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 2024

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 2024 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 2024

	Notes	**2024** *HK$'000*	2023 *HK$'000*
Revenue	*3*	**152,279**	128,737
Cost of sales		**(58,766)**	(54,438)
Gross profit		**93,513**	74,299
Other income, gains and losses		**6,194**	3,551
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(13,095)**	10,582
(Loss)/gain on disposal of financial assets at fair value through profit or loss		**(2)**	1,181
Fair value loss on investment property		**(434)**	—
Distribution costs		**(27,463)**	(26,696)
General and administrative expenses		**(54,417)**	(48,305)
Impairment losses recognised for inventories		**—**	(3,544)
Impairment losses reversed/(recognised) for loan receivables		**21**	(132)
Finance costs		**(505)**	(1,290)

	Notes	**2024** ***HK$'000***	2023 *HK$'000*
Profit before taxation		**3,812**	9,646
Income tax credit	*5*	**1,912**	48
Profit for the year		**5,724**	9,694
Other comprehensive income/(expense):			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefits pension plans		**11,841**	(9,779)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(1,627)**	1,399
Other comprehensive income/(expense) for the year		**10,214**	(8,380)
Total comprehensive income for the year		**15,938**	1,314
Earnings per share			
— Basic and diluted		**HK2.18 cents**	HK3.72 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment		**37,717**	35,094
Right-of-use assets		**6,176**	4,986
Investment property		**5,530**	6,013
Retirement benefit surplus		**17,665**	—
Other receivables	*9*	**3,752**	2,295
		70,840	48,388
Current assets			
Inventories	*8*	**20,255**	23,150
Trade and other receivables	*9*	**36,263**	34,092
Loan receivables	*10*	**2,628**	2,787
Financial assets at fair value through profit or loss		**417**	14,027
Tax recoverable		**2,705**	747
Cash and cash equivalents		**109,308**	100,760
		171,576	175,563
Current liabilities			
Trade and other payables	*11*	**43,521**	51,743
Contract liabilities		**25,917**	31,402
Lease liabilities		**3,199**	3,087
Warranty provision		**1,259**	1,123
Tax payable		**36**	59
		73,932	87,414
Net current assets		**97,644**	88,149
Total assets less current liabilities		**168,484**	136,537

	2024	2023
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**3,072**	1,924
Retirement benefit obligations	**—**	20
	3,072	1,944
Net assets	**165,412**	134,593
Capital and reserves		
Share capital	**31,253**	26,044
Reserves	**134,159**	108,549
Total equity	**165,412**	134,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for defined benefit retirement plan and certain financial instruments that are measured at fair value 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 new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and 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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
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	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards Volume 11[4]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[4]
HKFRS 18	Presentation and Disclosure in Financial Statements[5]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.
[4] Effective for annual periods beginning on or after 1 January 2026.
[5] Effective for annual periods beginning on or after 1 January 2027.

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:

	2024	2023
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15 *Revenue from Contracts with Customers*		
Technology — Sales of systems including software licensing	**80,446**	59,722
Technology — Rendering of installation and maintenance services	**47,278**	45,806
	127,724	105,528
Leases — Operating lease payments that are fixed		
Technology — Leasing of system products	**24,555**	23,209
	152,279	128,737

(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, fair value change of financial assets at fair value through profit or loss, 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 2024				
REVENUE				
External and total revenue				
Recognised at a point in time	—	80,446	—	80,446
Recognised over time	—	47,278	24,555	71,833
	—	127,724	24,555	152,279
RESULTS				
Segment result	(470)	16,151	2,537	18,218
Interest income				2,798
Fair value loss on financial assets at fair value through profit or loss				(13,095)
Loss on disposal of financial assets at fair value through profit or loss				(2)
Fair value loss on investment property				(434)
Finance costs				(505)
Unallocated expenses, net				(3,168)
Profit before taxation				3,812
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

		Technology			
	Sales of cultural products *HK$'000*	System sales including software licensing and services *HK$'000*	Leasing of system products *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Year ended 30 June 2024					
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	—	7,903	1,498	—	9,401
Depreciation of right-of-use assets	—	2,894	385	464	3,743
Fair value loss on investment property	—	347	87	—	434
Impairment losses reversed for loan receivables	—	—	—	(21)	(21)
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

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	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
People's Republic of China (the "**PRC**"), including Hong Kong and Macau	**—**	—	**—**	464
Europe (mainly United Kingdom ("**UK**") and Germany)	**152,279**	128,737	**49,423**	45,629
	152,279	128,737	**49,423**	46,093

(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:

	2024	2023
	HK$'000	*HK$'000*
Customer A	**16,574**	23,790

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

4. DEPRECIATION

	2024	2023
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment included in general and administrative expenses	**9,401**	8,264
Depreciation of right-of-use assets included in general and administrative expenses	**3,743**	3,150

5. INCOME TAX

	2024	2023
	HK$'000	*HK$'000*
Current tax:		
— Germany corporate income tax	**921**	463
— Malaysia corporate income tax	**257**	67
— Hong Kong profits tax	**—**	36
	1,178	566
Under/(over) – provision in prior years:		
— Germany corporate income tax	**1**	(1)
— Malaysia corporate income tax	**—**	11
— UK corporate income tax	**(3,091)**	(624)
	(3,090)	(614)
Income tax credit	**(1,912)**	(48)

UK corporate income tax is calculated at 25% (2023: 20.5%) 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 31.43% (2023: 31.45%) 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% (2023: 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 2024 nor has any dividend been proposed since the end of reporting period (2023: Nil).

7. EARNINGS PER SHARE

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

	2024	2023
	HK$'000	*HK$'000*
Profit for the year	**5,724**	9,694
Number of ordinary shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**262,434**	260,443

Diluted earnings per share for the years ended 30 June 2024 and 30 June 2023 were the same as the basic earnings per share as there were no potential ordinary shares outstanding during both years.

8. INVENTORIES

	2024	2023
	HK$'000	*HK$'000*
Raw materials	**7,525**	9,477
Work in progress	**3,657**	4,594
Finished goods *(notes)*	**9,073**	9,079
	20,255	23,150

Notes:

(i) Included in finished goods are cultural products (including precious stone and artifacts) of HK$567,000 (2023: HK$567,000) which are held for trading and resale in the ordinary course of business.

(ii) As at 30 June 2024 and 2023, 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

	2024	2023
	HK$'000	*HK$'000*
Trade receivables *(Note)*	**11,381**	20,377
Other receivables	**28,634**	16,010
	40,015	36,387
Represented by:		
Current portion	**36,263**	34,092
Non-current portion	**3,752**	2,295
	40,015	36,387

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:

	2024	2023
	HK$'000	*HK$'000*
0–60 days	**10,630**	17,702
61–90 days	**661**	1,091
91–180 days	**90**	1,584
	11,381	20,377

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:

	2024	2023
	HK$'000	*HK$'000*
Not past due	**11,140**	18,761
Less than 1 month past due	**152**	1,402
1 to 3 months past due	**25**	204
3 to 12 months past due	**64**	10
	11,381	20,377

10. LOAN RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Loan receivables	**2,733**	2,914
Less: provision for impairment losses	**(105)**	(127)
	2,628	2,787

As at 30 June 2024, loan receivables (net of expected credit losses) of approximately HK$2,628,000 (2023: approximately HK$2,787,000) were due from one borrower (2023: one borrower), unsecured and with personal guarantee. All the loan receivables are denominated in Renminbi ("**RMB**"). The loan receivables carry fixed interest rate at 8% (2023: 6%) per annum with maturity date within 12 months from the loan draw down date.

11. TRADE AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Trade payables	**3,308**	7,870
Other payables *(Note)*	**40,213**	43,873
	43,521	51,743

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:

	2024	2023
	HK$'000	*HK$'000*
0–60 days	**2,610**	7,017
91–180 days	**698**	853
	3,308	7,870

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The ongoing conflict in Ukraine and rising energy costs have triggered an economic downturn affecting many European economies. Our operations were considerably impacted, particularly concerning the costs and availability of electronic components, necessitating careful and proactive management.

This situation led to delays in several larger projects in the second half of 2023, resulting in a substantial backlog of orders carried over into the first half of the current fiscal year. However, the recovery from this backlog is evident in our outstanding revenue and profit results for the period. By broadening our supply chain and securing critical inventory, we were able to fulfill project backlogs and achieve record sales levels for the group.

Our focus on delivering critical messaging solutions remains steadfast. Our vision is to be the leading provider of integrated communications and automation solutions, empowering individuals to leverage opportunities presented by applications and the Internet of Things, while ensuring business continuity through intelligent systems and robust radio technologies.

Revenue

The Group reported a total revenue for the twelve months ended 30 June 2024 of approximately HK$152 million as compared with approximately HK$129 million for the fiscal year 2023, representing an increase of 17.8%. Most of the revenue was generated by Multitone Electronics PLC, our principal subsidiary in the United Kingdom, which reported total revenues of approximately HK$152 million for the period under review, an increase of approximately HK$23.5 million as compared with the last fiscal year. This growth can be attributed primarily to the resolution of supply chain issues that had caused a backlog of orders carried over from the previous fiscal year. Additionally, we experienced earlier-than-expected fulfillment of emergency services orders in the UK, alongside continued success in the public healthcare market.

The company demonstrated consistent revenue growth throughout the year, with particularly strong performance in the latter months. Overall, group revenue during this reporting period underlines three years of continuous sales growth.

Profit Attributable to Owners of the Group

For the fiscal year ended 30 June 2024, the profit attributable to the owners of the Group amounted to approximately HK$5.7 million, compared with profit of approximately HK$9.7 million in the prior period.

This increase in profits is largely a result of revenue growth during the review period. The gross margin percentage remained relatively stable throughout the year, reflecting consistent profitability from our core operations.

However, despite the overall revenue growth, net profit faced a decline in the later stages of the reporting period due to rising expenses and exceptional costs.

Distribution Costs

For the fiscal year ending 30 June 2024, distribution costs were recorded at approximately HK$27.5 million, a slight increase from HK$26.7 million in the previous period. This rise in costs is attributed to heightened sales and marketing activities.

General and Administrative Expenses

General and administrative expenses for the period under review totaled approximately HK$54.4 million, compared to HK$48.3 million in the previous period, representing a 12.6% increase.

Finance Costs

Finance costs for the year was decreased to approximately HK$0.5 million from approximately HK$1.3 million as compared with the fiscal year 2023.

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 2024, 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$0.4 million. This investment portfolio comprised 1 equity security listed in main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

A summary of the Group's financial assets at fair value through profit or loss are given below:

Company Name/Stock Code	*Notes*	Number of shares held by the Group at 30 June 2024	Percentage of the issued share capital of the relevant company at 30 June 2024	Investment cost at 30 June 2024	Accumulated unrealised fair value (loss)	Fair value at 30 June 2024
			%	*HK$*	*HK$*	*HK$*
Financial assets at fair value through profit or loss						
STAR CM Holdings Limited (Stock code: 6698)	*1*	101,000	0.03%	2,676,500	(2,259,370)	417,130

Notes:

1. **6698 STAR CM Holdings Limited**

STAR CM Holdings Limited ("**STAR CM**") and its subsidiaries (collectively referred to as the "STAR CM Group") are principally engaged in creating, operating and holding the entertainment IPs.

However, the incidence in second half 2023 caused the share price of STAR CM dropped by more than 75%. The incidence related to the popular Chinese singing competition, "Sing! China" has been met with a temporary suspension by Zhejiang Television following a series of controversies and revelations surrounding unfair practices. The decision came in the wake of multiple audio recordings and video clips that surfaced, exposing the inner workings of the show and sparking a wave of allegations from singers and contestants regarding past injustices and suppression. Zhejiang Television then announced the suspension of the latest season of "Sing! China", stating that they are currently conducting an investigation into the concerns raised by the audience and online community. The suspension of the program has sent shockwaves throughout the entertainment industry, significantly impacting the stock price of STAR CM Holdings, the production company responsible for "Sing! China". Our investment committee was noted and closely monitored the development of STAR CM.

According to STAR CM's annual report for period ended 31 December 2023, they are of the view that the general outlook of China's entertainment IP industry and the business environment in which they operates will remain promising in the future. Despite the influence of the incident happened during the Reporting Period, the investee company remains confident that with their visionary in the entertainment industry and their experienced management team, they will continue to rise to prominence and deliver contents that are well enjoyed by their audience in the field of variety programs.

According to STAR CM's annual report for year ended 31 December 2023, the STAR CM recorded revenue of approximately RMB426.6 million (2022: RMB873.4 million) and other total comprehensive loss of approximately RMB1,617.4 million (2022: total comprehensive income approximately RMB127.4 million).

As at 30 June 2024, the Group held 101,000 shares in STAR CM and the Group recorded an accumulated unrealized loss of approximately HK$2.3 million in respect of such investment.

Technology Business — System Products

Cloud and On-Premises Messaging Solutions

Multitone continues to enhance the features and functionality of our highly successful Multitone i-Message® critical messaging platform. A major version release during this period introduced new features that have positively influenced sales in the UK public sector healthcare market. We are also developing a new cloud connectivity method in partnership with Amazon Web Services (AWS) to facilitate smoother transitions for our healthcare customers to migrate their critical messaging solutions to the cloud.

EkoTek® & MaBLE

Multitone has enjoyed success within the UK mental healthcare sector, securing additional orders for our EkoTek product line. Development has begun on a successor to our vandal-resistant and ligature-resistant wall and ceiling-mounted devices, which will offer enhanced safety and usability in higher-risk environments. The new range, featuring higher-rated and externally certified devices, is in development, with the anticipated release of our impact-resistant product (IK10 rating) expected in the next reporting period.

The MaBLE wander alarm wristband solution for elderly and dementia patient care was completed during the review period and subsequently launched in the EU market, with our first successful installation delivered in Germany. This product allows our German subsidiary to compete against more established, higher-cost solutions.

Cultural Products

Cultural products, including precious stones and artifacts, valued at HK$567,000 (as at 30 June 2023: HK$567,000) 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 2024.

A general economic slowdown has led to reduced consumer spending, particularly on non-essential items such as artifacts and collectibles.

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 one lending contract (the "**Loan**") with one PRC company, which is an independent third party. The amount of the Loan is RMB2.5 million. The terms of the Loan are for a period of six (twelve) started from the drawdown date, and the interest rate is 8% per annum. The Loan is properly backed by a guarantor whose financial strength is considered strong enough to act as the guarantor of this loan. All 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. 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

6. Obtain and study the financial information, 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 assess 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.

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 at 30 June 2024, the maximum interest rate should not exceed 13.8% p.a., i.e. 4 times of the CLPR which is around 3.45% 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

The fiscal policies implemented to mitigate the effects of inflation are beginning to alleviate pressure on global economies. Multitone has effectively addressed its project backlog, a challenge that was exacerbated by supply chain disruptions linked to various geopolitical factors.

Currently, energy prices are experiencing significant fluctuations due to rising tensions in the Middle East, which adds further uncertainty to the economy.

We observe tentative signs of recovery across most economies, with central banks considering interest rate reductions.

Our strategic focus remains on expanding within our core markets of Healthcare and Emergency Services in the UK while simultaneously exploring new markets through investments in our Sales team.

Short to Medium Term Market Outlook

Although we are in the early days of a new government in the UK, we anticipate that investment in public services will either be maintained or increased in the near term.

The UK's public sector healthcare market, predominantly shaped by the National Health Service (NHS), continues to offer significant sales opportunities for Multitone's products and services.

With an aging population and rising healthcare demands, the NHS is experiencing increased pressure, which provides a steady market for healthcare products and services.

The integration of advanced technologies such as artificial intelligence and digital health solutions is fostering innovation and generating new market prospects.

Estimates suggest that the potential cost savings from AI implementation in healthcare could reach several billion pounds annually. Multitone's offerings are well-suited for integration in resource management and clinical collaboration, and the application of AI technology in these areas could yield substantial benefits.

The rapid expansion of digital health technologies, including mobile health applications and wearable devices, positions us favorably to provide relevant solutions.

Our product roadmap has been augmented to support wearable devices and sensor data for patient trend analysis, an emerging market area identified by our Product Management team.

The NHS is also under significant pressure to enhance efficiency and reduce costs, creating a demand for products and services that facilitate these objectives. With the development of our forthcoming Multitone Nucleus™ platform, we are strategically positioned to address the growing need for healthcare IT solutions that manage patient data, streamline processes, and enhance clinical decision-making.

Understanding the NHS's procurement processes and regulations is vital for successful sales efforts. The Shared Business Service Patient/Citizen Communications & Engagements Solutions framework exemplifies our commitment to integrating into key procurement frameworks. Our selection as an approved supplier within this framework facilitates many of our commercial interactions with the NHS in the UK.

Traditionally, Multitone has excelled in the Emergency Services sector, providing solutions to over 90% of Fire & Rescue Services in the UK. With the expansion of our Emergency Services sales team, we aim to pursue opportunities in other blue-light services, including Ambulance and Police services.

The recent civil disturbances in various UK towns and cities present an opportunity for Multitone to promote its critical messaging and personal safety solutions. While we have not yet made significant sales in related blue-light services, this remains a vital new business opportunity for our sales team.

The key to sustaining growth is our ongoing investment in research and development. We have reviewed our R&D operations, leading to enhancements in the structure and management of the function, which will help us accelerate our time to market for key projects.

Multitone Nucleus™
(formerly Multitone Aurora)

Development is progressing for the cloud-optimized successor to the Multitone i-Message® platform, which will offer a device-agnostic secure messaging and chat application compatible with desktop, tablet, and mobile devices. Subsequent development phases will introduce features for clinical collaboration in healthcare, estate management, and retail operations, alongside support for delivering critical messages to our new Multitone Evolve™ messaging device.

We have adopted an agile software development model to hasten the delivery of the first phase of Multitone Nucleus™, scheduled for release in early 2025.

While we await the launch of the new cloud-optimized platform, we continue to enhance the Multitone i-Message® platform with new features and functionalities to sustain sales within the UK public healthcare market during this interim period.

Multitone Evolve™
(formerly The Multitone Digital Alerter or MDA)

Our next-generation device is designed to receive messages via traditional RF networks as well as through Wi-Fi and Bluetooth Low Energy (BLE). Although there has been a slight delay in finalizing the design, we are actively working to mitigate the delay and aim to launch the new device as soon as possible in the upcoming year.

This innovative device will allow Multitone to extend dedicated device support for critical messaging solutions across our core healthcare markets for years to come, serving as the successor to traditional paging devices.

The UK Market

The UK remains our largest market and has demonstrated strong performance throughout the review period, surpassing both revenue and sales intake targets.

Investments in the UK Sales team, along with the introduction of new products tailored for the Healthcare and Emergency Services sectors, will enable us to target additional market segments and is expected to drive growth in the UK sales pipeline.

The upcoming launches of Multitone Nucleus™ and Multitone Evolve™ will provide us with a unique value proposition, allowing us to deliver both cloud-based and on-premises critical messaging and collaborative communication tools for both dedicated end-user devices and smartphones.

The EU Market

Our subsidiary in Germany has achieved record levels of revenue during this period, driven by the fulfilment of order backlogs and income from the prestigious Klinikum der Universität München contract.

Sales in Germany reached HK$32.11 million during the review period, marking the highest sales achievement in the country in the past 15 years.

An increase in the International Sales team's headcount has enabled us to actively promote our products across a broader range of countries in Europe and beyond. This has resulted in early successes in new markets, including Czechia, where Multitone has supported a local distributor in implementing a critical messaging solution for the hydroelectric energy sector.

Other Markets

Oceania — New Zealand & Australia

Sales in this region remain robust, predominantly due to strong performance in Australia, which has shown significant improvement during the review period. However, this has been somewhat counterbalanced by a decline in sales in New Zealand. We continue to focus on growth in this area, and the supply of third-party cordless and telephony products has significantly contributed to our success. Currently, this region is our largest market outside of the UK and Germany.

US Market

Although the US market has underperformed, it still represents an area of interest and opportunity for our International Sales team. In the short term, we do not anticipate substantial revenue growth, but we are committed to developing a long-term strategy to enhance our presence in this market.

Iconic Projects

During the review period, we have achieved significant success in the UK emergency services market, securing sales with prominent clients such as the London Fire Brigade. Additionally, our subsidiary in Germany has completed a prestigious project that involved delivering a critical messaging solution for the Klinikum der Universität München.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position and Gearing

The Group's financial position remained positive.

As at 30 June 2024, the Group had approximately HK$109 million (2023: approximately HK$101 million) liquid assets made up of deposits, bank balances and cash. Current assets were approximately HK$172 million (2023: approximately HK$176 million) and current liabilities amounted to approximately HK$74 million (2023: approximately HK$87 million). With net current assets of approximately HK$98 million (2023: approximately HK$88 million), the Group maintained a healthy level of financial liquidity. As at 30 June 2024, the Group had no borrowings (2023: no borrowings) and a zero- gearing ratio (2023: 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 2024 was approximately HK$505,000 (2023: approximately HK$1,290,000).

The Group's UK subsidiary company experienced a significant increase in operating cash flow throughout the year, signifying robust cash generation from core operations. There were substantial cash outflows from investing activities, primarily for investments in inventory, plant, and equipment. In line with other government entities globally, it will be necessary to extend longer-than-usual credit terms to this category of special customers. Our UK subsidiary therefore has higher internal funding requirements, which necessitate maintaining significantly larger cash reserves as the business expands. Despite these significant cash outflows, the company managed to achieve a net increase in cash and cash equivalents for the year.

Fund Raising Activities

During the year ended 30 June 2024, the Group completed a fund-raising exercise to strengthen its financial position and raised total gross proceeds of approximately HK$14.8 million, with the net proceeds therefrom being reserved for the general working capital of the Group and investment in potential sectors should the opportunities arise.

Date of Announcement	Fund raising activity	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
17 June 2024	Placing of new Ordinary shares under general mandate	Approximately HK$14.8 million	For general working capital purpose	As of 30 June 2024, the entire proceeds had not been utilized

Treasury Policy

The Group is committed to managing its financial resources prudently and to maintaining 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 Pound 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 minimal 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 very low level.

Capital Commitments

The Group did not have any capital commitments as at 30 June 2024 (2023: Nil).

Charges

Certain property, plant and equipment of the Group with the aggregate carrying amounts of approximately HK$10.1 million (30 June 2023: approximately HK$10.2 million) and the future rental income to be generated from those property, plant and equipment with an aggregate amount of approximately HK$4.0 million (30 June 2023: approximately HK$4.3 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 2024.

Contingent liabilities

As at 30 June 2024, the Group had no material contingent liabilities (2023: 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 2024.

REMUNERATION POLICY

As at 30 June 2024, the Group employed about 164 full-time and part-time staff around the globe. Staff costs for the year ended 30 June 2024 were approximately HK$76 million (2023: approximately HK$69 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 2024 (2023: 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 2024.

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 2024 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.

CORPORATE GOVERNANCE CODE

Throughout the year ended 30 June 2024, the Company has complied with the code provisions in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for code provision C.2.1 as explained below.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

The role of chairman is being performed by Mr. Chan Koon Wa, who is also being an executive Director, and he is responsible for the overall strategic planning and development of the Group and the effective functioning and leadership of the Board. The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company has been monitored by the executive Director and assisted by the non-executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and who meet from time to time to look after the operations of the Company.

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 C3 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 2024, 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 2024 have been reviewed by the Audit Committee.

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

Hong Kong, 26 September 2024

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.