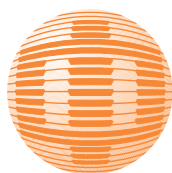


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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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 transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



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*

31 October 2012

To the shareholders

Dear Sir or Madam,

**PROPOSALS RELATING TO
GENERAL MANDATES TO ISSUE SHARES AND
REPURCHASE SHARES
NEW SHARE OPTION SCHEME
AND AMENDMENT OF ARTICLES OF ASSOCIATION
NOTICE OF ANNUAL GENERAL MEETING AND
RE-ELECTION OF DIRECTORS**

INTRODUCTION

At the annual general meeting of Kantone Holdings Limited (the "Company") for the year ended 30 June 2012, resolutions will be proposed to grant to the directors of the

Company (the “Directors”) general mandates to issue shares and repurchase shares of the Company, to adopt a new share option scheme of the Company (the “New Share Option Scheme”) and to amend the Articles of Association of the Company.

The purpose of this circular is to give you further details of the abovementioned proposals and notice of the annual general meeting of the Company for the year ended 30 June 2012 (the “AGM”). In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), this circular also contains an explanatory statement and gives all the information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the purchase by the Company of its own shares, together with particulars of the Directors proposed to be re-elected at the AGM.

GENERAL MANDATE TO ISSUE SHARES

At the AGM, an ordinary resolution will be proposed to grant a general mandate to the Directors to allot, issue and dispose of shares of the Company not exceeding 20% of the issued share capital of the Company on the date of the resolution to provide flexibility to the Company to raise fund by issue of shares efficiently. On 26 October 2012 (the “Latest Practicable Date”), being the latest practicable date prior to printing of this circular, there were in issue an aggregate of 7,504,575,951 shares of HK\$0.10 each of the Company (“Shares”). On the assumption that no Share will be issued prior to the AGM, exercise in full of the mandate could result in up to 1,500,915,190 Shares being issued by the Company.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution will also be proposed that the Directors be given a general mandate to exercise all powers of the Company to repurchase issued and fully paid shares of the Company. Under such mandate, the number of shares that the Company may repurchase shall not exceed 10% of the share capital of the Company in issue on the date of the resolution. The Company’s authority is restricted to purchases made on the Stock Exchange in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Based on 7,504,575,951 Shares in issue as at the Latest Practicable Date and on the assumption that no Share will be issued prior to the AGM, exercise in full of the mandate could result in up to 750,457,595 Shares being repurchased by the Company. The mandate allows the Company to make or agree to make purchases only during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

The Directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchases may enhance the net value of the Company and/or earnings per Share. As compared with the financial position of the Company as at 30 June 2012 (being the date of its latest audited accounts), the Directors consider that there would be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period. No purchase would be made in circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

The Company is empowered by its Memorandum and Articles of Association to purchase its Shares. The Cayman Islands law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of profits or share premium of the Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Company remaining solvent in compliance with the Companies Law of the Cayman Islands, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, subject to the Company remaining solvent in compliance with the Companies Law of the Cayman Islands, out of capital.

The Directors intend to apply the capital paid up on the relevant Shares or the profit that would otherwise be available for distribution by way of dividend for any purchase of its Shares.

Directors, their associates and connected persons

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates of any of the Directors has any present intention, in the event that the proposal is approved by shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the Listing Rules of the Stock Exchange) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make purchases of Shares.

Undertaking of the Directors

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the proposed resolution in accordance with the Listing Rules of the Stock Exchange and all applicable laws of the Cayman Islands, and in accordance with the regulations set out in the Memorandum and Articles of Association of the Company.

Effect of Takeovers Code

A repurchase of Shares by the Company may result in an increase in the proportionate interest of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "Code").

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Champion Technology Holdings Limited ("Champion"), who held approximately 54.98% of the issued share capital of the Company, was the only substantial shareholder holding more than 10% of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholding of Champion in the Company would be increased to approximately 61.09% of the issued share capital of the Company and such increase would not give rise to an obligation on it to make a mandatory offer under Rule 26 of the Code.

Stock Exchange Rules for repurchases of shares

The Listing Rules of the Stock Exchange permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

The Listing Rules provide that all shares repurchases on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of general mandate, or by special resolution in relation to specific transactions.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose.

General

During each of the six months preceding the date of this circular, no Share had been repurchased by the Company.

During each of the previous 12 months, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

Month	Per Share	
	Highest HK\$	Lowest HK\$
2011		
October	0.095	0.052
November	0.090	0.072
December	0.078	0.062
2012		
January	0.076	0.065
February	0.084	0.068
March	0.081	0.068
April	0.069	0.058
May	0.065	0.060
June	0.065	0.053
July	0.065	0.058
August	0.064	0.058
September	0.063	0.056
October (up to the Latest Practicable Date)	0.071	0.062

NEW SHARE OPTION SCHEME

The existing share option scheme

On 29 November 2002, the Company adopted the existing share option scheme relating to the grant of options to eligible persons including directors and employees of the Company and its subsidiaries (the “Group”) to subscribe for shares of the Company (the “Existing Share Option Scheme”). As the Existing Share Option Scheme will expire on 28 November 2012, it is proposed to adopt the New Share Option Scheme.

As at the Latest Practicable Date, no option has been granted by the Company under the Existing Share Option Scheme.

Principal terms of the New Share Option Scheme

A summary of the rules of the New Share Option Scheme is set out in the appendix to this circular.

Reasons for the New Share Option Scheme

Under the New Share Option Scheme, the Directors may grant options to any director, employee or consultant of the Group or any customer, supplier or adviser whose service to the Group or business with the Group may contribute to the business and operation of the Group. No initial payment is required for the grant of option. The New Share Option Scheme will enable the Group to offer valuable incentive to attract and retain quality personnel and other persons to work to increase the value of the shares of the Company as the exercise price under the options is determined with reference to the market price of Shares as at the date of grant of the options. To this end, the Directors may specify the minimum period, if any, for which an option must be held or the performance targets, if any, that must be achieved before the option can be exercised.

Conditions of the New Share Option Scheme

The New Share Option Scheme is conditional on:

- (a) the approval of the shareholders of the Company at the AGM to be held; and
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the new shares of the Company which may be issued and allotted pursuant to the exercise of options granted under the New Share Option Scheme up to 10% of the share capital of the Company in issue on the date of shareholders’ approval of the New Share Option Scheme.

Value of the options

The Directors consider it inappropriate to value all the options that can be granted under the New Share Option Scheme on the assumption that they were granted on the Latest Practicable Date as a number of factors crucial for the valuation cannot be determined. Such factors include the exercise period and the conditions, such as performance targets, if any, that an option is subject to. Accordingly any valuation of the options based on a large number of speculative assumptions would not be meaningful but would be misleading to the shareholders.

Listing and dealings

Application has been made to the Listing Committee of the Stock Exchange for the granting of listing of and permission to deal in the new shares of the Company which may be issued and allotted pursuant to the New Share Option Scheme.

The shares of the Company are only listed on the Stock Exchange and not on any other stock exchange.

AMENDMENT OF ARTICLES OF ASSOCIATION

It is proposed to amend the Articles of Association of the Company (the “Articles”) as follows:

- (i) the existing provisions of Articles 103(1)(v), (2) and (3) be deleted;
- (ii) the word “or” be added at the end of Article 103(1)(iv);
- (iii) the existing Article 103(1)(vi) be renumbered as Article 103(1)(v);
- (iv) the words “Articles 103(1)(i) to (vi)” in existing Article 103(5) be deleted and be replaced by the words “Articles 103(1)(i) to (v)”;
- (v) the sentence “For purposes of Article 103(2), the word “Director” wherever it appears shall be construed to mean “a director of the Company and/or his associate(s).” in Article 103(5) be deleted; and
- (vi) the existing Articles 103(4) and (5) be re-numbered as Articles 103(2) and (3) respectively.

A full versions of the Articles of Associations of the Company is available on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.kantone.com>.

The effect of the proposed amendment of the Articles is to remove the exemption which allows a Director to vote on any board resolution in respect of any contract or arrangement concerning a company in which the Director together with any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares or voting rights of any class of shares of the company in compliance with the new requirements of Rule 13.44 of the Listing Rules.

ANNUAL GENERAL MEETING

You will find on pages 15 to 18 of this circular a notice of the AGM to be held at 9:05 a.m. on 30 November 2012 at 3rd Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong. Voting at the AGM will be taken by poll.

Resolution no. 5A will be proposed as an ordinary resolution to give a general mandate to the Directors to allot, issue and deal with shares of the Company with an aggregate nominal value not exceeding 20% of the share capital of the Company in issue as at the date of the resolution.

Resolution no. 5B will be proposed as an ordinary resolution to give a general mandate to the Directors to make on-market purchases of shares of the Company of up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the resolution.

Resolution no. 5C will be proposed as an ordinary resolution to extend resolution no. 5A to include the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors pursuant to resolution no. 5B.

Resolution no. 5D will be proposed as an ordinary resolution to approve the adoption of the New Share Option Scheme.

Resolution no. 5E will be proposed as a special resolution to approve the proposed amendment of the Articles of Association of the Company.

There is enclosed a form of proxy for use at the AGM. You are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

RE-ELECTION OF DIRECTORS

Resolutions will be proposed at the AGM for re-election of Mr. LAI Yat Kwong, Mr. Leo KAN Kin Leung and Ms. Miranda HO Mo Han as Directors according to the Company's Articles of Association. Their particulars are as follows:

LAI Yat Kwong ("Mr. Lai"), 63, is the Acting Chief Executive Officer and Chief Financial Officer and an executive director of the Company. He is also the Chief Financial Officer and an executive director of Champion (whose shares are listed on the Main Board of the Stock Exchange) and a non-executive director of DIGITALHONGKONG.COM ("Digital HK") (whose shares are listed on the Growth Enterprise Market of the Stock Exchange). He joined the Champion group in March 1994 as Vice President of Internal Audit and Control. In July 1997, he took on responsibility as the Chief Financial Officer of the Company. He holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong and has over 40 years of experience in accounting, auditing and company secretarial matters. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (Practising). Since October 2011, he has been an independent non-executive director of Trony Solar Holdings Company Limited, whose shares are listed on the Main Board of the Stock Exchange.

Leo KAN Kin Leung (“Mr. Kan”), 56, has been a non-executive director of the Company since June 2001. He is also the Chief Executive Officer and an executive director of Champion, as well as a non-executive director of Digital HK. He is brother of Dr. Paul Kan Man Lok, Chairman of the Company. He is responsible for formulating the Champion group’s overall policy and development strategy as well as its global operations and management. Prior to joining the Champion group in 1988, Mr. Kan held management positions in several international companies in Hong Kong. He holds a Master’s degree in Business Administration from Dalhousie University in Canada and a Master’s degree in Economics from the University of Alberta in Canada. In 2006, Mr. Kan completed the Oxford Advanced Management Programme at the Saïd Business School of the University of Oxford.

Mr. Kan is the Chairman of the Hong Kong Information Technology Industry Council, the Vice Chairman of Hong Kong IT Alliance as well as the Chairman of its IT Committee. He serves on Internet Professional Association as Honorary Secretary and a Council Member. Mr. Kan is a member of the CreateSmart Initiative Vetting Committee of the Hong Kong SAR Government, the School of Continuing Education Advisory Committee of the Hong Kong Baptist University, the Design Council of Hong Kong and the Consultative and Advisory Panel of the Hong Kong Internet Registration Corporation Limited. He is also an Executive Committee Member of the Hong Kong Information Technology Joint Council and a General Committee Member of the Federation of Hong Kong Industries.

Miranda HO Mo Han (“Ms. Ho”), 42, has been an independent non-executive director of the Company since January 2008. She is also the Chairman of the audit committee of the Company. She is a director of Billy Ho and Associates CPA Limited and is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants; a Fellow Member of the Hong Kong Institute of Directors; and an Associate Member of the American Institute of Certified Public Accountants. She holds a Master’s degree in Business Administration from Oklahoma City University, USA. Ms. Ho has participated in community services as a member of the Hong Kong Federation of Zhong Shan Unions & Association Limited for years.

Mr. Lai does not have any service contract with the Company. He is not appointed for a specific term but is subject to retirement by rotation in annual general meetings of the Company in accordance with the Articles of Association of the Company. The Company has general emolument guidelines for executive directors of the Company, but Mr. Lai has elected to receive nominal salary of HK\$57,000 for the year ended 30 June 2012.

Each of Mr. Kan and Ms. Ho has a service contract with the Company commencing from 2 July 2010 and 29 November 2010 respectively and ending on the date of the AGM. Each of them will, if re-elected as a director of the Company, enter into another service contract with the Company for a term of up to about three years commencing from the date of the AGM and ending on the date on which the director shall retire by rotation next time at an annual general meeting of the Company in accordance with the Articles of Association of the Company. Under their respective service contracts, Mr. Kan is paid a

director's fee of HK\$5,000 per annum and a remuneration of HK\$20,000 per annum for acting as members of certain committees of the Company. Ms. Ho is paid a director's fee of HK\$50,000 per annum and a remuneration of HK\$50,000 per annum for acting as members of certain committees of the Company.

The emoluments payable to Mr. Kan represent nominal honorarium in recognition of his valuable contribution to the Company. The emoluments payable to Ms. Ho are determined with reference to the prevailing range of fees for independent non-executive directors of listed companies in Hong Kong.

As at the Latest Practicable Date, none of the abovenamed Directors had any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, the abovenamed Directors confirm:

- (a) they did not have any directorship in other listed public companies in the last three year;
- (b) they do not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company; and
- (c) there is no information relating to their re-election required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matters that need to be brought to the attention of shareholders of the Company.

RECOMMENDATION

The Directors consider that the above proposals are in the interest of the Company and the shareholders as a whole and so recommend you to vote in favour of the relevant resolutions at the AGM. The Directors will vote all their shareholdings in favour of such resolutions.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable inquiries, 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.

DOCUMENT AVAILABLE FOR INSPECTION

A draft of the rules of the New Share Option Scheme 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 30 November 2012 and at the AGM.

Yours faithfully,
By order of the Board
Paul Kan Man Lok
Chairman

PURPOSE OF THE SCHEME

The New Share Option Scheme is set up for the purpose of attracting and retaining quality personnel and other persons to provide incentive to them to contribute to the business and operation of the Group.

WHO MAY JOIN

The Directors may at their discretion grant options to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company ("Affiliate"); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any customer, supplier or adviser whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group as may be determined by the Directors from time to time to subscribe for Shares.

PRICE OF SHARES

Options may be granted without any initial payment for the options at an exercise price (subject to adjustments as provided therein) equal to the highest of (i) the nominal value of the Shares; (ii) the closing price per Share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option, which must be a business day; and (iii) the average closing price per Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option.

MAXIMUM NUMBER OF SHARES

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 10% of the share capital of the Company in issue at the date of shareholders' approval of the New Share Option Scheme (the "General Mandate Limit") provided that:

- (a) the Company may seek approval by shareholders in general meeting to refresh the General Mandate Limit up to 10% of the issued share capital of the Company at the date of the shareholders' approval to refresh the limit; and
- (b) the Company may seek separate shareholders' approval in general meeting to grant options beyond the General Mandate Limit provided that the options in excess of the General Mandate Limit are granted only to participants specifically identified by the Company before such approval is sought,

subject to the limitation that the maximum number of Shares which may be issued or issuable upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum number of Shares (issued and to be issued) in respect of which options may be granted under the New Share Option Scheme to any one grantee in any 12-month period shall not exceed 1% of the share capital of the Company in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with Rule 17.03(4) of the Listing Rules.

GRANT OF OPTIONS TO CONNECTED PERSONS

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

Where options are proposed to be granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the Shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) and to be granted to such person in the 12-month period up to and including the date of the grant of such options to represent in aggregate over 0.1% of the total issued Shares for the time being and have an aggregate value (based on the closing price of a Share at each date of the grant of these options) exceeding HK\$5,000,000, the proposed grant shall be subject to the approval of shareholders of the Company in general meeting in accordance with the requirements of the Listing Rules (being Rule 17.04 of the Listing Rules).

TIME OF EXERCISE OF OPTION

The holder of an option may subscribe for Shares during such period as may be determined by the Directors (which shall be less than ten years from the date of grant of the relevant option and may include the minimum period, if any, for which an option must be held before it can be exercised).

PERFORMANCE TARGETS

The Directors may at their absolute discretion specify the performance targets, if any, that must be achieved before the option can be exercised.

RIGHTS ARE PERSONAL TO GRANTEE

An option may not be transferred or assigned and will be personal to the holder of the option.

RIGHTS ON CEASING EMPLOYMENT

If a holder of an option is disabled or retires in accordance with the terms of his employment, the holder may exercise the option within a period of six months thereafter or at the expiration of the relevant option period, whichever is earlier, failing which the option will lapse.

RIGHTS ON DEATH

If a holder of an option dies, the personal representatives of the holder may exercise the option within a period of six months thereafter or at the expiration of the relevant option period, whichever is earlier, failing which the option will lapse.

RIGHTS ON DISMISSAL

If the holder of an option resigns or is dismissed from the employment of the Group, the option of such holder will thereupon lapse.

EFFECT OF ALTERATIONS TO CAPITAL

In the event of any reduction, sub-division or consolidation of the share capital of the Company or capitalisation issue or rights issue by the Company, the number or nominal amount of Shares comprised in each option and/or the option price may be adjusted in such manner as the Directors (having received a statement in writing from the auditors of the Company that in their opinion the adjustments proposed satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules) may deem appropriate, provided always that an option holder shall have the same proportion of the equity capital of the Company as that to which he was entitled before such adjustments and no increase shall be made in the aggregate subscription price relating to any option, but no such adjustments may be made to the extent that a share would be issued at less than its nominal value.

RIGHTS ON A GENERAL OFFER

If a general offer is made to the holders of Shares, each holder of an option shall be entitled at any time within the period of six months after such control has been obtained to exercise any option in whole or in part, and to the extent that it has not been so exercised, any option shall upon the expiry of such period cease and determine.

RIGHTS ON WINDING UP

If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, every option shall be exercisable in whole or in part at any time thereafter until the resolution is duly passed or defeated or the meeting concluded or adjourned sine die, whichever shall first occur. If such resolution is duly passed, all options shall, to the extent that they have not been exercised, thereupon cease and determine.

RIGHTS ON A COMPROMISE OR ARRANGEMENT

If a compromise or arrangement between the Company and its members or creditors is proposed, each holder of an option may exercise his option forthwith until the expiry of two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the Court, whichever is earlier, subject to such compromise or arrangement being sanctioned by the Court and becoming effective.

RANKING OF SHARES

Shares allotted on the exercise of options will rank *pari passu* with the other Shares in issue at the date of exercise of the relevant option except in respect of any dividend or other distribution previously resolved or announced to be paid or made if the record date therefor is before the relevant exercise date.

PERIOD OF THE SCHEME

The New Share Option Scheme will remain in force for a period of 10 years from the date of adoption of such scheme.

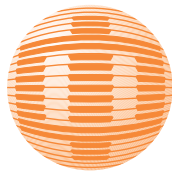
VARIATION

The Directors may from time to time in their absolute discretion waive or amend such rules of the New Share Option Scheme as they deem desirable provided that except as allowed by the Listing Rules in effect from time to time or with the prior approval of shareholders in general meeting, no alteration shall be made to the provisions of the New Share Option Scheme relating to any of the above matters to the advantage of participants or of the terms or conditions of the New Share Option Scheme which are of a material nature or change the terms of options granted under the New Share Option Scheme, except where the alteration take effect automatically under the existing terms of the New Share Option Scheme. The Directors may terminate the New Share Option Scheme at any time, but options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the rules of such scheme. Under the Listing Rules amended terms of the New Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules, and any change to the authority of the directors or scheme administrators in relation to any alteration to the terms of the New Share Option Scheme must be approved by shareholders of the Company in general meeting.

CANCELLATION OF UNEXERCISED OPTION

The Company may cancel an option granted under the New Share Option Scheme but not exercised with the approval of the holder of such option. If the Company cancels options and issues new ones to the same option holder, the issue of such new options may only be made under the New Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by shareholders as mentioned in the paragraph headed "Maximum number of Shares" above.

NOTICE OF ANNUAL GENERAL MEETING



KANTONE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1059)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the abovenamed company (the “Company”) will be held at 9:05 a.m. on 30 November 2012 at 3rd Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong, for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and independent auditor for the year ended 30 June 2012.
2. To declare a final dividend of 0.2 Hong Kong cents per share for the year ended 30 June 2012.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditor and to authorise the board of directors to fix its remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions, of which resolution nos. 5A, 5B, 5C and 5D will be proposed as ordinary resolutions and resolution no. 5E will be proposed as a special resolution:

ORDINARY RESOLUTIONS

A. “**THAT:**

- (a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or scrip dividend scheme or similar arrangement of the Company or the exercise of the subscription rights under the share option scheme of the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

B. “THAT:

- (a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and

(c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C. “**THAT** conditional upon resolution no. 5B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 5B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 5A above.”

D. “**THAT** the rules of the new share option scheme of the Company (a copy of which has been submitted to the meeting and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved and adopted and that the directors of the Company be and are hereby authorised to implement the same and to grant options and to issue and allot shares of the Company pursuant thereto.”

SPECIAL RESOLUTION

E. “**THAT** the existing Articles of Association of the Company be and are hereby amended in the manner set out in the section headed “Amendment of Articles of Association” in the circular of the Company dated 31 October 2012 (a copy of which has been submitted to the meeting and signed by the Chairman of the meeting for the purpose of identification).”

By Order of the Board
Jennifer Cheung Mei Ha
Company Secretary

Hong Kong, 31 October 2012

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. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) The register of members of the Company will be closed from 6 December 2012 to 7 December 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 5 December 2012.