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If you have sold or transferred all your shares in Kantone Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.



KANTONE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1059)

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to Kantone Holdings Limited



A notice convening an extraordinary general meeting (“EGM”) of Kantone Holdings Limited to be held at 3rd Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong on Monday, 15 December 2014 at 9:30 a.m. is set out on page 8 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

28 November 2014

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size for trading from 30,000 Shares to 3,000 Consolidated Shares
“Company”	Kantone Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of HK\$1 each in the share capital of the Company after the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Monday, 15 December 2014 at which a resolution will be proposed to consider and, if thought fit, approve the Share Consolidation
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	24 November 2014, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share Consolidation”	the proposed consolidation of every 10 issued and unissued Shares into one Consolidated Share
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

EXPECTED TIMETABLE

The expected timetable of the proposed Share Consolidation and Change in Board Lot Size is as follows:

Latest time for lodging the proxy form of the EGM . . . 9:30 a.m. on Saturday, 13 December 2014

EGM 9:30 a.m. on Monday, 15 December 2014

Announcement of voting results of the EGM Monday, 15 December 2014

Effective date for the Share Consolidation Tuesday, 16 December 2014

First day for free exchange of existing share
certificates for new share certificates Tuesday, 16 December 2014

Closure of original counter for
trading the existing Shares
(in the form of existing share certificates)
in board lot of 30,000 Shares temporarily 9:00 a.m. on Tuesday, 16 December 2014

Commencement of trading in Shares
in board lot of 3,000 Consolidated Shares
in temporary counter (in the form of
existing share certificates) 9:00 a.m. on Tuesday, 16 December 2014

Commencement of trading in Shares
in board lot of 3,000 Consolidated Shares
in original counter (in the form of
new share certificates) 9:00 a.m. on Friday, 2 January 2015

Commencement of parallel trading of
Consolidated Shares in the form of existing share
certificates and new share certificates 9:00 a.m. on Friday, 2 January 2015

Cessation of parallel trading of
Consolidated Shares in the form of existing share
certificates and new share certificates 4:00 p.m. on Thursday, 22 January 2015

EXPECTED TIMETABLE

Closure of temporary counter for trading in Shares

(in the form of exiting share certificates)

in board lot of 3,000 Consolidated Shares 4:00 p.m. on Thursday, 22 January 2015

Last day for free exchange of existing share

certificates for new share certificates Tuesday, 27 January 2015

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above depend on the result of the EGM and are therefore for indicative purpose only. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

LETTER FROM THE BOARD



KANTONE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1059)

Directors:

Paul Kan Man Lok (*Chairman*)
Lai Yat Kwong (*Acting Chief Executive Officer*)
Leo Kan Kin Leung*
Shirley Ha Suk Ling*
Frank Bleackley**
Julia Tsuei Jo**
Miranda Ho Mo Han**

Principal Office:

5th Floor
Kantone Centre
1 Ning Foo Street
Chaiwan
Hong Kong

* *Non-executive directors*

** *Independent non-executive directors*

28 November 2014

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 17 November 2014, the Company announced that the Board proposed to implement the Share Consolidation on the basis that every 10 issued and unissued shares of HK\$0.1 each in the share capital of the Company be consolidated into one share of HK\$1. The Board also proposed to change the board lot size for trading from 30,000 Shares to 3,000 Consolidated Shares upon the Share Consolidation becoming effective.

The purpose of this circular is to give details of (i) the Share Consolidation; (ii) the Change in Board Lot Size; and (iii) a notice of the EGM, at which a resolution will be proposed to consider and approve the Share Consolidation.

SHARE CONSOLIDATION

It is proposed that every 10 existing issued and unissued shares of HK\$0.10 each be consolidated into one share of HK\$1.

LETTER FROM THE BOARD

The existing authorised share capital of the Company is HK\$1,200,000,000 divided into 12,000,000,000 shares of HK\$0.10 each, 7,588,750,276 Shares of which had been issued and fully paid as at the Latest Practicable Date. The Company presently has no outstanding warrants, share options or securities convertible into Shares. Assuming no change in issued share capital up to the implementation of the Share Consolidation, the authorised share capital of the Company will be HK\$1,200,000,000 divided into 1,200,000,000 Consolidated Shares comprising 758,875,027 whole Consolidated Shares in issue and approximately 441,124,972 unissued Consolidated Shares immediately after the Share Consolidation. The Consolidated Shares will rank pari passu in all respects with each other.

Fractions of Consolidated Shares arising from and upon the Share Consolidation will be aggregated and, if possible, sold for the benefit of the Company.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

- (a) the approval by the Shareholders at the EGM; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

Subject to the above conditions being fulfilled, it is expected that the Share Consolidation will become effective on 16 December 2014.

Effect of the Share Consolidation

The Share Consolidation has no impact on the underlying assets, business, operation or financial position of the Company and its subsidiaries (other than the expenses in connection with the Share Consolidation to be incurred by the Company). It will not change the respective shareholdings of the Shareholders or result in any change in the relative rights of the Shareholders.

Listing and dealings

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares and Change in Board Lot Size. All necessary arrangements have been made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in on any other stock exchange, or on which listing or permission to deal is being or is proposed to be sought.

LETTER FROM THE BOARD

Trading arrangements

The following arrangements will apply upon the implementation of the Share Consolidation:

- (1) as from 9:00 a.m. on 16 December 2014 (or such later date as may be notified to Shareholders) the present original counter for trading in Shares in board lot of 30,000 Shares will be closed temporarily and a temporary counter for trading in Consolidated Shares of the Company in board lot of 3,000 Consolidated Shares will be set up. Only the existing share certificates denominated in the HK\$0.10 form in pink colour can be traded at this counter;
- (2) as from 9:00 a.m. on 2 January 2015 (or such later date as may be notified to Shareholders) when the Consolidated Shares certificates denominated in the HK\$1 form are made available for trading, the present original counter will be re-opened and used as a counter for trading in shares of the Company in board lot of 3,000 Consolidated Shares (in the form of new share certificates). Only Consolidated Share certificates denominated in the HK\$1 form in yellow colour can be traded at this counter; and
- (3) as from 2 January 2015 up to and including 22 January 2015 (or such later date as may be notified to Shareholders) there will be parallel trading in the above two counters. After the end of the parallel trading period at 4:00 p.m. on 22 January 2015, the temporary counter for trading in shares of the Company in board lot of 3,000 Consolidated Shares will be removed. With effect from 9:00 a.m. on 23 January 2015, trading will only be in board lot of 3,000 Consolidated Shares in the existing counter. The existing share certificates denominated in the HK\$0.10 form will then cease to be marketable and can only be deemed as evidence of legal entitlement to 10 per cent of that number of Consolidated Shares.

Free exchange of share certificates

If the Share Consolidation becomes effective, which is currently expected to be Tuesday, 16 December 2014, the Shareholders may, during the period from Tuesday, 16 December 2014 to Tuesday, 27 January 2015 (both days inclusive), submit the existing share certificates for the Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. It is expected that the new share certificates for the Consolidated Shares will be available for collection within 10 Business Days after the submission of the existing share certificates to the above branch share registrar of the Company for exchange. Thereafter, the existing share certificates will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) for each new share certificate for the Consolidated Shares issued or each existing share certificate for the Shares submitted for cancellation, whichever the number of certificates involved is higher. However, the existing share certificates for the Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares at any time at the expense of the Shareholders but are not acceptable for trading, settlement and registration upon the Share Consolidation becoming effective.

LETTER FROM THE BOARD

CHANGE IN BOARD LOT SIZE

Currently Shares are traded in board lot of 30,000 Shares. It is also proposed that the board lot size for trading on the Stock Exchange be changed from 30,000 Shares to 3,000 Consolidated Shares upon the implementation of the Share Consolidation. The value of a board lot remains the same after the change in board lot size. As at the Latest Practicable Date, the value of a board lot was HK\$2,640.

REASONS FOR THE SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

Shares have been traded on the Stock Exchange at below HK\$0.10 for some time. The Share Consolidation will increase the market price per share of the Company to above HK\$0.10 to meet the requirement of the Stock Exchange. Further, the Share Consolidation will reduce the administration cost of the Company. In view of the aforesaid, the Directors consider that the Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

EGM

Set out on page 8 of this circular is a notice convening the EGM which will be held at 3rd Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong at 9:30 a.m. on Monday, 15 December 2014 for the purpose of considering and if thought fit approving the Share Consolidation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution approving the Share Consolidation at the EGM.

A form of proxy for the EGM is enclosed. Whether or not you wish to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Directors consider that the Share Consolidation and Change in Board Lot Size is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolution to be proposed at the EGM.

By Order of the Board
Paul Kan Man Lok
Chairman

NOTICE OF THE EGM



KANTONE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1059)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the above mentioned company (the “Company”) will be held at 3rd Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong on 15 December 2014 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** on and subject to the terms and conditions set out in the circular of the Company dated 28 November 2014 (a copy of which has been produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification):

- (a) every 10 shares of HK\$0.10 each in the existing issued and unissued share capital of the Company be consolidated into one share of HK\$1 (the “Consolidation”), and that the Consolidation shall take effect on the day immediately after fulfilment of all the conditions of the Consolidation; and
- (b) the directors of the Company be and are hereby generally authorised to do all such acts and things and execute all such documents as they consider necessary or expedient to implement and give effect to the Consolidation.”

By Order of the Board
Jennifer Cheung Mei Ha
Company Secretary

Hong Kong, 28 November 2014

Principal office:
5th Floor
Kantone Centre
1 Ning Foo Street
Chaiwan
Hong Kong

Notes:

- 1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- 2. In order to be valid the form of proxy together with a power of attorney or other attorney, if any, under which it is signed or a certified copy of that power of attorney, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

As at the date of this notice, the executive directors of the Company are Prof. Paul Kan Man Lok and Mr. Lai Yat Kwong; the non-executive directors are Mr. Leo Kan Kin Leung and Ms. Shirley Ha Suk Ling and the independent non-executive directors are Mr. Frank Bleackley, Prof. Julia Tsuei Jo and Ms. Miranda Ho Mo Han.