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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 2021

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 2021 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 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	3	139,069	146,944
Cost of sales		<u>(55,793)</u>	<u>(63,813)</u>
Gross profit		83,276	83,131
Other income, gains and losses		2,665	5,929
Distribution costs		(25,685)	(27,172)
General and administrative expenses		(51,817)	(59,948)
Reversal of impairment losses/(impairment losses) recognised for inventories		20	(22)
Finance costs		<u>(1,105)</u>	<u>(808)</u>

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Profit before taxation		7,354	1,110
Income tax (expense)/credit	5	<u>(1,665)</u>	<u>2,765</u>
Profit for the year		<u>5,689</u>	<u>3,875</u>
Other comprehensive income/(expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefits pension plans		37,012	(20,922)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>12,141</u>	<u>(3,314)</u>
Other comprehensive income/(expense) for the year		<u>49,153</u>	<u>(24,236)</u>
Total comprehensive income/(expense) for the year		<u>54,842</u>	<u>(20,361)</u>
Earnings per share			
— Basic and diluted	7	<u>HK2.62 cents</u>	<u>HK1.94 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		34,582	27,921
Right-of-use assets		4,303	3,890
		<u>38,885</u>	<u>31,811</u>
Current assets			
Inventories	8	23,105	20,721
Trade and other receivables	9	26,539	21,322
Loan receivables	10	9,018	14,480
Tax recoverable		285	2,437
Cash and cash equivalents		118,848	95,472
		<u>177,795</u>	<u>154,432</u>
Current liabilities			
Trade and other payables	11	48,601	44,452
Contract liabilities		24,970	22,096
Lease liabilities		2,674	2,177
Warranty provision		1,062	1,230
Amount due to a director		2,180	2,180
Amount due to ultimate holding company		11,733	8,561
Tax payable		26	93
		<u>91,246</u>	<u>80,789</u>
Net current assets		<u>86,549</u>	<u>73,643</u>
Total assets less current liabilities		<u>125,434</u>	<u>105,454</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	1,753	1,893
Retirement benefit obligations	<u>16,018</u>	<u>50,740</u>
	<u><u>17,771</u></u>	<u><u>52,633</u></u>
Net assets	<u><u>107,663</u></u>	<u><u>52,821</u></u>
Capital and reserves		
Share capital	21,704	21,704
Reserves	<u>85,959</u>	<u>31,117</u>
Total equity	<u><u>107,663</u></u>	<u><u>52,821</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

The Group has applied the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA, for the first time, which mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the consolidation financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The application of the Amendments to References to the Conceptual Framework in HKFRSs and 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	Insurance Contracts and the related Amendments ⁴
Amendments to Accounting Guideline 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised) ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ³

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 April 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ 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.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15 <i>Revenue from Contracts with Customers</i>		
Sales of cultural products	3,137	—
Technology — Sales of systems including software licensing	68,095	89,410
Technology — Rendering of installation and maintenance services	<u>43,643</u>	<u>36,108</u>
	<u>114,875</u>	<u>125,518</u>
Technology — Leasing of system products	<u>24,194</u>	<u>21,426</u>
	<u>139,069</u>	<u>146,944</u>

(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:

		<u>Technology</u>		
	Sales of cultural products <i>HK\$'000</i>	System sales including software licensing and services <i>HK\$'000</i>	Leasing of system products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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	<u>—</u>	<u>43,643</u>	<u>24,194</u>	<u>67,837</u>
	<u>3,137</u>	<u>111,738</u>	<u>24,194</u>	<u>139,069</u>
RESULTS				
Segment result	<u>249</u>	<u>15,971</u>	<u>4,976</u>	21,196
Interest income				811
Finance costs				(1,105)
Unallocated expenses, net				<u>(13,548)</u>
Profit before taxation				<u>7,354</u>
Year ended 30 June 2020				
REVENUE				
External and total revenue				
Recognised at a point in time	—	89,410	—	89,410
Recognised over time	<u>—</u>	<u>36,108</u>	<u>21,426</u>	<u>57,534</u>
	<u>—</u>	<u>125,518</u>	<u>21,426</u>	<u>146,944</u>
RESULTS				
Segment result	<u>(516)</u>	<u>15,047</u>	<u>3,115</u>	17,646
Interest income				2,691
Finance costs				(808)
Unallocated expenses, net				<u>(18,419)</u>
Profit before taxation				<u>1,110</u>

	<u>Technology</u>			Consolidated <i>HK\$'000</i>
	Sales of cultural products <i>HK\$'000</i>	System sales including software licensing and services <i>HK\$'000</i>	Leasing of system products <i>HK\$'000</i>	
Year ended 30 June 2021				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	—	5,426	1,817	7,243
Depreciation of right-of-use assets	—	2,494	412	2,906
Reversal of impairment losses recognised for inventories	<u>20</u>	<u>—</u>	<u>—</u>	<u>20</u>

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	<u>22</u>	<u>—</u>	<u>—</u>	<u>22</u>

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		Non-current assets	
	Year ended 30 June		As at 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
People's Republic of China (the "PRC"), including Hong Kong and Macau	3,137	—	—	2
Europe (mainly United Kingdom ("UK") and Germany)	<u>135,932</u>	<u>146,944</u>	<u>38,885</u>	<u>31,809</u>
	<u>139,069</u>	<u>146,944</u>	<u>38,885</u>	<u>31,811</u>

(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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<u>—</u>	<u>27,310</u>

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

No single customer contributed 10% or more to the Group's revenue for the year ended 30 June 2021.

4. DEPRECIATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation of property, plant and equipment included in general and administrative expenses	7,243	7,406
Depreciation of right-of-use assets included in general and administrative expenses	<u>2,906</u>	<u>1,845</u>

5. INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
— Germany corporate income tax	471	329
— Malaysia corporate income tax	68	150
— PRC enterprise income tax	<u>26</u>	<u>—</u>
	<u>565</u>	<u>479</u>
Under/(over)provision in prior years:		
— UK corporate income tax	<u>1,100</u>	<u>(3,244)</u>
Income tax expense/(credit)	<u>1,665</u>	<u>(2,765)</u>

UK corporate income tax is calculated at 19% (2020: 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% (2020: 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% (2020: 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.

6. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2021 nor has any dividend been proposed since the end of reporting period (2020: Nil).

7. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<u>5,689</u>	<u>3,875</u>
<i>Number of ordinary shares</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>217,039</u>	<u>199,632</u>

Diluted earnings per share for the year ended 30 June 2021 and 30 June 2020 were the same as the basic earnings per share as there were no potential ordinary shares outstanding during both years.

8. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	7,285	8,464
Work in progress	5,807	2,056
Finished goods (<i>notes</i>)	<u>10,013</u>	<u>10,201</u>
	<u>23,105</u>	<u>20,721</u>

Notes:

- (i) Included in finished goods are cultural products (including precious stone and artifacts) of HK\$4,419,000 (2020: HK\$4,014,000) which are held for trading and resale in the ordinary course of business.
- (ii) As at 30 June 2021 and 2020, 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables (<i>note</i>)	14,822	14,299
Other receivables	<u>11,717</u>	<u>7,023</u>
	<u><u>26,539</u></u>	<u><u>21,322</u></u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–60 days	14,618	10,753
61–90 days	204	3,180
91–180 days	<u>—</u>	<u>366</u>
	<u><u>14,822</u></u>	<u><u>14,299</u></u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Neither past due nor impaired	14,618	14,299
Less than 1 month past due	<u>204</u>	<u>—</u>
	<u><u>14,822</u></u>	<u><u>14,299</u></u>

10. LOAN RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan receivables	15,631	19,965
Less: provision for impairment losses	<u>(6,613)</u>	<u>(5,485)</u>
	<u>9,018</u>	<u>14,480</u>

As at 30 June 2021, loan receivables (net of expected credit losses) of approximately HK\$9,018,000 (2020: approximately HK\$14,480,000) were due from four borrowers (2020: five 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% (2020: 10% to 16%) per annum with maturity date within 12 months from the loan draw down date. Up to the date of this announcement, approximately HK\$6,012,000 was received by the Group.

11. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	4,189	5,933
Other payables	<u>44,412</u>	<u>38,519</u>
	<u>48,601</u>	<u>44,452</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–60 days	<u>4,189</u>	<u>5,933</u>

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 2021 of approximately HK\$139 million as compared with approximately HK\$147 million for the previous year, representing a decrease of approximately 5.4 percent. 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 2021 was approximately HK\$5.7 million as compared with profit of approximately HK\$3.9 million for the previous year. The profit for the year was mainly due to decrease in general and administrative expenses by 13.6 percent to HK\$51.8 million. Earnings per share was HK\$2.62 cents as compared with earnings per share of HK\$1.94 cents for the previous year.

Distribution Costs

The Group's distribution costs for the twelve months ended 30 June 2021 were mainly attributed to our principal subsidiary in United Kingdom ("UK") — Multitone Electronics PLC ("Multitone"), which recorded distribution costs of approximately HK\$25.7 million compared with approximately HK\$27.2 million for the previous year, representing a decrease of about 5.5 percent. The 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 twelve months ended 30 June 2021 were decreased by approximately 13.6 percent to approximately HK\$51.8 million (2020: approximately HK\$59.9million). The decrease is due to the prudent cost control and savings attributed to salaries as a result of unfilled vacant positions partly due to difficulties in recruiting the right technical personnel in both the UK and Germany. In addition, the decrease in general and administrative expenses was also due to no past service cost from retirement benefit plan was recognised during the year ended 30 June 2021. During the year ended 30 June 2020, past service cost of approximately HK\$8 million was recognised due to a landmark ruling of Guaranteed Minimum Pension Equalisation in UK.

Finance Costs

Finance costs for the year was increased to approximately HK\$1.1 million from approximately HK\$808,000 as compared with the fiscal year 2020.

REVIEW OF OPERATIONS

The year 2020/21 was a volatile and unpredictable year. The outbreak of COVID-19 swept the world by storm and during the year under review, it had not abated. The reality was that the development of certain segments of the information technology industry seemed to have been less affected since enterprises and social organizations were obliged to adapt and turn to smart artificial intelligence products. The business of the Group has always targeted at high-tech and smart products and has aimed to serve the society with its professionalism and tailor-made IoT smart products. This points the way to ample business opportunities ahead for the Group.

Technology Business — System Products

Internet of Thing (“IoT”)

New system solution products for our target customers, such as IoT applications will be our development focus. Since many NHS Trusts throughout the United Kingdom have already installed Multitone i-Message systems, it has made the modification of their existing setup and installation of our messaging apps etc., much simpler. In addition, despite the difficult situation, our UK-based engineers and our Hong Kong Technical specialists have been working closely to provide the necessary technical innovations support and always stand ready to give guidance when requested. Whilst most organisations are dealing with the threat of the pandemic, we at Multitone are also exploring opportunities. Our UK business has offered us an opportunity to strengthen our relationship with the NHS by continuing to support the temporary roll out of critical messaging solutions for the Nightingale Hospitals and Hospital Extensions, and the supply of additional solutions to assist with clinical care during the pandemic. In Germany, our subsidiary is marketing our EkoTek range of personal security products to the Mass Vaccination Centres which are now being deployed.

Cloud i-Message

The UK Government and many private companies continue to adopt cloud solutions, with a cloud first strategy, to meet the need for critical and non-critical communications, systems and services.

Multitone with the i-Message platform is one of a limited number of suppliers who can offer the same solutions, and applications via a cloud first, cloud hybrid platform or full on-premise solution.

This flexibility allows organisations working with Multitone to not only meet the needs of their businesses today, but also the flexibility to scale and migrate as their businesses continue to evolve.

Multitone i-Message offers a proven platform for critical and non-critical integrated communications. It provides an ecosystem that enables businesses to mobilize the siloed data sources within, to improve efficiencies and response time significantly.

Multitone is able to offer a wide range of solutions through the Cloud i-Message system, addressing the needs of not just the core markets of the UK Public Sector, UK Emergency Service and the NHS, but also the requirements within diverse organisations such as Power, Utilities, Estate Management, Logistics and Warehousing facilities.

EkoTek® Personal Security

Continuous investment in new product development by the introduction of our ATEX variant to EkoSecure Pager has allowed its use under an environment which is vulnerable to the risk of possible explosion. Our EkoTek® staff and nurse call systems are further enhanced with EkoMS management software. With EkoMS one can create live alarm maps of its entire facility. So even new staff members know exactly where to go when someone calls for help.

At the heart of every EkoTek® installation are one or more EkoTek® Hubs (*aka Controller*). Development continues on a new generation of EkoTek® Hubs which will be released in Q4 2021. The new hubs will increase the potential size and capability of all EkoTek® installations by supporting an increased number of devices.

During the year under review, even as the world-wide pandemic situation remained difficult, our business remained stable, and the demand even showed a modest growth.

Cultural Products

Cultural products, including precious stones and artifacts, valued at HK\$4,419,000 (as at 30 June 2020: HK\$4,014,000) have been held for trading and resale in the ordinary course of business were included in the inventories of the Group as at 30 June 2021. During the year under review, we had 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.

OUTLOOK

As we see the rollout of the COVID vaccination programme in the countries in which the Group operates, we are confident of sustaining a profitable operating result for Multitone at the end of June 2022. Nevertheless, the management of Multitone anticipates a negative impact across our group, in particular against our sales order intake performance from the COVID pandemic. Though there are signs of COVID starting to subside, the uncertain impact brought about by Brexit still persists, which has led to our setting of a prudent yet more optimistic budget for the 2021/22 financial year.

With the COVID pandemic having a much greater impact on our German subsidiary and their international business, we must exercise caution. Our German operation is much more reliant on non-Healthcare markets and new business acquisition. As such, the lockdowns imposed in Germany and the restrictions on travel have meant that sales intake has slowed down as we enter 2022.

As a result of Brexit, increased border controls and additional import and export requirements have caused some disruption in the supply chain but these appear to be short term in nature. Economic forecasts are predicting a longer-term impact on the UK economy which is predicted to be several percentage points smaller in 2030, than it would otherwise have been if the UK had remained part of the EU.

In the short term, outlook for the economy is favourable with a projected rebound from the COVID pandemic. It is expected that the UK economy will grow by 6.6% this year and by 5.4% in 2022, with a potential deceleration in growth thereafter. This will allow the economy to reach its pre-COVID level by the first quarter of next year.

The possible emergence of new variants of the virus that are less responsive to the current vaccines is still a downside risk, albeit less severe than previously, as the economy has adapted to operating under social distancing restrictions.

Technology Business — System Products

Project Aurora

“Aurora” will be a microservices platform supporting independent Messaging, Clinical Collaboration, Workflow, Alarm and Lone Worker modules. It will be a cloud first solution, optimized for deployment across multiple regions and availability zones for resilience, and able to operate as either a Cloud, On-premise, or Hybrid Cloud solution with failover to on-premise hardware if required. “Aurora” will become the natural successor to our highly successful i-Message platform, and allow us to address the market requirements for a flexible cloud first approach to critical messaging. The initial deliverable from this project codenamed “Aurora Messaging” will be released in 2022. This will provide a device agnostic, OS independent messaging platform.

Software Development is a focus area as we move into 2022 with many of our established customers looking to transition from traditional RF paging solutions to Smartphone “App” based secure messaging.

Wi-Fi Paging

NHS is phasing out non critical paging by the end of 2021, but Paging is still the best technology for critical messaging

Despite the NHS decision to phase out non-critical paging by the end of 2021, we are still supplying paging solutions to the NHS for both critical and non-critical use. In line with the NHS strategy, we are starting to see NHS Trust investment in alternative technologies such as smartphone-based messaging solutions.

To extend the life of our legacy paging products we are adding new features such as the addition of a Wi-Fi call acknowledgement feature to our RF pagers. This will allow us to continue to market our RF paging solutions to the Healthcare and Emergency Services market, and is due for release in Q2 2022.

The UK Market

The outlook remains positive despite the continued uncertainties surrounding COVID-19. UK has benefited from a robust vaccination programme with many restrictions removed, many businesses are now benefiting.

The public sector, including the NHS, continues to see further commitment from the UK Government to provide additional funding. This commitment both from the UK central government as well as regional leaders with the first minister of Scotland committing recently to providing a “transformational” increase in NHS funding. This would see a 20% increase in NHS spending for general and acute services, with a further increase of 25% for Mental Healthcare services, within Scotland.

Areas within the NHS being targeted including Acute Healthcare as well as Mental Healthcare services.

The NHS long term plan continues to be delivered, with Multitone well placed to support NHS customers through the range of Cloud first and Cloud hybrid.

Multitone offers a range of smart applications supporting key deliverables including non-emergency bleep or pager replacement with our messaging applications, workflow integration with our workflow and task management solutions as well as asset tracking, all supporting the delivery of key areas highlighted within the NHS long-term plan as set out by the UK Government.

Northern Ireland and Scotland are also expected to announce an increase in funding for NHS frontline services.

The European Market

Multitone has been successfully implementing its safety, security and time critical messaging alarm server solutions in a wide variety of applications, ranging from Industry and Healthcare, to community and Governmental applications as well as Education and Retail.

Using its strong brand and patented EkoTek[®] family technology, Multitone is a market leader for radio security systems, and the provision of lone-worker solutions for the major Psychiatric Clinic chains in Germany, Europe’s largest single economy. 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 transmitters with sensors that can make voluntary or involuntary calls. The systems meet the highest DIN (**Deutsches Institut für Normung e.V.** (German Institute for Standardization)) quality standards for securing dangerous workplaces.

Combining synergies, the German success is now being rolled-out to other European countries, with similar applications and local market characteristics.

Iconic Projects

During the Pandemic, many parts of the UK economy were simply shutdown, meaning that we were unable to pursue opportunities outside of our traditional NHS Healthcare market. It was therefore vital that we maximised our efforts to provide solutions to the public sector in the UK.

Multitone not only supports the NHS Acute Hospitals throughout the United Kingdom with smart apps for use within critical and non-critical clinical settings, including ICU (Intensive Care Units), we also support workflow integration and asset tracking solutions to support infection control protocols.

These solutions were not just deployed within the Nightingale Hospitals, but also within key customers including Antrim Area Hospitals in Northern Ireland, and Imperial College Healthcare NHS Trust.

Notably, Imperial College Healthcare NHS Trust are using a combination of on-premise and cloud-based services from Multitone, to support organisational needs.

South West London and St George's Mental Health NHS Trust, one of the UK's largest NHS mental healthcare trusts is also deploying a combined solution consisting of Multitone i-Message for middleware and third-party systems integration, as well as Multitone EkoTek[®] for Staff Safety and Lone Worker protection.

South West London and St George's Mental Health NHS Trust plan to deploy these solutions throughout their organisation, resulting in the Multitone platform being utilized within the Hospital campuses as well as in the community.

Camden and Islington NHS Foundation Trust have also adopted the cohesive solution combining Multitone EkoTek[®] and Multitone i-Message to meet the needs of their Rehabilitation and Mental Healthcare teams. Camden and Islington NHS Foundation Trust (C&I) provides high quality, safe and innovative care for their patients in the community, at home or in the hospital setting.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position and Gearing

The Group's financial position remained positive.

As at 30 June 2021, the Group had approximately HK\$119 million (2020: approximately HK\$95 million) liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK\$178 million (2020: approximately HK\$154 million) and current liabilities amounted to approximately HK\$91 million (2020: approximately HK\$81 million). With net current assets of approximately HK\$87 million (2020: approximately HK\$74 million), the Group maintained a healthy level of financial liquidity. As at 30 June 2021, the Group had no borrowings (2020: no borrowings) and a zero-gearing ratio (2020: 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 2021 was approximately HK\$1.1 million (2020: approximately HK\$808,000).

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 a Director and approximately HK\$3.9 million was utilized for administrative expenses and operation expenses.												
				Set out below is a further breakdown of the use of approximately HK\$3.9 million as administrative expenses and operation expenses:												
				<table border="1"> <thead> <tr> <th>Use of proceeds</th> <th>Amount (HK\$'000)</th> </tr> </thead> <tbody> <tr> <td>Directors' remuneration</td> <td>604</td> </tr> <tr> <td>Purchase of consignment goods</td> <td>3,136</td> </tr> <tr> <td>Legal and professional fees</td> <td>139</td> </tr> <tr> <td>General expenses</td> <td><u>21</u></td> </tr> <tr> <td>Total:</td> <td><u><u>3,900</u></u></td> </tr> </tbody> </table>	Use of proceeds	Amount (HK\$'000)	Directors' remuneration	604	Purchase of consignment goods	3,136	Legal and professional fees	139	General expenses	<u>21</u>	Total:	<u><u>3,900</u></u>
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General expenses	<u>21</u>															
Total:	<u><u>3,900</u></u>															

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 2021 (2020: Nil).

Charges

Certain property, plant and equipment of the Group with the aggregate carrying amounts of approximately HK\$11 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 2021.

Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities (2020: 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 2021.

As at the date of this announcement, Multitone, a subsidiary of the Company, has been negotiating with the owners of an office building located right next to its existing office for acquisition of such property at around GBP600,000 (the “**Proposed Acquisition**”). The Proposed Acquisition, if materialized, would constitute a discloseable transaction of the Company. Other than the Proposed Acquisition, there is no plan for other material investments or additions of capital assets as at the date of this announcement.

THE POSSIBLE CHANGE OF OUR SUBSTANTIAL SHAREHOLDERS

Innovative City Investments Limited (“**Offeror**”), Champion Technology Holdings Limited (“**Champion**”) and the Company jointly announced on 25 August 2021 (the “**Joint Announcement**”) that on 31 May 2021, Champion as seller and the Offeror as purchaser entered into the sale and purchase agreement (“**Sale and Purchase Agreement**”), pursuant to which the Offeror has conditionally agreed to acquire and Champion has conditionally agreed to sell the shares of the Company (Kantone Shares), being 128,137,958 Kantone Shares, representing approximately 59.04% of the entire issued share capital of the Company as at the date of the Joint Announcement. The consideration for the Sale Shares is approximately HK\$59,071,598.64, equivalent to HK\$0.461 per Sale Share.

Completion shall take place on the fifth business day after all conditions precedent are being fulfilled or waived (as the case may be) or any date as agreed by the parties in writing. Upon completion, the Group will cease to be subsidiaries of Champion.

Shareholders and/or potential investors of the Company should be aware and take note that the sale and purchase of the Kantone Shares is conditional upon satisfaction of the conditions precedent in the Sale and Purchase Agreement and therefore may or may not proceed.

1. Possible Mandatory Unconditional General Offer

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror and the parties acting in concert with it will be required to make 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).

On the basis of the Offer Price of HK\$0.461 per Offer Share and 217,038,506 Kantone Shares in issue as at the date of the Joint Announcement, the entire issued share capital of the Company would be valued at approximately HK\$100.1 million.

2. The background of the offeror

The Offeror is a company incorporated in the BVI with limited liability on 17 May 2021 which was incorporated solely for the purpose of holding the Sale Shares to be acquired by the Offeror.

As of the date of the Joint Announcement, the Offeror is wholly owned by Mr. Chan Koon Wa (“**Mr. Chan**”). Mr. Chan, aged 59, has over 30 years of experience in the trading and distribution business. In 1990, he started his own business in the automotive industry. From 2008 to 2010, he held around 90% equity interest in Richard Mille Macau Limited, which was the sole agent for Richard Mille in Macau. From 2011 to 2014, he held 55% equity interest in Symphony Lotus Limited, which was an automotive wholesaler and distributor for sports cars and the sole agent for Lotus Cars in the PRC.

Apart from actively participating in the trading and distribution industry, Mr. Chan also ventured into the hotel and property development industry. He is currently the director of Golden Bauhinia International Hotel, a 4-star hotel located in Nanning City of Guangxi Province in the PRC. His first venture into property development in Malaysia Kuala Lumpur is a residential development project known as Pavilion Ceylon Hill in which he owns 49% equity stake. He is also a director of Buddhist Li Chong Yuet Ming Nursing Home for the Elderly, a nursing home in Hong Kong.

3. Intention of the Offeror in relation to the Group

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will 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 will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcements will be made in

accordance with the Listing Rules. The Offeror has no intention to discontinue the employment of any employees of the Group or to redeploy the fixed assets of the Group other than those in its ordinary and usual course of business. The Offeror intends to nominate directors to the Kantone Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. As at the date of the Joint Announcement, the Offeror has not decided on the future composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made by the Company as and when appropriate.

For details, please referred to the Joint Announcement dated 25 August 2021 and 15 September 2021.

REMUNERATION POLICY

As at 30 June 2021, the Group employed about 165 full-time and part-time staff around the globe. Staff costs for the year ended 30 June 2021 were approximately HK\$76 million (2020: approximately HK\$78 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 2021 (2020: 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 2021.

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 2021 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.

CODE OF CORPORATE GOVERNANCE

Throughout the year ended 30 June 2021, 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 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 2021, 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 2021 have been reviewed by the Audit Committee.

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

Hong Kong, 28 September 2021

As at the date of this announcement, the executive directors of the Company are Ms. Wong Man Winny and Mr. Wu Yunjing; 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. Clayton Ip.