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

If you have sold or transferred all your shares in **China Opto Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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) REFRESHMENT OF GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES;
(2) REFRESHMENT OF SCHEME MANDATE LIMIT;
(3) INCREASE IN AUTHORISED SHARE CAPITAL;
(4) RE-ELECTION OF DIRECTOR;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

VINC  **城高**

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of General Mandate is set out on pages 15 to 23 of this circular. The letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Refreshment of General Mandate is set out on page 14 of this circular.

A notice convening the SGM of China Opto Holdings Limited to be held at 7/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Thursday, 20 October 2016 at 10:00 a.m. is set out on pages 27 to 30 of this circular. A form of proxy for use at the meeting is enclosed.

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

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 27 June 2016 in which the Shareholders had approved, among other things, the Existing General Mandate and the Existing Repurchase Mandate
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Company”	China Opto Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange under stock code: 1332
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	(i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its related group or a company in which the Group holds an interest or a subsidiary of such company (collectively the “Eligible Group”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group
“Existing General Mandate”	the general mandate approved at the AGM authorising the Directors to allot and issue new Shares not exceeding 20% of the issued Shares as at the date of the AGM
“Existing Repurchase Mandate”	the general mandate approved at the AGM authorising the Directors to repurchase up to 10% of the issued Shares as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the increase in the authorised share capital of the Company from HK\$100,000,000.00 divided into 10,000,000,000 Shares to HK\$500,000,000.00 divided into 50,000,000,000 Shares by the creation of an additional 40,000,000,000 Shares

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen, being all the independent non-executive Directors, established for the purpose of, among other matters, advising the Independent Shareholders in respect of the Refreshment of General Mandate
“Independent Financial Adviser” or “Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock Code: 8340), a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate
“Independent Shareholder(s)”	Shareholder(s) other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholder other than the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	29 September 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the new general mandate proposed to be granted to the Directors at the SGM to allot and issue new Shares not exceeding 20% of the issued Shares as at the date of the SGM
“New Repurchase Mandate”	the new general mandate proposed to be granted to the Directors at the SGM to repurchase up to 10% of the issued Shares as at the date of the SGM
“Option(s)”	any option(s) granted or to be granted to Eligible Participant(s) to subscribe for Share(s) under the Share Option Scheme
“Placing Agreement”	A conditional placing agreement dated 10 August 2016 and entered into between the Company and the placing agent
“PRC”	The People’s Republic of China which for the purpose of this circular, will exclude Hong Kong, Macau and Taiwan

DEFINITIONS

“Refreshment of General Mandate”	the proposed refreshment of the Existing General Mandate by way of granting the New General Mandate (including the extended New General Mandate)
“Refreshment of Repurchase Mandate”	the proposed refreshment of the Existing Repurchase Mandate by way of granting the New Repurchase Mandate
“Refreshment of Scheme Mandate Limit”	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all Options which initially shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Refreshment of General Mandate, the Refreshment of Repurchase Mandate, the Refreshment of Scheme Mandate Limit, the Increase in Authorised Share Capital and the re-election of Director
“S&P Agreement”	the agreement dated 10 August 2016 and entered into between the TY Technology Group Limited and the Company relating to the acquisition of the sale shares and the sale loan by the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 18 May 2012
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percent

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. Poon Ho Yee Agnes (*Managing Director*)
Mr. Lo Yuen Wa Peter
Ms. Sun Dixie Hui
Mr. Wang Liang

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Non-executive Director:

Dr. Lam How Mun Peter (*Chairman*)

*Head office and principal place of
business in Hong Kong:*

7th Floor, China United Centre
28 Marble Road
North Point
Hong Kong

Independent Non-executive Directors:

Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

4 October 2016

To the Shareholders

Dear Sir or Madam,

- (1) REFRESHMENT OF GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES;
(2) REFRESHMENT OF SCHEME MANDATE LIMIT;
(3) INCREASE IN AUTHORISED SHARE CAPITAL;
(4) RE-ELECTION OF DIRECTOR;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide the Shareholders with details of: (i) the Refreshment of General Mandate, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Refreshment of General Mandate, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, (iv) the Refreshment of Repurchase Mandate, (v) the Refreshment of Scheme Mandate Limit, (vi) the Increase in Authorised Share Capital, (vii) details of the Director proposed for re-election, and (viii) the notice of the SGM in respect of the above matters.

LETTER FROM THE BOARD

REFRESHMENT OF EXISTING GENERAL MANDATE AND EXISTING REPURCHASE MANDATE

Background

At the AGM, the Shareholders approved, among other things, ordinary resolutions to grant to the Directors: (i) the Existing General Mandate pursuant to which the Directors were authorised to allot, issue and deal with Shares up to 1,020,738,550 Shares, representing 20% of the then issued Shares as at the date of the AGM and the extension of the Existing General Mandate to include any Shares repurchased by the Company under the Existing Repurchase Mandate, and (ii) the Existing Repurchase Mandate to repurchase Shares up to 510,369,275 Shares, representing 10% of the then issued Shares as at the date of the AGM.

Reasons for the Refreshment of Existing General Mandate and Existing Repurchase Mandate

The principal activities of the Group are (i) design, development, manufacture and sale of packaging products; (ii) provision of QR codes on product packaging and related business intelligence IT solutions; (iii) investments and trading in securities; (iv) money lending; and (v) design, development and sale of apparel products.

References are made to the announcements of the Company dated 10 August 2016 and 19 August 2016 in relation to, among other things, the acquisition and the placing. The Company and TY Technology Group Limited (“TY”, a company incorporated in Cayman Islands with limited liability) entered into the S&P Agreement pursuant to which, (1) the Company conditionally agreed to purchase, and TY conditionally agreed to sell the sale shares at the consideration of HK\$513,000,000, which was satisfied as to (i) 600,000,000 consideration Shares issued under the Existing General Mandate at an issue price of HK\$0.335 per Share; (ii) HK\$258,000,000 by the issuance of promissory note (“**Promissory Note**”, with principal amount of HK\$258,000,000 and interest rate of 7.5% per annum, and could be fully or partially prepaid with interest accrued thereon at any time prior to 18 August 2017, being the maturity date); and (iii) the remaining balance of the consideration will be settled by cash of HK\$54,000,000 to TY upon completion; and (2) the Company acquired the sale loan of HK\$56,400,000 which was settled by the cash payment from the Company to Ms. Qiao Yanfeng. The Company also 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. Upon completion of the acquisition and the placing, the Company, among others, issued 600,000,000 consideration Shares and 420,738,550 placing Shares, thereby fully utilising the Existing General Mandate.

LETTER FROM THE BOARD

The Group's current cash position is approximately HK\$66.1 million. The Group's expected funding needs for the next twelve months according to the Board's latest estimates are (i) redemption of the Promissory Note with principal amount of HK\$258 million and payment of interest of HK\$19.4 million; (ii) expansion and development of the Group's newly acquired QR codes packaging business, including capital expenditure and other outlays of (a) approximately HK\$228.6 million for acquisition of plant and equipment for the Group's QR codes packaging business; and (b) approximately HK\$11.6 million for purchase of transportation and office supplies to support the "Finding the origins of the edible goods program" in different provinces in mainland China. Subtracting the expected funding requirement of approximately HK\$517.6 million for the next twelve months from the current financial resources of approximately HK\$66.1 million as stated above, the Company's shortfall in funding for the next twelve months is estimated to be approximately HK\$451.5 million.

The principal sum of HK\$258 million of the Promissory Note will fall due on 18 August 2017. If the Company does not seek to refresh the General Mandate now but waits to seek refreshment at the next annual general meeting which is expected to take place in around June 2017, it will leave the Company with very limited period of time to utilize the refreshed general mandate before the maturity date of the Promissory Note and it will be more difficult for the Company to raise fund as it has little time in locating placing agents and/or investors in such short time. The Company therefore believes that the Refreshment of General Mandate at a time well before the maturity date of the Promissory Note would allow the Company sufficient time to raise fund so as to minimize any uncertainties and risks. Further, there is another advantage for the Company to make early repayment of the Promissory Note before the maturity date because it would save the interest payable by the Company on the principal sum of the Promissory Note. Such interest accrues at the rate of 7.5% per annum.

The above capital expenditure for the new QR codes packaging business is to enable the Group to capture new customers, in particular, customers in the beer industry. It also sets the foundation for the Group to effectively roll-out its "Finding the origins of the edible goods program". The Company therefore believes that the incurrence of such capital expenditure is both important and desirable for the growth and expansion of the Group's business, will bring additional return and value for the Shareholders, and is therefore in the interest of the Company as a whole.

The Board believes the Refreshment of General Mandate enables the Company to meet its shortfall in funding in a timely and cost-effective manner through the issue of new Shares under the New General Mandate, because it (i) does not incur any interest expenses on the Group as compared with debt financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) has more certainty and is less time-consuming than specific mandate which would require Shareholders' approval in a general meeting.

Based on the number of Shares in issue and the closing price of HK\$0.325 per Share as at the Latest Practicable Date, the maximum gross proceeds that can be raised by utilizing the New General Mandate (assuming issuing new Shares at the said closing price without any discount) is approximately HK\$531 million. Such gross proceeds would be sufficient to cover the aforesaid Company's shortfall in funding of approximately HK\$451.5 million for the next twelve months.

LETTER FROM THE BOARD

The Company therefore intends to seek Refreshment of General Mandate and, if granted, to utilize the New General Mandate to raise fund for the aforesaid purpose as and when good opportunities arise before the next annual general meeting. The Company, however, is currently not in any discussions with any third party relating to any fund raising activities under the New General Mandate.

Save for the Refreshment of General Mandate, there has been no refreshment of the Existing General Mandate since the AGM.

In view of the above, the Directors consider that the Refreshment of General Mandate is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

At the SGM, ordinary resolutions will be proposed to the Independent Shareholders (in the case of the New General Mandate and any extension thereof) and the Shareholders (in the case of the New Repurchase Mandate) that, among others:

- (i) the Directors be granted the New General Mandate to allot and issue Shares up to an aggregate number of Shares not exceeding 20% of the Shares in issue as at the date of passing of the resolution approving the Refreshment of General Mandate;
- (ii) the Directors be granted the New Repurchase Mandate to enable them to repurchase Shares up to an aggregate number of Shares not exceeding 10% of the Shares in issue as at the date of passing of the resolution approving the Refreshment of Repurchase Mandate; and
- (iii) the New General Mandate be extended so that the Directors be given a general mandate to allot and issue further Shares up to an aggregate number equal to the Shares which may be repurchased by the Company under the New Repurchase Mandate.

As at the Latest Practicable Date, the Company had 8,164,431,301 Shares in issue. Subject to the passing of the resolutions for the approval of the Refreshment of General Mandate and the Refreshment of Repurchase Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the SGM, the Company would be allowed (i) under the New General Mandate to allot, issue and deal with up to a maximum of 1,632,886,260 Shares; and (ii) under the New Repurchase Mandate to repurchase a maximum of 816,443,130 Shares.

The New General Mandate (including the extended New General Mandate) and the New Repurchase Mandate shall continue to be in force during the period from the date of passing of the resolutions for the approval of the New General Mandate (including the extended New General Mandate) and the New Repurchase Mandate up to (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 law or the Bye-laws to be held; or (iii) the revocation or variation of the New General Mandate (including the extended New General Mandate) or the New Repurchase Mandate (as the case may be) by Shareholders in general meeting, whichever occurs first.

An explanatory statement in connection with the New Repurchase Mandate is set out in the Appendix to this circular. The explanatory statement contains all the requisite information required under the Listing Rules to be given to the Shareholders to enable them to make an informed decision on whether to vote for or against the resolution approving the Refreshment of Repurchase Mandate.

LETTER FROM THE BOARD

REFRESHMENT OF SCHEME MANDATE LIMIT

The Company adopted the Share Option Scheme pursuant to an ordinary resolution passed on 18 May 2012. Apart from the Share Option Scheme, the Company had no other share option scheme as at the Latest Practicable Date.

Under the Share Option Scheme, the Scheme Mandate Limit shall not exceed 10% of the total number of Shares in issue as at the date of adoption of the Share Option Scheme unless the Company obtains approval from Shareholders for its refreshment. Options previously granted, outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme and any other share option scheme(s) of the Company will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit. Notwithstanding the above, the total number of Shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme Option Scheme and any other share option scheme of the Company must not exceed 30% of the Shares in issue from time to time.

Since the date of adoption of the Share Option Scheme and up to the Latest Practicable Date, Options carrying rights to subscribe for 359,414,982 Shares had been granted and exercised both on 3 December 2015 and there were no outstanding options granted and yet to be exercised under the Share Option Scheme. The current Scheme Mandate Limit is 510,369,275 Shares, representing 10% of the total number of Shares in issue as at the date of the AGM when the Scheme Mandate Limit was last refreshed. From the date of the AGM to the Latest Practicable Date, the Company has not utilised any current Scheme Mandate Limit.

Assuming that (i) no Share is issued or repurchased by the Company between the Latest Practicable Date and the date of the SGM; (ii) no option under the Share Option Scheme is granted and exercised between the Latest Practicable Date and the date of the SGM; and (iii) the Refreshment of the Scheme Mandate Limit is approved by the Shareholders at the SGM, the Company will have a total number of 8,164,431,301 Shares in issue as at the date of the SGM and the total number of Shares which may be issued upon exercise of all Options to be granted under the refreshed Scheme Mandate Limit will be 816,443,130 Shares, being 10% of the total number of Shares in issue as at the date of the SGM, as compared with the current Scheme Mandate Limit of 510,369,275 Shares.

The Directors consider that the refreshment of the Scheme Mandate Limit is in the interests of the Group and the Shareholders as a whole as it enables the Company to maximize the flexibility in making new grants of Options under the Share Option Scheme so as to (i) provide incentives to Eligible Participants; (ii) promote the success of the business of the Group; and (iii) attract and motivate high quality executives to serve the Group in capturing any prospective investment opportunities if and when they are identified. Therefore, the Board proposes to seek approval from Shareholders at the SGM of the Refreshment of the Scheme Mandate Limit.

The Refreshment of Scheme Mandate Limit is conditional upon:

- (i) the passing of an ordinary resolution to approve the Refreshment of Scheme Mandate Limit at the SGM; and

LETTER FROM THE BOARD

- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any new Shares (representing a maximum of 10% of the Shares in issue as at the date of passing the resolution of the Refreshment of Scheme Mandate Limit at the SGM) which may fall to be issued upon the exercise of the Options to be granted under the Share Option Scheme.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares representing 10% of the Shares in issue at as the date of the SGM, which may fall to be issued upon the exercise of the Options that may be granted under the refreshed Scheme Mandate Limit.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the issue of Shares under the New General Mandate (assuming the New General Mandate is utilised in full and no further Shares are issued or repurchased by the Company):

Name of Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately upon the issue of Shares under the New General Mandate (assuming the New General Mandate is utilised in full and no further Shares are issued or repurchased by the Company)	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Dr. Lam How Mun Peter ¹	398,150	0.00	398,150	0.00
Ms. Poon Ho Yee Agnes ¹	130,000	0.00	130,000	0.00
Mr. Wang Liang ¹	200,000,000	2.45	200,000,000	2.04
Mr. Ou Yaping	2,048,184,675	25.09	2,048,184,675	20.91
Ms. Qiao Yanfeng ²	600,000,000	7.35	600,000,000	6.12
Existing public Shareholders	5,315,718,476	65.11	5,315,718,476	54.26
Shares to be issued under the New General Mandate	—	—	1,632,886,260	16.67
Total	<u>8,164,431,301</u>	<u>100.00</u>	<u>9,797,317,561</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 and Mr. Wang Liang are executive Directors of the Company.

2. 600,000,000 of such consideration Shares are held through TY, a company in which Ms. Qiao Yanfeng is a controlling shareholder. Accordingly, Ms. Qiao Yanfeng is deemed to be interested in these Shares.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the fund raising activities involving issue of securities of the Company during the past twelve months immediately preceding the Latest Practicable Date:

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 (currently known as Freeman FinTech Corporation Limited, Stock Code: 279) on 15 December 2015. The said shares were sold entirely on 15 February 2016. The proceeds was used for partial repayment of loan from Win Wind Resources Limited (“ Win Wind ”) of HK\$50 million.)
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 of HK\$100 million on 4 February 2016.)
10 August 2016 and 19 August 2016	Placing of 420,738,550 new Shares on fully underwritten basis under Existing General Mandate at the placing price of HK\$0.28 each	Approximately HK\$114.26 million	For satisfying the cash considerations of the sale shares and the sale loan, and the remainder to be used towards working capital purpose of the Company	Approximately HK\$110.4 million was used as intended to satisfy the cash considerations of the sale shares and the sale loan, HK\$3.2 million was used for legal and professional fee for the acquisition of the sale shares and the remainder will be used for general administrative expenses of the Company.

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 Latest Practicable Date.

INCREASE IN AUTHORISED SHARE CAPITAL

The current authorised share capital of the Company is HK\$100,000,000.00 divided into 10,000,000,000 Shares of HK\$0.01 each, of which 8,164,431,301 Shares are in issue and 1,835,568,699 Shares are authorised but unissued as at the Latest Practicable Date.

In order to provide the Company with flexibility for fund raising by allotting and issuing new Shares in the future as and when appropriate, the Board proposes to increase the authorised share capital of the Company from HK\$100,000,000.00 divided into 10,000,000,000 Shares to HK\$500,000,000.00 divided into 50,000,000,000 Shares by the creation of an additional 40,000,000,000 Shares, which will rank *pari passu* in all respects with the existing Shares upon issuance.

LETTER FROM THE BOARD

The Increase in Authorised Share Capital is subject to the passing of an ordinary resolution by the Shareholders at the SGM.

RE-ELECTION OF DIRECTOR

Reference is made to the announcement of the Company dated 1 September 2016 in relation to the appointment by the Board of Mr. Wang Liang (“**Mr. Wang**”) as an executive Director with effect from 1 September 2016. Mr. Wang is subject to re-election by Shareholders at the SGM. Accordingly, Mr. Wang will retire at the SGM. He, being eligible, offer himself for re-election.

Details of Mr. Wang’s biographical are set out below:

Mr. Wang, aged 31, holds a bachelor’s degree in physics from Imperial College of Science, Technology and Medicine, University of London and a master’s degree in international finance from The University of Westminster. He has extensive experience in the international finance and project management. He had been working in international investment banks and responsible for clients’ project management, projects merger and acquisition and various initial public offerings. Mr. Wang is currently the chairman and chief executive officer of 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*) which is the Company’s newly acquired subsidiary for the business of provision of QR codes on product packaging and related business intelligence IT solutions. He also serves as a Director of several subsidiaries of the Group.

Mr. Wang was an executive director (from January 2014 to February 2016), a chairman (from August 2014 to February 2016), a non-executive director (from February 2016 to August 2016) and a vice-chairman (from February 2016 to August 2016) of Tack Fiori International Group Limited. He was also an executive director of PME Group Limited (currently known as China Ever Grand Financial Leasing Group Co., Ltd.) from December 2012 to December 2014. The shares of the above companies are listed on the Stock Exchange. Save as disclosed, Mr. Wang does not hold any other positions with the Company or its subsidiaries, and has not held any directorship in other listed public companies in the last three years.

Mr. Wang has a service agreement with the Company for an initial term of 3 years which is terminable on not less than one month’s notice in writing served by either party. He is subject to retirement by rotation and re-election pursuant to the Bye-laws. Mr. Wang is entitled to receive an initial monthly salary of HK\$100,000 and a discretionary year-end bonus or his pro rata amount for any incomplete month or year, which was determined with reference to the Group’s operation results, his duties and level of responsibilities and the prevailing marketing conditions. His emoluments will be reviewed annually by the Remuneration Committee. As at the Latest Practicable Date, Mr. Wang is interested in 200,000,000 Shares. Save as disclosed, he does not have any interest in the Shares within the meaning of Part XV of the SFO. His mother, Ms. Qiao Yanfeng is deemed to be interested in 600,000,000 shares of the Company through TY, in which Mr. Wang is a director. Save as disclosed, Mr. Wang does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company.

Save as disclosed above, the Board is not aware of any other matters in relation to Mr. Wang’s appointment that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

* *Direct translation from the Chinese name which is for identification purposes only*

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Pursuant to the Listing Rules, the Refreshment of General Mandate will be subject to the Independent Shareholders' approval by way of passing of an ordinary resolution at the SGM at which any of the controlling Shareholders and their respective associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive and all their respective associates shall abstain from voting in favour of the resolution approving the Refreshment of General Mandate.

As at the Latest Practicable Date, the Company had no controlling Shareholder. Therefore, the Directors (excluding independent non-executive Directors) and the chief executive and all their respective associates are required to abstain from voting in favour of the resolution approving the Refreshment of General Mandate. Accordingly as at the Latest Practicable Date, (i) Dr. Lam How Mun Peter (a non-executive Director) who held 398,150 Shares, (ii) Mr. Wang Liang (an executive Director) who held 200,000,000 Shares, and (iii) Ms. Poon Ho Yee Agnes (an executive Director) who held 130,000 Shares, are therefore required to abstain from voting in favour of the resolution approving the Refreshment of General Mandate at the SGM.

As at the Latest Practicable Date, the Promissory Note holder, i.e. TY, held 600,000,000 Shares. Since the Company intends to use part of proceeds from the utilization of the New General Mandate for redemption of the Promissory Note, TY is considered to be interested in the Refreshment of General Mandate. Accordingly, TY and its associates are required to abstain from voting at the SGM in relation to the resolution on the Refreshment of General Mandate.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Refreshment of General Mandate, the Refreshment of Repurchase Mandate, the Refreshment of Scheme Mandate Limit, the Increase in Authorised Share Capital and re-election of Director. Accordingly, no other Shareholder is required to abstain from voting on any resolution to be proposed at the SGM.

The Independent Board Committee, comprising Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen, all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders on the Refreshment of General Mandate. Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll save for purely procedural or administrative matters. Therefore, the resolutions put to the vote at the SGM will be taken by way of poll.

SGM

A notice convening the SGM to be held at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on Thursday, 20 October 2016 at 10:00 a.m. is set out on pages 27 to 30 of this circular for the purpose of considering and, if thought fit, approving the Refreshment of General Mandate (including the extended New General Mandate), the Refreshment of Repurchase Mandate, the Refreshment of Scheme Mandate Limit, the Increase in Authorised Share Capital, and re-election of Director.

LETTER FROM THE BOARD

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

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 Company. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, the information contained in this circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 of this circular which contains its recommendation to the Independent Shareholders in relation to the Refreshment of General Mandate, and the letter from Vinco Capital set out on pages 15 to 23 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose view is provided in the letter of the Independent Board Committee set out in this circular) believe that the Refreshment of General Mandate (including the extended New General Mandate) is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Refreshment of General Mandate.

The Directors also consider that the Refreshment of Repurchase Mandate, the Refreshment of Scheme Mandate Limit, the Increase in Authorised Share Capital and re-election of Director are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Refreshment of Repurchase Mandate, the Refreshment of Scheme Mandate Limit, the Increase in Authorised Share Capital and re-election of Director.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

By order of the Board
China Opto Holdings Limited
Lam How Mun Peter
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

4 October 2016

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE

We refer to the circular of the Company dated 4 October 2016 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the Refreshment of General Mandate is fair and reasonable as far as the Independent Shareholders are concerned.

Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Refreshment of General Mandate is fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of the recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 15 to 23 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 13 of the Circular.

Having taken into account the advice from the Independent Financial Adviser, we are of the opinion that the Refreshment of General Mandate is fair and reasonable insofar as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Refreshment of General Mandate.

Yours faithfully,
The Independent Board Committee

Cheung Wing Ping
*Independent non-executive
Director*

Ha Kee Choy Eugene
*Independent non-executive
Director*

To Shing Chuen
*Independent non-executive
Director*

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate which has been prepared for the purpose of incorporation in this circular:



Grand Vinco Capital Limited

Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

4 October 2016

To the Independent Board Committee and the Independent Shareholders of
China Opto Holdings Limited

Dear Sirs and Madams,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular issued by the Company to the Shareholders dated 4 October 2016 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

At the AGM, the Shareholders approved, among other things, ordinary resolution to grant the Directors the Existing General Mandate to issue, allot and otherwise deal with Shares up to 1,020,738,550 Shares, representing 20% of the issued Shares as at the date of passing such resolution.

References are made to the announcements of the Company dated 10 August 2016 and 19 August 2016 in relation to, among other things, the acquisition and the placing. As at the Latest Practicable Date, the Existing General Mandate has been fully utilised as to 1,020,738,550 Shares, representing 100% of the aggregate number of Shares, after completion of the acquisition and the placing of new shares. As at the Latest Practicable Date, the Company had not made any refreshment of the Existing General Mandate since the AGM.

The Company will convene the SGM at which ordinary resolution will be proposed to the Independent Shareholders that the Directors be granted the New General Mandate to allot, issue and deal with new Shares with an aggregate nominal amount of not exceeding 20% of the aggregate issued Shares as at the date of SGM.

LETTER FROM VINCO CAPITAL

Under Rule 13.36(4) of Listing Rules, any proposed refreshment of general mandate prior to the Company's next annual general meeting must be approved by Independent Shareholders at the SGM, at which the controlling Shareholders and their associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executives of the Company as well as all their respective associates shall be abstained from voting in favour of the resolution approving the Refreshment of General Mandate. As at the Latest Practicable Date, having made all reasonable enquiries, the Company had no controlling Shareholder. Therefore, the Directors (excluding independent non-executive Directors) and the chief executive and all their respective associates are required to abstain from voting in favour of the resolution approving the Refreshment of General Mandate. Accordingly, as at the Latest Practicable Date, (i) Dr. Lam How Mun Peter (a non-executive Director) who held 398,150 Shares, (ii) Mr. Wang Liang (an executive Director) who held 200,000,000 Shares, and (iii) Ms. Poon Ho Yee Agnes (an executive Director) who held 130,000 Shares are therefore required to abstain from voting in favour of the resolution approving the Refreshment of General Mandate at the SGM.

As at the Latest Practicable Date, the promissory note holder, i.e. TY Technology Group Limited ("TY") held 600,000,000 Shares. Since the Company intends to use part of proceeds from the utilization of the New General Mandate for redemption of the promissory note, TY is considered to be interested in the Refreshment of General Mandate. Accordingly, TY and its associates are required to abstain from voting at the SGM in relation to the resolution on the Refreshment of General Mandate.

The Independent Board Committee, comprising Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in connection with the Refreshment of General Mandate. We, Vinco Capital, have been appointed and have been approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give an independent opinion as to whether the Refreshment of General Mandate is in the interest of the Company and the Shareholders as a whole, being fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Board Committee should recommend the Independent Shareholders to vote in favour of the Refreshment of General Mandate at the SGM.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Vinco Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Vinco Capital's independence as defined under Rule 13.36(4) of Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the proposed ordinary resolution of the Refreshment of General Mandate. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. Save for our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of general mandate to allot and issue shares stated in the circular of the Company date 18 February 2016; we have not acted as the independent financial adviser for the Company's other transactions in the past two years. The professional fee in connection with the above said engagement has been fully settled. We are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are considered eligible to give independent advice on the Refreshment of General Mandate.

LETTER FROM VINCO CAPITAL

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of General Mandate, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Group. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete up to and including the date of the SGM and that all expectations and intentions of the Directors, management of the Group, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Group. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Refreshment of General Mandate, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Refreshment of General Mandate and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM VINCO CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE REFRESHMENT OF GENERAL MANDATE

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, we have considered the principal factors and reasons set out below:

Background to and reasons for the Refreshment of General Mandate

Background

The Group is principally engaged in (i) design, development, manufacture and sale of packaging products; (ii) provision of QR codes on product packaging and related business intelligence IT solutions; (iii) investments and trading in securities; (iv) money lending; and (v) design, development and sale of apparel products.

At the AGM, the Shareholders approved, among other things, an ordinary resolution for granting to the Directors the Existing General Mandate to allot and issue not more than 1,020,738,550 Shares, being 20% of the entire issued Shares of 5,103,692,750 Shares as at the date of passing of the relevant resolution.

As announced in the announcements of the Company dated 10 August 2016 and 19 August 2016, up to 1,020,738,550 Shares have been allotted and issued under the Existing General Mandate under the S&P Agreement and Placing Agreement. Upon completion of the acquisition and the placing, the Company, among others, issued 600,000,000 consideration Shares and 420,738,550 placing Shares, thereby fully utilising the Existing General Mandate. The issued Shares under Existing General Mandate were fully utilised for part of the consideration of the acquisition under the S&P agreement and settled the sale loan of the acquisition. As at the Latest Practicable Date, the Company had not made any refreshment of the Existing General Mandate since the AGM.

The Company will convene the SGM at which ordinary resolution will be proposed to the Independent Shareholders that the Directors be granted the New General Mandate to allot, issue and deal with new Shares with an aggregate nominal amount of not exceeding 20% of the aggregate issued Shares as at the date of the SGM.

As at the Latest Practicable Date, the Company had an aggregate of 8,164,431,301 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the Refreshment of General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed to allot and issue up to 1,632,886,260 Shares, representing 20% of the Shares in issue as at the date of SGM. The Company would exercise due and careful consideration when choosing the best financing method available to the Group.

LETTER FROM VINCO CAPITAL

The New General Mandate (including the extended New General Mandate) will, if granted, remain effective until the earliest 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 to be held by law or Bye-laws; or (iii) the revocation or variation of the New General Mandate (including the extended New General Mandate) or the New Repurchase Mandate (as the case may be) by Shareholders in general meeting, whichever occurs first.

Reasons for the Refreshment of General Mandate

As detailed in the Letter from the Board, and after our discussion with the Directors, we are aware of that in order to allow the flexibility for the Company to raise further capital to meet its funding needs for (i) potential early redemption of the promissory note; and (ii) future business development, the Company wishes to seek approval of Shareholders at the SGM to grant the New General Mandate to the Directors.

With reference to the announcements of the Company on 10 August 2016 and 19 August 2016, the Company and TY entered into the S&P Agreement pursuant to which (1) the Company conditionally agreed to purchase, and TY conditionally agreed to sell the sale shares at the consideration of HK\$513,000,000 (the “Acquisition”); and (2) the Company acquired the sale loan of HK\$56,400,000 which was settled by the cash payment from the Company to Ms. Qiao Yanfeng. As stated in the Letter from the Board, part of the consideration was satisfied as to 600,000,000 consideration Shares issued under the Existing General Mandate at an issue price of HK\$0.335 per Share. The Company also entered into the Placing Agreement with the placing agent in relation to the placing of the placing Shares (the “Placing”). Pursuant to the Placing Agreement, the placing agent has conditionally agreed to place a total of 420,738,550 new Shares, at a price of HK\$0.28 per placing Share. Upon completion of the Acquisition and the Placing, we note that the Company had utilized the proceeds in way of allowing the Company to diversify its investment portfolio and broaden its revenue base for its business.

As stated in the Letter from the Board and advised by the management of the Company, they estimated the expected funding needs based on its potential redemption of the promissory note which is part of the consideration of the Acquisition and capital expenditure for business development. We thus reviewed the cash flow forecast of the Company for the next 12 months, we noted that the cash requirement to fulfil the (i) potential redemption of the promissory note of approximately HK\$277.4 million with principal amount of HK\$258 million and the interest of HK\$19.4 million; (ii) capital expenditure and other outlays of (a) approximately HK\$228.6 million for acquisition of plant and equipment for the Group’s QR codes packaging business which is newly acquired and (b) approximately HK\$11.6 million for purchase of transportation and office supplies to support the “Finding the origins of the edible goods program” in different provinces in mainland China. According to the current financial resources of the Company stated in the Letter from the Board and the cash flow forecast of the Company for the next 12 months, the current cash position as at 31 August 2016 is approximately HK\$66.1 million. However, the Company would need at least HK\$517.6 million to meet its expected funding needs for the next 12 months, the Company thus has a shortfall in funding for the next 12 months for approximately HK\$451.5 million. Based on the number of Shares in issue and the closing price of HK\$0.325 per Share as at the Latest Practicable Date, the maximum gross proceeds that can be raised by utilizing the New General Mandate (assuming issuing new Shares at the said closing price without any discount) is approximately HK\$531 million. Such gross proceeds would be sufficient to cover the Company’s shortfall in funding of approximately HK\$451.5 million for the next twelve months.

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As stated in the Letter from the Board, the principal sum of HK\$258 million of the promissory note will fall due on 18 August 2017. We note that the next annual general meeting which is expected to take place in around June 2017 which is only two months prior to the promissory note due. It will leave the Company with very limited period of time to utilize the refreshed general mandate before the maturity date of the promissory note and it will be more difficult for the Company to raise fund as it has little time in locating placing agents and/or investors in such short time. In addition, the Company could save the interest accrues at the rate of 7.5% per annum which applied on the promissory note by making early redemption of the promissory note. Therefore, we concur with the view of the Company that the Refreshment of General Mandate at a time well before the maturity date of the promissory note would (i) provide sufficient time for the Company to raise fund so as to minimize any uncertainties and risk; and (ii) save the interest payable on the principal sum of promissory note.

Moreover, the Company has always been looking for good opportunities of business expansion and development so as to broaden its revenue base. As stated in the announcement of the Company dated 10 August 2016 in relation to the Acquisition, “Finding the origins of the edible goods program” is one of the future business development model of the Group. We noted that the capital expenditure of the Group for the new QR codes packaging business for the next 12 months as mentioned above sets the foundation for the Group to effectively roll-out its “Finding the origins of the edible goods program”. The Company therefore believes that the incurrence of such capital expenditure enables the Group to capture new customer, is both important and desirable for the growth and expansion of the Group’s business. Thus, we are of the view that the Company has always been looking for good opportunities of business expansion and development.

The Directors consider that it is necessary for the Refreshment of General Mandate by maintaining the financial flexibility necessary for the Company to raise funds through the issue of new securities for the development of its businesses as identified by the Group from time to time. The Board thus proposes to pass an ordinary resolution at the SGM to approve the Refreshment of General Mandate so as to allow the Directors to issue new Shares not exceeding 20% of the issued Shares as at the date of SGM.

Having considered that (i) the equity fund raising does not incur any interest expenses on the Company as compared with bank financing and is less costly and time-consuming than raising funds by way of rights issue or open offer; (ii) the current liquidity and cash position of the Company, in particular, the potential redemption of promissory note of approximately HK\$277 million will be due within one year; (iii) the Refreshment of General Mandate will provide flexibility in the source of funding and allow the Company to grasp any potential opportunities in a timely manner; and (iv) the next annual general meeting will not be convened until around June 2017, which is about nine months away from the Latest Practicable Date, the Directors will consider and may conduct an equity fund raising exercise by, but not limited to, issuing new Shares under general mandate.

Accordingly, we are of view that it is fair and reasonable to grant the New General Mandate to the Directors to allot and issue Shares.

Other financing alternatives

As advised by the Directors, the management of the Group had also considered other means of fund raising, including alternative means of equity financing (such as rights issue or open offer) and debt financing. Although rights issue and open offer would be offered to the Shareholders on a pro rata entitlement basis with no dilution effect on the existing shareholding of the Company, it usually takes more than three months to raise funds by rights issue or open offer and the Company may not be easy to grasp the potential opportunities in a timely manner. Apart from

LETTER FROM VINCO CAPITAL

equity financing, the Directors will also consider other financing methods such as bank financing and debt financing so as to meet its financing requirements arising from any future development of the Group, depending on the financial position, capital structure and cost of funding of the Group as well as the prevailing market condition. Bank financing and debt financing will usually incur interest burden on the Group and may be subject to, including but not limited to, lengthy due diligence and negotiations with the banks.

As stated in the Letter from the Board, the Directors will also consider seeking Shareholders' approval for a specific mandate to issue new Shares if appropriate in the circumstances. However, specific mandate requires relatively long time to allot and issue new Shares as compared with utilising the general mandate and as such, it does not provide the Company with the flexibility to grasp the potential opportunities in a timely manner.

We noted that the utilization of the New General Mandate will have potential dilution impact on the shareholding of the Shareholders. However, notwithstanding the dilution impact to existing Shareholders of equity fundraising activities, given that the additional time and cost required and the uncertainty of identifying underwriter under the recent volatile market condition in respect of rights issue and open offer. Accordingly, the Directors confirmed that they would exercise due and careful consideration when choosing the financing method available to the Group and would adopt the method which serves the best interest of the Group. In light of the above, we consider the Refreshment of General Mandate provides the Company an additional financing alternative for the Company to raise further capital for its business development if and when an opportunity arises and it is reasonable for the Company to maintain its flexibility in deciding the best financing alternative for its business development. Therefore, we thus concur with the Directors' view that the Refreshment of General Mandate is in the interest of the Company and the Shareholders as a whole.

The granting of the New General Mandate shall (i) ensure the Company having sufficient general mandate, if so required; (ii) provide an alternative to increase the amount of capital which may be raised under the New General Mandate; and (iii) the Refreshment of General Mandate provides more flexibility when it is necessary for the Company to raise funds through the issue of new securities for the potential redemption of the promissory note and potential expansion and development of its businesses as identified by the Group from time to time. We are of the view that the New General Mandate is subject to the grant of the Independent Shareholders, which may or may not be utilised, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Fund raising activities in the past twelve months

The following fund raising activities have been carried out by the Company in the twelve months immediately prior to the date of the Circular:

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 (currently known as Freeman FinTech Corporation Limited, Stock Code: 279) on 15 December 2015.) The said shares were sold entirely on 15 February 2016. The proceeds was used for partial repayment of loan from Win Wind Resources Limited ("Win Wind") of HK\$50 million.)

LETTER FROM VINCO CAPITAL

Date of announcement/ circular	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds
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 of HK\$100 million on 4 February 2016).
10 August 2016 and 19 August 2016	Placing of 420,738,550 new Shares on fully underwritten basis under Existing General Mandate at the placing price of HK\$0.28 each	Approximately HK\$114.26 million	For satisfying the cash considerations of the sale shares and the sale loan, and the remainder to be used towards working capital purpose of the Company	Approximately HK\$110.4 million was used as intended to satisfy the cash considerations of the sale shares and the sale loan, HK\$3.2 million was used for legal and professional fee for the acquisition of the sale shares and the remainder will be used for general administrative expenses of the Company.

Save as disclosed above, the Company has not conducted any fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

Effects on the shareholding structure of the Company

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustrative purpose, immediately upon the issue of Shares under the New General Mandate, assuming the New General Mandate is utilized in full and no other Shares are issued and/or repurchased by the Company:

Name of Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately upon the issue of Shares under the New General Mandate (assuming the New General Mandate is utilised in full and no further Shares are issued or repurchased by the Company)	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Dr. Lam How Mun Peter ¹	398,150	0.00	398,150	0.00
Ms. Poon Ho Yee Agnes ¹	130,000	0.00	130,000	0.00
Mr. Wang Liang ¹	200,000,000	2.45	200,000,000	2.04
Mr. Ou Yaping	2,048,184,675	25.09	2,048,184,675	20.91
Ms. Qiao Yanfeng ²	600,000,000	7.35	600,000,000	6.12
Existing public Shareholders	5,315,718,476	65.11	5,315,718,476	54.26
Shares to be issued under the New General Mandate	—	—	1,632,886,260	16.67
Total	<u>8,164,431,301</u>	<u>100.00</u>	<u>9,797,317,561</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 and Mr. Wang Liang are executive Directors of the Company.

2. 600,000,000 of such consideration Shares are held through TY, a company in which Ms. Qiao Yanfeng is a controlling shareholder. Accordingly, Ms. Qiao Yanfeng is deemed to be interested in these Shares.

LETTER FROM VINCO CAPITAL

Upon full utilisation of the New General Mandate, 1,632,886,260 Shares will be issued, representing 20% of the existing issued Shares as at the date of the SGM and approximately 16.67% of the issued Shares as enlarged by the Shares issued under the New General Mandate. Assuming that no other new Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the aggregate shareholding of the other public Shareholders will decrease from approximately 65.11% as at the Latest Practicable Date to approximately 54.26% immediately upon the full utilisation of the New General Mandate. The existing public Shareholders will have a potential maximum decrease in shareholding of approximately 10.85% following the full utilisation of the New General Mandate.

Taking into account the principal factors of the Refreshment of General Mandate and the fact that the shareholding of all the Shareholders will be diluted to the same extent upon any utilisation of the New General Mandate, with all other things being equal, we consider such dilution or potential dilution of shareholding of the Independent Shareholders to be acceptable.

RECOMMENDATION

Having taken into consideration the above principal factors and reasons regarding the Refreshment of General Mandate, in particular:

- during the period from the grant of the Existing General Mandate to the Latest Practicable Date, 100% of the Existing General Mandate has been utilised;
- the New General Mandate provides more flexibility and options of financing to the Company for its potential redemption of promissory note and future business development which may arise occasionally; and
- the acceptable potential dilution to shareholdings of the Independent Shareholders,

We are of the opinion that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole, and the grant of the New General Mandate is fair and reasonable so far as the Shareholders are concerned. Shareholders are, however, reminded to note the potential dilution effect of the full utilisation of the New General Mandate on their shareholding interests in the Company.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Refreshment of General Mandate to be proposed at the SGM.

Yours faithfully,
For the on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Grand Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) and other relevant provisions of the Listing Rules.

1. EXERCISE OF NEW REPURCHASE MANDATE

On the basis that (i) 8,164,431,301 Shares were in issue as at the Latest Practicable Date, and (ii) no further Shares were issued and/or repurchased between the Latest Practicable Date and the date of the resolution approving the New Repurchase Mandate, exercise in full of the New Repurchase Mandate would result in up to 816,443,130 Shares being repurchased by the Company during the period from the date of passing the resolution granting the New Repurchase Mandate until the earlier to occur 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 law or the Bye-laws to be held, or (iii) the revocation or variation of the New Repurchase Mandate by Shareholders in general meeting.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the interests of the Company and Shareholders to have a general authority from Shareholders to enable the Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and Shareholders as a whole.

3. FUNDING OF REPURCHASES

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and the Bye-laws and the applicable laws of Bermuda.

Under Bermuda law, purchases of Shares may only be effected out of the capital paid up on the Shares to be purchased or out of funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for such purpose. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account.

Based on the position disclosed in the Company's most recent published audited accounts for the year ended 31 December 2015, and taking into account the current working capital position of the Company, there might be an adverse effect on the working capital or gearing position of the Company if the New Repurchase Mandate was exercised in full in the period before expiration of the New Repurchase Mandate. However, the Directors do not propose to exercise the New Repurchase Mandate to such an extent that it would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

4. EFFECT OF TAKEOVERS CODE

If, as a result of a Share repurchase, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase in the Shareholders' interest, could obtain or consolidate control of the Company and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the Company had 8,164,431,301 Shares in issue. Mr. Ou Yaping held 2,048,184,675 Shares, representing approximately 25.09% of the issued Shares. In the event that the New Repurchase Mandate is exercised in full and no further Shares are issued during the period before expiration of the New Repurchase Mandate, the interest held by Mr. Ou Yaping in the issued Shares will increase from 25.09% to 27.87% approximately. Such an increase would not give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed, the Board is not aware of any consequences which would arise under the Takeovers Code as a result of an exercise in full of the New Repurchase Mandate.

5. GENERAL

None of the Directors and, to the best of their knowledge and belief having made all reasonable enquiries, none of their close associates, have any present intention, in the event that the New Repurchase Mandate is approved by the Shareholders to sell Shares to the Company.

No core connected person (as defined in the Listing Rules) has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the New Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the New Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

The Company has not repurchased any Shares, whether on the Stock Exchange or otherwise, during the six months preceding the Latest Practicable Date.

6. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date are as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2015		
September	0.430	0.370
October	0.540	0.390
November	0.450	0.154
December	0.320	0.196
2016		
January	0.295	0.225
February	0.345	0.235
March	0.445	0.265
April	0.345	0.260
May	0.335	0.275
June	0.405	0.305
July	0.420	0.315
August	0.400	0.320
September (up to and including the Latest Practicable Date)	0.385	0.320

NOTICE OF SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of China Opto Holdings Limited (the “**Company**”) will be held at 7/F, China United Centre, 28 Marble Road, North Point, Hong Kong, on Thursday, 20 October 2016 at 10:00 a.m. for the purpose of considering and, if though fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:-

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) subject to paragraph (c) below, and pursuant to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the directors (the “**Directors**”) of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the “**Shares**”) and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the existing share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed twenty percent of the aggregate number of issued Shares as at the date of the passing of this resolution; and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

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- (d) for the purposes of this Resolution:

“**Relevant Period**” means the period from the date of the passing of this Resolution until whichever is the earliest 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 bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company (the “**Shareholders**”) in general meeting revoking or varying the authority given to the Directors by this Resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors 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).”

2. “**THAT**

- (a) the general mandate granted to the Directors to exercise the powers of the Company to repurchase Shares as approved by the Shareholders at the annual general meeting of the Company held on 27 June 2016 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of the Resolution);
- (b) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, subject to and in accordance with all applicable laws and the regulations of the Listing Rules or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;
- (c) the aggregate number of Shares which may be purchased by the Company pursuant to the approval in paragraph (b) of this Resolution during the Relevant Period shall not exceed ten percent of the aggregate number of issued Shares as at the date of passing of this Resolution and the authority pursuant to paragraph (b) of this Resolution shall be limited accordingly; and

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(d) for the purposes of this Resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest 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 bye-laws of the Company or any applicable laws of Bermuda to be held; or
 - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this Resolution.”
3. “**THAT** subject to the availability of unissued Shares and conditional upon the passing of the Ordinary Resolutions 1 and 2 as set out in the notice convening the Meeting, the aggregate number of the Shares which are repurchased by the Company pursuant to and in accordance with Ordinary Resolution 2 set out in the notice convening the Meeting shall be added to the aggregate number of the Shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with Ordinary Resolution 1 set out in the notice convening the Meeting.”
4. “**THAT**
- (a) subject to and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of options which may be granted under the Refreshed Limit (as defined below) and pursuant to the share option scheme of the Company adopted on 18 May 2012 (the “**Share Option Scheme**”), approval be and is hereby generally and unconditionally granted for refreshing and renewing the Scheme Mandate Limit (as defined below) under the Share Option Scheme provided that (i) the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and other share option scheme(s) of the Company shall not exceed ten percent of the total number of Shares in issue as at the date of passing of this Resolution (the “**Refreshed Limit**”); and (ii) options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme and any other share option scheme(s) of the Company or exercised options) shall not be counted for the purpose of calculating the Refreshed Limit, and that the Directors be and are hereby authorised, in their absolute discretion, to grant options under the Share Option Scheme up to the Refreshed Limit and to exercise all the powers of the Company to allot and issue the Shares upon the exercise of any such options.

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- (b) for the purpose of this Resolution:

“**Scheme Mandate Limit**” means the maximum number of Shares that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company.”

5. “**THAT**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$100,000,000.00 divided into 10,000,000,000 Shares of HK\$0.01 each to HK\$500,000,000.00 divided into 50,000,000,000 Shares of HK\$0.01 each (the “**Increase in Authorised Share Capital**”);
- (b) the Director(s) be and is/are hereby authorised to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/ them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital.”

6. “**THAT** Mr. Wang Liang be re-elected as an executive director of the Company.”

By order of the Board
China Opto Holdings Limited
Lam How Mun Peter
Chairman

Hong Kong, 4 October 2016

Notes:

1. A member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies or a duly authorised corporate representative to attend and vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude a member from attending the Meeting and voting in person. In such event, his form of proxy will be deemed to have been revoked.
3. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled hereto; but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.