vital that we address market and customer feedback with the launch of both Multitone Aurora™ and the MDA in the forthcoming fiscal year. These products will further enhance our available solutions and open new potential markets.

The EU Market

Our subsidiary in Germany adjusted its financial year strategy in accordance with economic developments in the EU region. Focus was given to develop public projects which are well funded during a period of weaker private sector investment. Outside of Germany but within the EU the market is recovering after COVID-19 with key-distributors in France and Scandinavia increasing their sales.

Other markets

Oceania — New Zealand & Australia

Despite the challenges, we have seen increased activity and sales, with the addition of a new distributor in New Zealand, opening up opportunities for increased sales of Multitone i-Message® and EkoTek® solutions. Sales during the period under review in this region have recovered and exceeded pre-pandemic levels.

US Market

The US Market remains behind expectations. Strategic meetings and action plans are yet to be implemented by our in region partners, although revenue has been ahead of the previous period.

Iconic Projects

Multitone has been successful in winning opportunities in the UK for iconic institutions such as the Camden & Islington NHS Foundation Trust (CANDI), and a number of UK Fire & Rescue services including the London Fire Brigade and the Dorset & Wiltshire Fire and Rescue Service.

Our subsidiary in Germany has been successful in winning its largest order ever for the supply of a messaging solution to the Klinikum der Universität München.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position and Gearing

The Group's financial position remained positive.

As at 30 June 2023, the Group had approximately HK$101 million (2022: approximately HK$108 million) liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK$176 million (2022: approximately HK$159 million) and current liabilities amounted to approximately HK$87 million (2022: approximately HK$75 million). With net current assets of approximately HK$89 million (2022: approximately HK$84 million), the Group maintained a healthy level of financial liquidity. As at 30 June 2023, the Group had no borrowings (2022: no borrowings) and a zero-gearing ratio (2022: zero gearing ratio of the Group, defined as the Group's total borrowings to equity attributable to owners of the Company, was zero).

The Company has been maintaining sufficient cash levels to enable it to meet its liabilities as they fall due. Management reviews cashflow forecasts on a regular basis to determine sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

Finance costs for the year ended 30 June 2023 was approximately HK$1,290,000 (2022: approximately HK$629,000).

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:

Date of Announcement	**Fund raising activity**	**Net proceeds raised**	**Intended use of proceeds**	**Actual use of proceeds**
24 May 2022	Placing of new Ordinary shares under general mandate	Approximately HK$11.5 million	Approximately HK$9.0 million for repayment of debts and the remaining approximately HK$2.5 million for general working capital purpose	HK$9.0 million was utilized for repayment of a debts and approximately HK$2.5 million was utilized for administrative expenses and operation expenses. Set out below is a further breakdown of the use of approximately HK$2.5 million as administrative expenses and operation expenses:

Use of proceeds	**Amount** *(HK$'000)*
Directors' remuneration	1,454
Legal and professional fees	1,025
General expenses	21
Total:	2,500

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.

The group's sales to its customers in Europe are in Euros, and to its customers in other countries in US Dollars and Sterling, therefore the group is exposed to movements in the Euro and US Dollar to Sterling exchange rate. The group also sources products in Euros and US Dollars and therefore minimises the risk of exchange rate fluctuations by the operation of both Euro and US Dollar currency bank accounts. The group trades with companies and organisations in more than 30 countries around the world. This geographical spread facilitates a reduced exposure to any particular region of the world where exchange rate risks may occur.

As the level of borrowing was low 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.

Management deems the exposure on interest rate risk to be low since the Group's borrowing has been maintained at a low level.

Capital Commitments

The Group did not have any capital commitments as at 30 June 2023 (2022: Nil).

Charges

Certain property, plant and equipment of the Group with the aggregate carrying amounts of approximately HK$10.2 million (30 June 2022: approximately HK$9.8 million) and the future income to be generated from those contracts of service and equipment rental with an aggregate amount of approximately HK$37 million (30 June 2022: approximately HK$32 million) have been pledged as collaterals for the defined benefit retirement scheme of certain subsidiaries operating in UK.

Save as disclosed above, the Group did not have any charges on assets as at 30 June 2023.

Contingent liabilities

As at 30 June 2023, the Group had no material contingent liabilities (2022: 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 2023.

REMUNERATION POLICY

As at 30 June 2023, the Group employed about 170 full-time and part-time staff around the globe. Staff costs for the year ended 30 June 2023 were approximately HK$69 million (2022: approximately HK$70 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 2023 (2022: 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 2023.

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 2023 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 2023, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

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 2023, 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 2023 have been reviewed by the Audit Committee.

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

Hong Kong, 27 September 2023

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.