
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action to be taken, you should immediately consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

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This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.



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*
Paul Michael James Kirby*
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*

24 April 2012

Dear shareholders,

SCRIP DIVIDEND SCHEME

INTRODUCTION

On 24 February 2012, the board of directors of Kantone Holdings Limited (the “Company”) declared an interim dividend for the six months ended 31 December 2011 of 0.2 Hong Kong cents per share of HK\$0.10 of the Company (“Share”) to shareholders of the Company on the register of members on 23 March 2012 (the “Record Date”).

SCRIP DIVIDEND

The directors of the Company propose that the interim dividend for the six months ended 31 December 2011 which shareholders are entitled to receive be satisfied by allotment of new Shares, credited as fully paid, by way of scrip dividend, with an alternative to the shareholders to elect to receive such dividend (or part thereof) in cash in lieu of such allotment (the “Scrip Dividend Scheme”). Shareholders may elect to receive such interim dividend wholly by allotment of new Shares or in cash, or partly in cash and the balance be satisfied by allotment of new Shares.

The number of new Shares to be allotted to a shareholder who wishes to receive dividends wholly or partly in new Shares will be calculated by dividing the total amount of the interim dividend on the whole or such part of the registered holding of Shares which such shareholder has elected to receive in Shares by HK\$0.10, being approximately 156.25% of the average of the closing prices per Share quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the five trading days from 11 April 2012 to 17 April 2012, subject as mentioned below. Based on 7,498,730,883 Shares in issue on the Record Date, a maximum of 149,974,617 Shares are issuable under the Scrip Dividend Scheme.

The new Shares to be issued pursuant to the Scrip Dividend Scheme will rank *pari passu* in all respect with the existing issued Shares, except for the interim dividend for the six months ended 31 December 2011, and will rank in full for all future dividends and distribution which may be declared, made or paid after the date of issue thereof.

No shareholder is entitled to be issued any fraction of a Share under the Scrip Dividend Scheme. Fractional entitlements to Shares will not be issued but will be aggregated and the resulting Shares will be sold for the benefit of the Company.

The allotment of new Shares under the Scrip Dividend Scheme is subject to the granting by the Listing Committee of the Stock Exchange of a listing of and permission to deal in the Shares to be issued pursuant thereto.

The directors consider that the Scrip Dividend Scheme is beneficial to both the shareholders and the Company as it will enable shareholders to further participate in the equity capital of the Company and the Company to retain cash for its operation.

FORM OF ELECTION

Except for shareholders who have previously lodged Forms of Election electing to receive all future scrip dividend in cash, a Form of Election is enclosed. **No action is required if you wish the interim dividend for the six months ended 31 December 2011 which you are entitled to receive be wholly satisfied by allotment of new Shares on the abovementioned basis.** Otherwise, if you elect to receive such interim dividend wholly in cash or partly in cash and the balance be satisfied by an allotment of new Shares, you must complete the Form of Election in accordance with the instructions printed thereon and lodge it to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited (the “Share Registrar”) at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 17 May 2012. The Form of Election also enables you to elect to receive all future scrip dividends wholly in cash until notice in writing to cancel such election is received by the Share Registrar. No acknowledgement of receipt of the Form of Election will be issued.

OVERSEAS SHAREHOLDERS

This circular will not be registered under any securities legislation of any jurisdiction. All shareholders resident outside Hong Kong should consult their brokers or other professional advisers as to whether any governmental or other consents in their jurisdictions are required or other formalities need to be observed to enable them to participate in the Scrip Dividend Scheme.

No person in any jurisdiction outside Hong Kong receiving a copy of this circular or a Form of Election may treat the same as an offer by the Company of a right to elect to receive new Shares under the Scrip Dividend Scheme unless such offer could lawfully be made to such person without the Company being required to comply with any governmental or regulatory procedures or any similar formalities. It is the responsibility of any person outside Hong Kong who wishes to receive new Shares under the Scrip Dividend Scheme to comply with the laws of the relevant jurisdiction(s), including the obtaining of any governmental or other necessary consents and compliance with all other formalities. It is also the responsibility of any person who receives new Shares under the Scrip Dividend Scheme to comply with any restrictions under the laws of the relevant jurisdiction(s) on dealing with the Shares which may apply outside Hong Kong.

The Company has made enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory bodies or stock exchange of extending the Scrip Dividend Scheme to shareholders with registered addresses outside Hong Kong, and the directors, based on results of such enquiries made, consider that it is expedient to exclude shareholders with registered addresses outside Hong Kong (the “Excluded Shareholders”) from the Scrip Dividend Scheme. This circular is sent to the Excluded Shareholders for information only and no Form of Election has been sent to them. The Excluded Shareholders will only receive the interim dividend for the six months ended 31 December 2011 in cash.

Notwithstanding the above, any Excluded Shareholder who is able to prove to the satisfaction of the Company that he/she may legally participate in the Scrip Dividend Scheme without the Company being required to comply with any governmental or regulatory procedures or similar formalities will be entitled to participate in the Scrip Dividend Scheme. Forms of Election will be sent to such shareholders and the procedure set out in the section headed “Form of Election” above shall apply. In this regard, Excluded Shareholders should contact the Company at its principal office as soon as practicable after receipt of this circular.

LISTING AND DEALING

Application has been made to the Listing Committee of the Stock Exchange for a listing of and permission to deal in the new Shares to be issued pursuant to the Scrip Dividend Scheme. It is expected that share certificates and dividend warrants will be posted at the risk of those entitled thereto on or before 25 May 2012. Dealings in the new Shares are expected to begin on 29 May 2012.

Subject to the granting of listing of, and permission to deal in, the new Shares to be issued under the Scrip Dividend Scheme on the Stock exchange, such new Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”) with effect from the commencement 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.

The securities of the Company are only listed on the Stock Exchange. No part of the share capital of the Company is listed or dealt in on any other stock exchange and the Company is not currently seeking to list its securities on any other stock exchange.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands will be available for inspection at the offices of Jennifer Cheung & Co. at Unit A, 19th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong during normal business hours up to and including 14 days after circular date.

Yours faithfully,
Jennifer Cheung Mei Ha
Company Secretary