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CHINA OPTO
HOLDINGS LIMITED

China Opto Holdings Limited

中國新進控股有限公司

(Incorporated in Bermuda with limited liability)

Website: www.chinaopto.com.hk

(Stock Code: 1332)

**(1) DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITION OF 100% ISSUED SHARE CAPITAL
IN THE TARGET COMPANY INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER GENERAL MANDATE;
AND
(2) PLACING OF NEW SHARES UNDER GENERAL MANDATE**

**Placing Agent
Enhanced Securities Limited**

THE S&P AGREEMENT

The Board is pleased to announce that, on 10 August 2016 (after trading hours), the Purchaser entered into the S&P Agreement with the Vendor, pursuant to which (1) the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sale Shares at the consideration of HK\$513,000,000, which will be satisfied as to (i) 600,000,000 Consideration Shares to be issued under the General Mandate at an Issue Price of HK\$0.335 per Share; (ii) HK\$258,000,000 by the issuance of Promissory Note; and (iii) the remaining balance of the consideration will be settled by cash of HK\$54,000,000 to the Vendor upon Completion; and (2) the Purchaser would acquire the Sale Loan of HK\$56,400,000 which is to be settled by the cash payment from the Purchaser to Ms. Qiao Yanfeng.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

Since some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the transactions contemplated under the S&P Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the requirements of reporting and announcement, but is exempted from the requirement of shareholders' approval.

As the Valuer has adopted, amongst others, the income approach involving use of the discounted cash flow methodology in preparing the Valuation Report, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

The Board announced that on 10 August 2016 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the Placing of the Placing Shares. Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to place a total of 420,738,550 new Shares, on a fully underwritten basis, to not less than six independent placees, at a price of HK\$0.28 per Placing Share.

The 420,738,550 Placing Shares under the Placing represents 5.89% of the existing issued share capital of the Company of 7,143,692,751 Shares as at the date of this announcement and approximately 5.15% of the issued share capital of 8,164,431,301 Shares as enlarged by the Consideration Shares and Placing Shares.

The gross proceeds and net proceeds from the Placing will be approximately HK\$117.81 million and HK\$114.26 million respectively, which will be used to satisfy the cash considerations of the Sale Shares and the Sale Loan, the remainder of which will be used towards working capital purpose of the Company.

The Placing is conditional upon, among other things, the (i) Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and (ii) all the Conditions Precedent stipulated in the S&P Agreement having been fulfilled or deemed fulfilled.

The Placing Shares are to be issued and allotted under the General Mandate.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.

As the Acquisition and/or the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that, on 10 August 2016 (after trading hours), the Purchaser entered into the S&P Agreement with the Vendor, pursuant to which (1) the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sale Shares at the consideration of HK\$513,000,000; and (2) to acquire the Sale Loan at HK\$56,400,000.

THE S&P AGREEMENT

Date: 10 August 2016 (after trading hours)

Parties

Vendor: TY Technology Group Limited

Purchaser: China Opto Holdings Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners (including the assignor of the Sale Loan) are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the S&P Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares, representing 100% of the entire issued share capital of the Target Company, subject to fulfilment of the Conditions Precedent. The Target Company is a BVI investment holding company which directly holds Fortune Road International Limited, a Hong Kong investment holding company which directly holds 上海透雲物聯網科技有限公司 (“SHTY*”), the principal business of which is the provision of QR codes on product packaging for the FMCG sector in the PRC and business intelligence information technology (“IT”) solutions based on its “one product, one QR code” through the PRC Company.

In addition, the Purchaser would acquire the Sale Loan of HK\$56,400,000 which is owed by the HK Company to Ms. Qiao Yanfeng.

Consideration for the Sale Shares and the Sale Loan

Pursuant to the S&P Agreement, the consideration of HK\$513,000,000 for the Sale Shares will be satisfied by the Purchaser in the following manner:

- (i) 600,000,000 Consideration Shares will be issued and allotted at an Issue Price of HK\$0.335 per Consideration Share by the Company to the Vendor (or its nominee(s)) free from all encumbrance upon Completion;
- (ii) HK\$258,000,000 will be satisfied by a Promissory Note issued by the Company to the Vendor (or its nominee(s)) upon Completion; and
- (iii) the remaining balance of the consideration will be satisfied by cash of HK\$54,000,000 upon Completion.

In addition, the total consideration for the sale and purchase of the Sale Loan is HK\$56,400,000 which shall be satisfied by the Purchaser through payment in cash to Ms. Qiao Yanfeng (or her nominee) upon Completion.

The consideration for the Sale Shares and the Sale Loan was determined after arm's length negotiations between the Vendor and the Purchaser after taking into consideration of the following factors:

- (i) the fair value of 100% equity interest in the PRC Company as at 30 June 2016 of RMB489,200,000 as assessed by the independent Valuer;
- (ii) the business development and future prospects of the PRC Company after the Acquisition;
- (iii) the reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in this announcement; and
- (iv) the principal amount of the Sale Loan.

In view of the above, the Board considers that the terms and conditions (including the consideration for the Sale Shares and the Sale Loan) of the S&P Agreement are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

The sale and purchase of the Sale Shares and the Sale Loan will be conditional upon fulfillment of the following conditions:

- (a) the Purchaser having received a legal opinion on PRC laws (in such form and substance to the Purchaser's reasonable satisfaction) covering the following major issues:–
 - (i) the PRC Company having been duly established and validly subsisting;
 - (ii) the legality of the operation and business of the PRC Company in all material respects;
 - (iii) the PRC Company having obtained all the waivers, licences, consents or permits necessary for their operation and business and all such licences, consents and permits being in full force an effect; and
 - (iv) the legality and validity of the material contracts entered into by the PRC Company.
- (b) the Purchaser having conducted and completed due diligence on all business, assets and liabilities, legal and financial matters and all such other matters as deemed necessary by the Purchaser in its absolute discretion, in relation to the Target Group, and the Purchaser being satisfied with the result of such due diligence in its absolute discretion;
- (c) if applicable, the obtaining of all consents from any relevant government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the S&P Agreement and any of the transactions contemplated thereunder;
- (d) the passing of the necessary resolution(s) by the Vendor to approve the S&P Agreement and the transactions contemplated thereunder;

- (e) the Purchaser being satisfied that on or before Completion the Vendor's warranties remain true and accurate in all material respects and are not misleading nor in breach in any material respect; and
- (f) The Listing Committee granting approval for the listing of and permission to deal in the Consideration Shares.

Condition (d) above can be waived by the Purchaser. Other than this, the other conditions cannot be waived. If the conditions set out in the above have not been fulfilled or waived on or before the Long Stop Date for whatever reason, the S&P Agreement will terminate and neither party will have any obligation and liability towards each other and will have no further claims against each other under the S&P Agreement save for costs, damages, compensation or otherwise, in respect of any antecedent breaches, as well as each party will bear its own costs and expenses (including legal fees) incurred in connection with the preparation, negotiation, execution and performance of the S&P Agreement and all documents incidental or relating to Completion.

Completion

Completion of the S&P Agreement will take place on or before 11:00 a.m. within three (3) Business Days (or such other later date as agreed between the parties) after the date on which all the Conditions Precedent have been fulfilled (or waived).

Upon Completion, the Purchaser will hold 100% equity interest of the Target Company. The Target Company will become a wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

CONSIDERATION SHARES

The Consideration Shares comprise a total of 600,000,000 Shares which will be issued pursuant to the General Mandate. The Consideration Shares, when issued, would represent approximately 8.40% of the existing issued share capital of the Company as at the date of this announcement and approximately 7.35% of the issued share capital of the Company as enlarged by issue of the Consideration Shares and Placing Shares.

The maximum number of Shares that can be issued under the General Mandate is 1,020,738,550 Shares. As at the date of this announcement, the General Mandate has not been utilized. Accordingly, the issue of the Consideration Shares is not subject to the Shareholders' approval.

The Issue Price of the Consideration Shares is HK\$0.335 per Consideration Share which:

- (i) is equal to the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on 10 August 2016, being the date of the S&P Agreement; and
- (ii) represents a premium of approximately 0.60% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive full trading days prior to the date of the S&P Agreement of HK\$0.333 per Share.

The Consideration Shares, when issued, will rank pari passu in all respects among themselves and with the Shares in issue on the day of issuance of the Consideration Shares.

PROMISSORY NOTE

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are as follows:

Issuer: China Opto Holdings Limited

Principal amount: HK\$258,000,000

Interest: Interest will accrue on the outstanding amount commencing from the date of the Promissory Note at the rate of seven and a half per cent (7.5%) per annum. The Company will pay to the Vendor interest on the outstanding amount on the Maturity Date (as defined below) in one lump sum. Interest will accrue from day to day, will be calculated on the basis of the actual number of days elapsed and a 365 day year.

| | |
|----------------------------------|--|
| Maturity Date: | The first anniversary of the date of issuance of the Promissory Note or such other date as the Company and the Vendor may agree in writing (i.e. the “ Maturity Date ”). |
| Early redemption by the Company: | The Company may prepay all or part of the Promissory Note together with interest accrued thereon at any time prior to the Maturity Date by giving prior written notice 7 days to the Vendor or its assignor. |
| Assignability: | The Vendor may assign, transfer, endorse or in any other way alienate any of its rights under the Promissory Note whether in whole or in part. |

The terms of the Promissory Note are determined after arm’s length commercial negotiation between the Purchaser and the Vendor with reference to the prevailing market condition and the financial position of the Group. In view of the above, the Board considers the terms of the Promissory Note are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

DEED OF ASSIGNMENT

The Deed of Assignment will be executed upon Completion.

Assignor : Ms. Qiao Yanfeng

Assignee: China Opto Holdings Limited

Acquisition of the Sale Loan by the Company :

Pursuant to the Deed of Assignment, the right of claim of the Sale Loan owing to Ms. Qiao Yanfeng of HK\$56,400,000 will be assigned to the Company pursuant to the Company’s cash payment to Ms. Qiao Yanfeng for such amount.

INFORMATION OF THE VENDOR, THE TARGET COMPANY, AND THE TARGET GROUP

Information of the Vendor

The Vendor is a company incorporated in the Cayman Islands with limited liability and is an investment holding company which holds the entire issued share capital in the Target Company as at the date of this announcement. As at the date of this announcement, the issued share capital of the Vendor is owned as to 70%, 20% and 10% by Wise Tech Enterprises Incorporated (BVI), New Classic Ventures Limited (BVI) and Truthful Bright International Holding Limited (BVI), respectively.

Information of the Target Company

The Target Company is an investment holding company incorporated in the BVI on 6 October 2015 with limited liability and is wholly-owned by the Vendor. Save and except for the 100% equity interest in the HK Company, the Target Company has no other material assets and liabilities as at the date of the S&P Agreement.

Information of the HK Company

The HK Company is an investment holding company incorporated in Hong Kong on 10 November 2013 with limited liability and is wholly-owned by the Target Company. Save and except for the 100% equity interest in the PRC Company, the HK Company has no other material assets and liabilities as at the date of the S&P Agreement.

Information of the PRC Company

The PRC Company is incorporated in Shanghai, the PRC on 25 August 2011 with limited liability and is principally engaged in the provision of QR codes on product packaging for the FMCG sector in the PRC and business intelligence IT solutions based on its “one product, one QR code”. The PRC Company was acquired by the HK Company on 31 May 2014. The PRC Company became a wholly foreign-owned enterprise (“WFOE”) on 24 June 2014 with an operating period of 10 years.

As at the date of this announcement, the PRC Company is wholly-owned by the HK Company.

Financial Information of the Target Group

Set out below are the audited financial information of the Target Group as prepared in accordance with International Financial Reporting Standards for the years ended 31 December 2014 and 2015 and for the six months ended 30 June 2016, respectively:

| | Year ended | Year ended | Six months |
|-------------------------------|--------------------|--------------------|-------------------|
| | 31 December | 31 December | ended |
| | 2014 | 2015 | 30 June |
| | Audited | Audited | Audited |
| | (RMB) | (RMB) | (RMB) |
| (Loss)/Profit before taxation | (11,582,671) | 6,093,509 | 11,794,725 |
| (Loss)/Profit after taxation | (11,516,538) | 6,206,880 | 11,500,580 |

The audited net assets value of the Target Group as at 30 June 2016 was RMB44,412,861.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group are (i) design, development, manufacture and sale of packaging products; (ii) investments and trading in securities; (iii) money lending; and (iv) design, development and sale of apparel products.

Background information of the PRC Company or SHTY*

The PRC Company's principal activities are the provision of QR codes on product packaging for the FMCG sector in the PRC and business intelligence IT solutions based on its "one product, one QR code".

Each QR code generated by the PRC Company being used in the consumer goods has a unique identification that contains information about a product to which it is attached. Through scanning of the QR codes by the consumers in the PRC, there have been vigorous development in the O2O (offline to online) services as direct sales and marketing tools by the FMCG manufacturers in the PRC, benefited mainly from the wide adoption of the mobile internet technologies in the PRC during the past few years, which has rendered the consumers in the PRC to acquire the habits of scanning the QR codes in order to obtain promotional and corporate information (through scanning the outside QR codes) and to obtain prizes/discounts (through scanning the inside QR codes) directly from the manufacturers of consumer goods using their mobile phones. Scanning the outside QR codes does not require purchasing the consumer goods by the consumers. Consumers can just scan the QR codes from the advertisements of the consumer goods to obtain corporate information such as public registration number of the manufacturers. Whilst scanning the inside QR codes would require the consumers to purchase and tear apart the products, and they can obtain the promotional information such as red-pockets (cash/free data flow) directly from the manufacturers.

Based on the research conducted by a researcher engaged by the PRC Company, the scanning of QR codes on the products purchased or posters seen, has become very popular among the younger consumers in the PRC. In fact, a majority of younger Chinese consumers have expressed positive views towards consumer goods printed with QR codes as: (1) their fondness towards the products embedded with QR codes improved; (2) their conceptions with the qualities of the merchandise improved; (3) their impressions with the brand-names of the products boosted; and most importantly (4) their willingness to purchase the products increased.

Business descriptions of the PRC Company or SHTY*

SHTY* possesses the state-of-the-art technologies and experienced management and staff in relation to mass generation, faster readability, greater data storage capacity, and precise printing for QR codes, enabling it to emerge as an industry leader in the mass generation of QR codes for sizeable brand-name FMCG manufacturers (those over 100,000,000 products production requirement per year) in the PRC in just a few years.

The competitive advantages of SHTY* can be summarized as follow : (1) its printing technologies for QR codes (with 13 patents approved with certificates and 5 patents approved) enable the QR codes to be printed on most packaging materials (pull-top cans, plastic caps, paper box) with faster readability; (2) its proprietary data processing methodologies built in the standardized or tailor-made cloud platforms allow mass generation of QR codes with high level of data security. Through batch code generation and authentication rules of the cloud platforms designed by its own research teams which can be integrated into the production lines of the manufacturers, applications such as product tracking, item identification, time tracking, content management, analytics and reports and marketing promotion can be implemented efficiently and accurately; (3) its cloud platform is built for extremely large data volume so that it can support demand or requirement of its customers; and (4) presently, SHTY* is the one of the very few service providers in the PRC that has the hands-on experience to serve a mega-sized manufacturer with over 1,000,000,000 QR codes production requirement per year.

Through scanning the QR codes, the consumers can instantly obtain live sales and marketing promotion such as red pockets (cash/free data flows), coupons, product prizes, lucky draws, free tickets, price discounts, directly from the manufacturers, who aim to directly disseminate the promotional information to their target consumers to increase sales volumes of their products. It also enables the consumers to check the origins where the merchandise are produced, which is especially important when it comes to edible goods such as food (meat, vegetables, seafood) and drinks.

In 2015, SHTY* generated 2.5 billion of QR codes and recorded 1.1 billion of scanning. Through its cloud platforms, more than RMB380 millions in red-pockets prizes (cash included) were distributed by the manufacturers to the consumers in the PRC in the same year.

Future prospects of the PRC Company or SHTY*

SHTY* has positioned itself as a market leader in providing QR codes services to FMCG sector in the PRC in just the last few years in the sizeable FMCG manufacturers space (those over 100,000,000 QR codes production requirement per year). With only fractions of the total market space explored amid the huge market potentials in the PRC, it is envisaged that there will be substantial growth potentials in terms of market shares and sales revenue by SHTY* in the foreseeable future.

The future business development models of SHTY* include but are not limited to the followings:

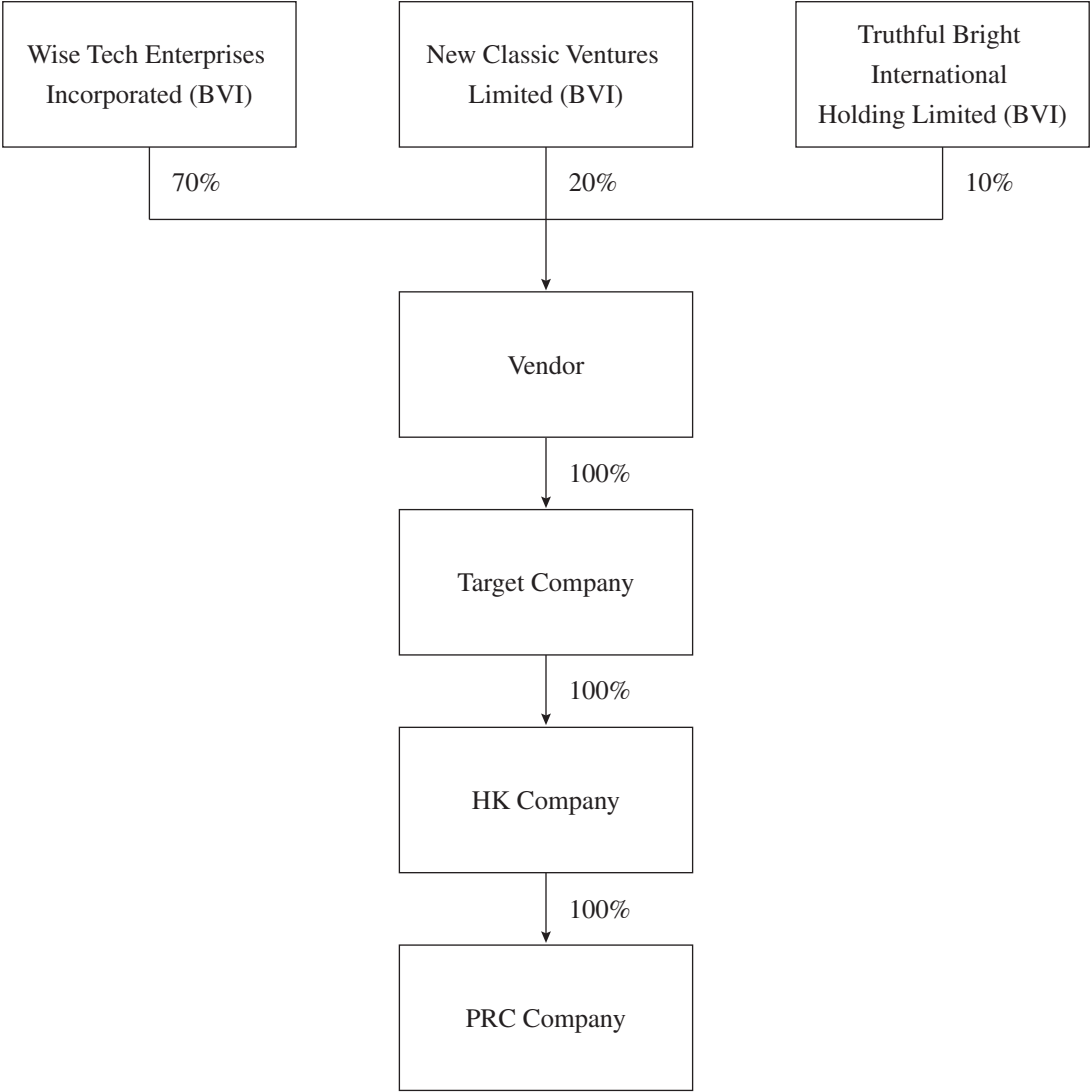
- (1) “QR codes + mobile APP + Retailers” developed by SHTY* – a connection between the consumers and the brand-name producers and their retailers. It is a time-efficient and cost-effective marketing tool for the manufacturers in that it substantially cuts down the involvement of distributors along the supply-chains of the consumer goods by directly linking the consumers to the retailers and manufacturers in the PRC. Such internet application is expected to bring forth advertising income and usage fees from the payment service providers for SHTY*;
- (2) “Finding the origins of the edible goods program” – tracking services for the origins of edible goods produced by the specific farms which are partially subsidized by the local or provincial governments in the PRC and partially payable by the farms involved. SHTY* is partnering with Xinhuanet which would endeavour to procure the Chinese governmental authorities as sponsors for this program; and
- (3) “One Product, One Code” business intelligence IT solution – can be utilised by the manufacturers to design tailored-made promotional activities/items for the consumers based on demographic and consumption-pattern data collected from the cloud scanning platforms specifically designed for the manufacturers.

The Company has been actively looking for opportunities to expand and upgrade the Group’s existing packaging business. After considering the prospects of the QR code market of the PRC, the Board determined that it is a good opportunity for the Group to upgrade the information technology capabilities of its packaging business by acquiring the Target Group and is of the view that the Acquisition is consistent with the development strategy of the Company. It is expected that the Acquisition will contribute towards the revenue, profits and customer-base of the Group’s packaging business going forward.

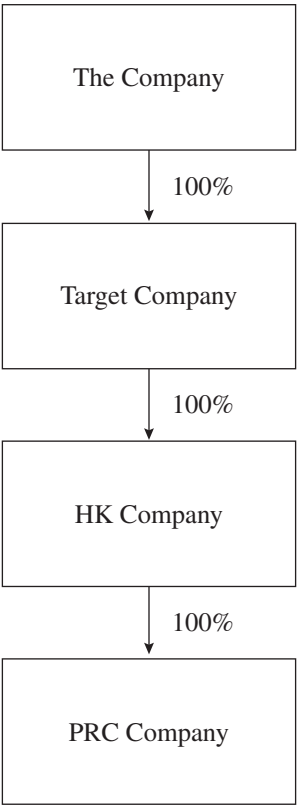
TARGET GROUP STRUCTURE

The following diagrams set out the shareholding structure of the Target Group as at the date of this announcement and immediately upon Completion.

Shareholding structure of the Target Group as at the date of this announcement



Shareholding structure of the Target Group immediately upon Completion



DISCLOSURE IN RELATION TO PROFIT FORECAST OF THE PRC COMPANY (the “Profit Forecast”)

Set out below are the details of the major assumptions upon which the Profit Forecast was based:

- (1) The PRC Company will continue to operate;
- (2) The core operations of the PRC Company will not differ materially from those of present or expected;
- (3) There will be no major changes to the existing legal, policy and macroeconomic conditions in the PRC, and no major changes in the political, economic and market conditions in the regions where the PRC Company is located;
- (4) The senior management of the PRC Company is responsible and has sufficient knowledge and experience in respect of the operations of the PRC Company;
- (5) The management approach and standard of the PRC Company will meet the expected level;
- (6) The PRC Company is able to control its resources (including human capital, technological knowhow, and capacity) and maintain its key competitive strengths, including the research and development on intellectual properties and equipment tailored-made for its customers, recruitment of experts/competent management personnel and technical staff to implement its business plan and projects;
- (7) The market data, industrial information and statistical figures obtained from publicly available sources are true and accurate;
- (8) The PRC Company has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time;
- (9) The full compliance of governing laws and regulations of the PRC Company;
- (10) The sales and marketing strategy of the PRC Company will continue to focus on sizeable customers/manufacturers in the FMCG sector in the PRC going forward;

- (11) There will be no major changes to the market return, interests rate, exchange rate, taxation basis and tax rate and levies required by government policies; and
- (12) There will be no force majeure or other events or non-foreseeable factors that will have major negative effect on the PRC Company; or adequate reasonable and appropriate contingency measure against any disruption or natural disasters have been adopted so that there will be no major negative effect on the PRC Company.

Letters from Ernst & Young and the Board are set out as Appendix I and II to this announcement, respectively, for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

EXPERTS AND CONSENTS

The qualifications of the experts who have their expert statement included in this announcement are as follows:

| | |
|--|------------------------------|
| Duff and Phelps Financial Advisory (Shanghai) Limited Company | Professional valuer |
| Ernst & Young (“EY”) | Certified Public Accountants |

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Valuer and EY is a third party independent of the Company and its connected persons.

As at the date of this announcement, none of the Valuer and EY has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Valuer and EY has given and has not withdrawn its consent to the publication of this announcement with the inclusion of its expert statement and all references to its name in the form and context in which they are included.

LISTING RULE IMPLICATIONS

Since some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the transactions contemplated under the S&P Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the requirements of reporting and announcement, but is exempted from the requirement of shareholders' approval.

As the Valuer has adopted, amongst others, the income approach involving use of the discounted cash flow methodology in preparing the Valuation Report, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable.

THE PLACING AGREEMENT

Date: 10 August 2016 (after trading hour)

Parties: China Opto Holdings Limited and Enhanced Securities Limited

Placing Agent and placees

Enhanced Securities Limited is the Placing Agent. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

The placees will be individual(s), institutional or professional investor(s) procured by the Placing Agent to subscribe for Placing Shares pursuant to the Placing Agreement, who and whose ultimate beneficial owners will be third parties independent of and not connected with the Company and its connected persons. The Placing is on a fully underwritten basis.

The Placing Shares will be placed to not less than six placees during the Placing Period. It is expected that none of the placees will become substantial Shareholder (as defined under the Listing Rules) of the Company upon completion of the Placing.

Number of Placing Shares

The 420,738,550 Placing Shares under the Placing represents 5.89% of the existing issued share capital of the Company of 7,143,692,751 Shares as at the date of this announcement and approximately 5.15% of the issued share capital of 8,164,431,301 Shares as enlarged by the Consideration Shares and Placing Shares.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.28 represents (i) a discount of approximately 16.42% to the closing price of the Shares of HK\$0.335 quoted on the Stock Exchange on 10 August 2016, being the date of the Placing Agreement; and (ii) a discount of approximately 15.92% to the average closing price of the Shares of approximately HK\$0.333 quoted on the Stock Exchange for the last five consecutive trading days immediately preceding to date of the Placing Agreement.

The net placing price for the Placing is approximately HK\$0.272 per Share.

The Placing Price was negotiated on arm's length basis between the Company and the Placing Agent on the date of the Placing Agreement with reference to the prevailing market price of the Shares. The Directors consider that the Placing Price is fair and reasonable based on current market conditions and is in the interests of the Company and the Shareholders as a whole.

Placing commission payable to the Placing Agent

The Placing Agent will receive a placing commission calculated as 3% of the amount equal to the Placing Price multiplied by the number of the Placing Shares.

Conditions of the Placing Agreement

Completion of the Placing is conditional upon (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares; and (ii) all the conditions precedent stipulated in the S&P Agreement having been fulfilled or deemed fulfilled.

If the conditions are not fulfilled on or prior to 21 days from the date of the Placing Agreement, the Placing Agreement and all the obligations thereunder will cease and terminate and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

Termination and force majeure events

The Placing Agreement may be terminated without liability by the Placing Agent if at any time prior to 10:00 a.m. on the date of completion of the Placing Agreement, in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (i) any material breach of any of the representations and warranties under the Placing Agreement; or
- (ii) any of the following events:
 - (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
 - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Placing Agreement and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or

- (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- (d) a change or development involving a prospective change in taxation in Hong Kong, Bermuda or elsewhere or the implementation of exchange controls which shall or might materially and adversely affect the Group (as a whole) or its present or prospective shareholders in their capacity as such; or
- (e) any change or deterioration in the conditions of local, national or international securities markets occurs.

In the event that the Placing Agent terminates the Placing Agreement, all obligations of each of the parties under the Placing Agreement, shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

GENERAL MANDATE

The Placing Shares will be allotted and issued under the General Mandate.

Up to the date of this announcement, no new Shares have been allotted and issued under the General Mandate. The 600,000,000 Consideration Shares and 420,738,550 Placing Shares to be allotted and issued will fully utilise the General Mandate.

COMPLETION OF THE PLACING

Completion of the Placing shall take place on the second Business Day following the fulfillment of the conditions of the Placing (or such other date as the Company and the Placing Agent shall agree).

As the Acquisition and/or the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The gross proceeds and net proceeds from the Placing will be approximately HK\$117.81 million and HK\$114.26 million respectively, which will be used to satisfy the cash considerations of the Sale Shares and the Sale Loan, the remainder of which will be used towards working capital purpose of the Company.

The Directors are of the view that the Placing enables the Company to raise fund to meet its funding needs for the Acquisition. Accordingly, they consider that the Placing is in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

| Date of announcement/circular | Fund raising activity | Net proceeds | Intended use of proceeds | Actual use of proceeds |
|-------------------------------------|--|---------------------------------|---|--|
| 30 November 2015 | Placing of 575,063,972 new Shares on best effort basis under general mandate at the placing price of HK\$0.16 each | Approximately HK\$89.25 million | For the general working capital of the Group and/or to fund the expansion of its business | The net proceeds was used in securities investment and trading business. (Note 1: the net proceeds of approximately HK\$89.25 million was used to purchase 450,000,000 shares of Freeman Financial Corporation Limited (Stock Code: 279) on 15 December 2015.) |
| 2 December 2015 and 13 January 2016 | Subscription of 575,063,972 new Shares under specific mandate at the subscription price of HK\$0.16 each | Approximately HK\$92.01 million | For partial repayment of debts of the Company | The net proceeds was used as intended. (Note 2: the net proceeds of approximately HK\$92.01 million was used for partial repayment of loan from Win Wind Capital Limited of HK\$100 million on 4 February 2016.) |

Save for the fund raising activities disclosed above, the Company has not conducted any fund raising activities in the past twelve months immediately preceding the date of this announcement.

CHANGE OF SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the change of shareholding structure of the Company immediately before and after the allotment and issuance of the Consideration Shares and the Placing Shares (assuming no further Shares will be issued or repurchased before the allotment and issuance of the Consideration Shares and the Placing Shares):

| Name of Shareholders | (i) As at the date of this announcement | | (ii) Immediately upon Completion and completion of Placing | |
|------------------------------------|---|---------------|--|---------------|
| | No. of Shares | Approx. % | No. of Shares | Approx. % |
| Dr. Lam How Mun Peter ¹ | 398,150 | 0.01 | 398,150 | 0.01 |
| Ms. Poon Ho Yee Agnes ¹ | 130,000 | 0.00 | 130,000 | 0.00 |
| Mr. Ou Yaping | 2,048,184,675 | 28.67 | 2,048,184,675 | 25.09 |
| Vendor or its nominee ² | – | – | 600,000,000 | 7.35 |
| Placees ³ | – | – | 420,738,550 | 5.15 |
| Existing public Shareholders | <u>5,094,979,926</u> | <u>71.32</u> | <u>5,094,979,926</u> | <u>62.40</u> |
| Total | <u>7,143,692,751</u> | <u>100.00</u> | <u>8,164,431,301</u> | <u>100.00</u> |

Notes:

1. Dr. Lam How Mun Peter is the non-executive Director of the Company and Ms. Poon Ho Yee Agnes is the executive Director of the Company.
2. Pursuant to the Completion of the transactions contemplated under the S&P Agreement, the Vendor will be allotted and issued 600,000,000 new Shares by the Company as Consideration Shares.
3. Pursuant to the completion of the Placing, 420,738,550 new Shares will be issued and allotted by the Company to the placees.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares and Placing Shares.

DEFINITIONS

Unless the context requires otherwise, the use of capitalized terms in this announcement shall have the following meanings:

| | |
|-----------------------------|---|
| “Acquisition” | the acquisition of the Consideration Shares and Sale Loan by the Company pursuant to the S&P Agreement |
| “Auditors” | Ernst & Young, the auditors of the Company |
| “Board” | the board of Directors |
| “Business Day” | a day (other than Saturday, Sunday, public holiday or any day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning is hoisted) on which banks in Hong Kong are open for business |
| “BVI” | British Virgin Islands |
| “Company” or “Purchaser” | China Opto Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange |
| “Completion” | completion of the sale and purchase of the Sale Shares and the Sale Loan under the S&P Agreement |
| “Conditions Precedents” | the conditions precedents as set out in the S&P Agreement |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Consideration Shares” | 600,000,000 new Shares to be allotted and issued by the Company to the Vendor or its nominees at the Issue Price upon Completion of the Acquisition in partial settlement of the consideration |

| | |
|------------------------------|---|
| “Deed of Assignment” | the deed of assignment of the Sale Loan |
| “Director(s)” | the director(s) of the Company |
| “General Mandate” | the general mandate to issue Shares granted to the Board at the annual general meeting of the Company held on 27 June 2016 |
| “Group” | the Company and its subsidiaries |
| “HK Company or Fortune Road” | Fortune Road International Limited (威道國際有限公司), a company incorporated in Hong Kong with limited liability |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Issue Price” | an issue price of HK\$0.335 per Consideration Share |
| “Listing Committee” | the Listing Committee of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | 21 days from the date of the S&P Agreement or such other later date as will be agreed by the parties in writing for the S&P Agreement |
| “Ms. Qiao Yanfeng” | the sole shareholder of Wise Tech Enterprises Incorporated, being the 70% shareholder of the Vendor |
| “Placing” | the placing of the Placing Shares by the Placing Agent pursuant to the terms of the Placing Agreement |
| “Placing Agent” | Enhanced Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

| | |
|------------------------|--|
| “Placing Agreement” | A conditional placing agreement dated 10 August 2016 and entered into between the Company and the Placing Agent in relation to the Placing |
| “Placing Period” | the period commencing on the date of the Placing Agreement and terminating at 5:00 p.m. on the 7th day after the date of the Placing Agreement (or such other period as agreed by the Placing Agent and the Company) |
| “Placing Price” | HK\$0.28 per Placing Share |
| “Placing Shares” | a total of 420,738,550 new Shares to be placed under the Placing |
| “PRC” | the People’s Republic of China which for the purpose of this announcement, will exclude Hong Kong, Macau and Taiwan |
| “PRC Company or SHTY*” | 上海透雲物聯網科技有限公司 a company established in the PRC with limited liability |
| “Promissory Note” | the promissory note in the principal amount of HK\$258,000,000 to be issued by the Company to the Vendor in partial settlement of the consideration |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “S&P Agreement” | the agreement dated 10 August 2016 entered into between the Vendor and the Company relating to the Acquisition |
| “Sale Shares” | the entire issued share capital of the Target Company |
| “Sale Loan” | the entire amount of the shareholder’s loan of HK\$56,400,000 owing by Fortune Road to Ms. Qiao Yanfeng as at 30 June 2016, which is interest-free and has no fixed repayment term |

| | |
|--------------------|---|
| “Shareholder(s)” | shareholder(s) of the Company |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Apex Capital Business Limited, a company incorporated in the BVI with limited liability |
| “Target Group” | collectively the Target Company, the HK Company and the PRC Company |
| “Valuation Report” | the valuation report prepared by the Valuer dated 9 August 2016 |
| “Valuer” | Duff and Phelps Financial Advisory (Shanghai) Limited Company, an independent professional valuer |
| “Vendor” | TY Technology Group Limited (透雲科技集團有限公司), a company incorporated in Cayman Islands with limited liability |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “%” | per cent |

In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names will prevail. The English translation of names or any descriptions in Chinese which are marked with “” is for identification purpose only.*

By order of the Board
China Opto Holdings Limited
Lo Yuen Wa Peter
Executive Director

Hong Kong, 10 August 2016

As at the date of this announcement, the Board comprised the following Directors:

Executive Directors

Ms. Poon Ho Yee Agnes (*Managing Director*)

Mr. Lo Yuen Wa Peter

Ms. Sun Dixie Hui

Non-executive Director

Dr. Lam How Mun Peter (*Chairman*)

Independent Non-executive Directors

Mr. Cheung Wing Ping

Mr. Ha Kee Choy Eugene

Mr. To Shing Chuen

APPENDIX I – LETTER FROM THE AUDITORS OF THE COMPANY

The following is the text of a report received from the Company’s auditors, Ernst & Young, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

10 August 2016

The Board of Directors
China Opto Holdings Limited

Dear Sirs,

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF 上海透雲物聯網科技有限公司 (“SHTY”)

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “Forecast”) on which the valuation dated 9 August 2016 prepared by Duff & Phelps Financial Advisory (Shanghai) Ltd. Co. in respect of SHTY* as at 30 June 2016 is based. The valuation is disclosed in the announcement of China Opto Holdings Limited (the “Company”) dated 10 August 2016 (the “Announcement”) in connection with the acquisition of Apex Capital Business Limited and its subsidiaries. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS' RESPONSIBILITIES

The directors of the Company (the “Directors”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “Assumptions”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section heading “Disclosure in relation to profit forecast of the PRC Company” of the Announcement.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of SHTY*. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

OPINION

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

* *For identification purpose only*

APPENDIX II – LETTER FROM THE BOARD RELATING TO THE PROFIT FORECAST

10 August 2016

The Listing Division
The Stock Exchange of Hong Kong Limited
11/F, One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sirs,

Re: Discloseable Transaction in relation to Acquisition of 100% Issued Share Capital in Apex Capital Business Limited

We refer to the announcement of the Company dated 10 August 2016 (the “Announcement”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement will have the same meanings when used herein.

In accordance with the requirements under Rule 14.60A and 14.62(3) of the Listing Rules, we confirm that the Profit Forecast in 上海透雲物聯網科技有限公司 has been made after due and careful enquiry by us.

Yours faithfully
For and on behalf of the Board of
China Opto Holdings Limited
Lo Yuen Wa Peter
Executive Director