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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “Board”) of China Opto Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016 together with comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	HK\$'000	HK\$'000
REVENUE	4	(101,382)	126,384
Cost of sales		(101,938)	(145,516)
Gross loss		(203,320)	(19,132)
Other income and gains	4	8,574	389,526
Selling and distribution expenses		(8,475)	(6,559)
Administrative expenses		(31,986)	(18,634)
Other expenses		(24,510)	(3,285)
Finance costs		(4,322)	-
Share of losses of a joint venture		(18,722)	-
PROFIT/(LOSS) BEFORE TAX	5	(282,761)	341,916
Income tax expense	6	(37)	(598)
PROFIT/(LOSS) FOR THE PERIOD		(282,798)	341,318

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Note	HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	(8,800)	42,252
Reclassification adjustment for losses/(gains) on disposal included in profit or loss	5,390	(34,953)
	<u>(3,410)</u>	<u>7,299</u>
Exchange differences on translation of foreign operations	(177)	(35)
	<u>(3,587)</u>	<u>7,264</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		
	<u>(3,587)</u>	<u>7,264</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		
	<u>(286,385)</u>	<u>348,582</u>
Profit/(loss) attributable to:		
Owners of the parent	(282,798)	341,374
Non-controlling interests	-	(56)
	<u>(282,798)</u>	<u>341,318</u>
Total comprehensive income/(loss) attributable to:		
Owners of the parent	(286,385)	348,638
Non-controlling interests	-	(56)
	<u>(286,385)</u>	<u>348,582</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
	8	
Basic (HK cents)	<u>(5.66)</u>	<u>9.50</u>
Diluted (HK cents)	<u>(5.66)</u>	<u>9.37</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		10,438	6,195
Available-for-sale investments	9	151,110	195,065
Investment in joint venture		132,354	-
Goodwill		3,875	-
Prepayments		2,196	2,196
Total non-current assets		299,973	203,456
CURRENT ASSETS			
Inventories		48,708	27,989
Trade and bills receivables	10	47,377	37,932
Loan and interest receivables		-	30,223
Prepayments, deposits and other receivables		12,139	9,371
Financial assets at fair value through profit or loss	11	150,000	667,376
Cash and cash equivalents		72,194	36,179
		330,418	809,070
Assets of a disposal group classified as held for sale		-	2,278
Total current assets		330,418	811,348
CURRENT LIABILITIES			
Trade and bills payables	12	24,007	16,343
Other payables and accruals		18,776	18,014
Tax payable		117	138
Interest-bearing other borrowings		-	201,053
Total current liabilities		42,900	235,548
NET CURRENT ASSETS		287,518	575,800
TOTAL ASSETS LESS CURRENT LIABILITIES		587,491	779,256
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,756	146
Net assets		584,735	779,110

		30 June	31 December
		2016	2015
		(Unaudited)	(Audited)
	Note	HK\$'000	HK\$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	51,037	45,286
Reserves		533,698	733,824
		<hr/>	<hr/>
Total equity		584,735	779,110
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Notes:

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 24 October 2011. The principal place of business of the Company is located at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the period, the Group was involved in the following principal activities:

- Design, development, manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
- Investments and trading in securities and money lending
- Design, development and sale of fashion wears and accessories

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 26 August 2016.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the new and revised HKFRSs for the first time for the current period financial information, as further explained below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of the new and revised HKFRSs but is not yet in a position to state whether the new and revised HKFRSs would have a potential impact on its results of operations and financial position.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale investments and financial assets at fair value through profit or loss which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

Manufacturing of packaging product segment	-	Design, development, manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Treasury investment segment	-	Investments and trading in securities and money lending
Trading of apparel products segment	-	Design, development and sale of fashion wears and accessories

On 7 March 2016, the Group entered into a conditional sale and purchase agreement with four independent parties to acquire the entire equity interests of Gilderton Limited, Beijing AiDiOuYa Trading Co., Ltd.*, QiaoDeng (Beijing) Trading Co., Ltd.* and Tre 29 Group (Hong Kong) Limited (collectively, the “WWM Group”). The WWM Group is principally engaged in design, development and sale of fashion wears and accessories in Hong Kong and Mainland China. The acquisition was completed on the same date and the Group has commenced the trading of apparel products business since then.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group’s profit before tax except that head office and corporate income and expenses are excluded from such measurement.

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

Information regarding the reportable segments is presented below.

Reportable segment information

	For the six months ended 30 June							
	Manufacturing of packaging products		Treasury investment		Trading of apparel products		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)				(Restated)
Segment revenue	129,666	175,176	(231,187)	(48,792)	139	-	(101,382)	126,384
Other revenue	7,495	5,871	-	34,587	2	-	7,497	40,458
Total	137,161	181,047	(231,187)	(14,205)	141	-	(93,885)	166,842
Segment results	14,758	10,746	(236,711)	(14,498)	(12,042)	-	(233,995)	(3,752)
Corporate and unallocated income							1,077	349,068
Corporate and unallocated expenses							(45,521)	(3,400)
Finance costs							(4,322)	-
Profit/(loss) before tax							(282,761)	341,916

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; fair value gain/loss on financial assets at fair value through profit or loss, net; and interest income from convertible notes and loans receivables.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Revenue		
Sale of packaging products	129,666	175,176
Sale of apparel products	139	-
Fair value losses on financial assets at fair value through profit or loss, net*	(232,892)	(50,052)
Interest income from convertible notes	1,512	-
Interest income from loans receivables	193	1,260
	<u>(101,382)</u>	<u>126,384</u>
Other income and gains		
Bank interest income	70	73
Sale of scrap materials	74	177
Gain on deemed partial disposal of a joint venture	1,076	-
Gain on disposal of subsidiaries	7,295	343,697
Fair value gain on financial liability at fair value through profit or loss	-	4,722
Foreign exchange differences, net	-	154
Gain on disposal of items of property, plant and equipment	-	89
Gain on disposal of associates	-	5,744
Gain on disposal of available-for-sale investments	-	34,587
Gross rental income	-	240
Others	59	43
	<u>8,574</u>	<u>389,526</u>

* The gross proceeds from the disposal of listed equity investments at fair value through profit or loss for the period ended 30 June 2016 were approximately HK\$307,112,000 (six months ended 30 June 2015: HK\$349,874,000).

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended 30 June 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Depreciation	1,080	1,678
Amortisation of prepaid land lease payments	-	201
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	33,470	37,664
Pension scheme contributions	4,077	4,378
	<u>37,547</u>	<u>42,042</u>
Foreign exchange differences, net	203*	(154)
Impairment/(write-back of impairment) of trade receivables	(59)*	3,285*
Loss/(gain) on disposal of available-for-sale investments	5,451*	(34,587)
Impairment of available-for-sale investments	<u>18,915*</u>	<u>-</u>

* These items are included in "Other expenses" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The Group's subsidiaries, which are established in the People's Republic of China (the "PRC"), have tax losses brought forward from prior years to offset against their assessable profits generated during the period.

	Six months ended 30 June 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current charge/(credit) for the period		
Hong Kong	(21)	582
Deferred	58	16
	<u>37</u>	<u>598</u>
Total tax charge for the period	<u>37</u>	<u>598</u>

7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount for the six months ended 30 June 2016 is based on the loss attributable to ordinary equity holders of the parent of HK\$282,798,000 (six months ended 30 June 2015: profit attributable to ordinary equity holders of the parent of HK\$341,374,000), and the weighted average number of ordinary shares of 4,996,263,218 (six months ended 30 June 2015: 3,594,149,825) in issue during the period ended 30 June 2016.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2016 in respect of a dilution as the impact of the equity-settled forward contract has an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2015 is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the fair value gain on the Share Warrants (as defined in note 13). The weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share has been retrospectively adjusted to reflect the impact of the share subdivision and the bonus issues taken place during the six months ended 30 June 2015.

The calculations of basic and diluted earnings per share amounts for six months ended 30 June 2015 are based on:

	(Unaudited) HK\$'000
<u>Earnings</u>	
Profit attributable to ordinary equity holders of the parent, used in calculation of basic earnings per share calculation	341,374
Less: Fair value gain on the Share Warrants	<u>(4,722)</u>
Profit attributable to ordinary equity holders of the parent before fair value gain on the Share Warrants	<u><u>336,652</u></u>
	Number of shares (Unaudited)
<u>Shares</u>	
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	3,594,149,825
Effect of dilution – weighted average number of ordinary shares: Share Warrants	<u>83,609</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u><u>3,594,233,434</u></u>

9. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Listed equity investments, at fair value	(a)	-	25,040
Unlisted equity investments, at cost	(b)	<u>170,025</u>	<u>170,025</u>
		170,025	195,065
Less: Impairment	(b)	<u>(18,915)</u>	-
		<u>151,110</u>	<u>195,065</u>

Notes:

- (a) During the period, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$8,800,000 (six months ended 30 June 2015: gross gain of HK\$42,252,000), of which HK\$5,390,000 (six months ended 30 June 2015: HK\$34,953,000) was reclassified from other comprehensive income to profit or loss for the period.
- (b) For the available-for-sale investments at cost less impairment, the management reviews the latest available financial information about the investees' financial positions and observable data such as net asset value per share. During the six months ended 30 June 2016, a significant decline in the carrying amount of net assets of an unlisted equity investment was identified by the directors of the Company. The directors of the Company considered that such decline is an objective evidence of impairment and an impairment loss of HK\$18,915,000 (six months ended 30 June 2015: Nil) has been recognised in profit or loss.

As at 31 December 2015, the Group's listed available-for-sale investments with an aggregate carrying value of HK\$25,040,000 were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group.

As at 30 June 2016, certain unlisted equity investments with an aggregate carrying amount of HK\$151,110,000 (31 December 2015: HK\$170,025,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

10. TRADE AND BILLS RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade and bills receivables	47,481	38,352
Less: Impairment	<u>(104)</u>	<u>(420)</u>
	<u>47,377</u>	<u>37,932</u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 1 month	27,228	22,425
1 to 2 months	11,797	9,523
2 to 3 months	7,272	4,944
Over 3 months	<u>1,080</u>	<u>1,040</u>
	<u>47,377</u>	<u>37,932</u>

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Neither past due nor impaired	38,686	30,756
Less than 1 month past due	5,987	5,125
Over 1 month past due	<u>2,704</u>	<u>2,051</u>
	<u>47,377</u>	<u>37,932</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Listed equity investments, at market value	-	517,376
Unlisted convertible notes, at fair value	<u>150,000</u>	<u>150,000</u>
	<u>150,000</u>	<u>667,376</u>

The above financial assets at 30 June 2016 and 31 December 2015 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

As at 31 December 2015, the Group's listed equity investments with an aggregate carrying value at 31 December 2015 of HK\$517,376,000 were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group.

12. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 1 month	17,318	12,797
1 to 2 months	5,193	2,507
2 to 3 months	983	810
Over 3 months	<u>513</u>	<u>229</u>
	<u>24,007</u>	<u>16,343</u>

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

13. SHARE CAPITAL

Shares

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid: 5,103,692,751 (31 December 2015: 4,528,628,779) ordinary shares of HK\$0.01 each	<u>51,037</u>	<u>45,286</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2016	4,528,628,779	45,286	243,779	289,065
Issue of new shares (note)	<u>575,063,972</u>	<u>5,751</u>	<u>101,174</u>	<u>106,925</u>
At 30 June 2016	<u>5,103,692,751</u>	<u>51,037</u>	<u>344,953</u>	<u>395,990</u>

Note:

On 25 June 2015, the Group issued 287,531,980 and 287,531,992 unlisted warrants, with a mandatory exercise right and at the subscription prices of HK\$0.56 and HK\$0.608, respectively, per warrant, at a placing price of HK\$0.01 per warrant (the "Share Warrants"), to 16 independent placees pursuant to certain conditional placing agreements and supplemental agreements dated 21 April 2015, 29 April 2015, 13 May 2015, 15 May 2015 and 8 June 2015. Details of this transaction are set out in the Company's circular dated 9 June 2015.

Pursuant to an agreement dated 2 December 2015 (the "Subscription and Cancellation Agreement") entered into between the Company and the holders of the Share Warrants, the Company agreed to cancel all the outstanding Share Warrants (the "Cancellation") and the holders of the Share Warrants agreed to subscribe for a total of 575,063,972 new shares of the Company at HK\$0.16 per share (the "Subscription"). The aggregate subscription price is approximately HK\$92,010,000.

"Other equity instrument" represents the fair value of equity-settled forward contract concluded under the Subscription and Cancellation Agreement.

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 28 January 2016, the shareholders of the Company approved to the Cancellation and the Subscription.

Upon the completion of the Cancellation and the Subscription on 4 February 2016, the share capital of the Company was increased by approximately HK\$5,751,000 and the share premium received on the Subscription of approximately HK\$86,259,000 was credited to the share premium amount while the equity instrument of approximately HK\$14,915,000 was transferred to the share premium amount.

EVENTS AFTER REPORTING PERIOD

- (a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 8 July 2016, the shareholders approved (i) the subscription by the Company of 13,600,000 shares of no par value each in the share capital of Win Wind Capital Limited ("Win Wind"); (ii) the subscription by Win Wind of 2,040,000,000 shares of HK\$0.01 each in the share capital of the Company; and (iii) the redemption of the whole of the principal amount of HK\$150 million of the 2% per annum convertible notes together with all accrued interests thereon by Win Wind. These transactions were completed on 19 July 2016.

- (b) On 10 August 2016, the Company entered into a conditional sale and purchase agreement to acquire the entire equity interests of Apex Capital Business Limited, which holds Fortune Road International Limited and Shanghai TY Technology Co. Ltd.* (collectively, “SHTY Group”). The transaction was satisfied by (i) 600,000,000 consideration shares issued by the Company at an issue price of HK\$0.335 per share; (ii) HK\$258 million of promissory note issued by the Company; and (iii) a cash consideration of HK\$54 million. The Company also acquired the shareholder’s loan of HK\$56.4 million by cash. The transaction was completed on 19 August 2016. SHTY Group is principally engaged in provision of QR codes on product packaging for the fast moving consumer goods sector in the PRC and business intelligence information technology solutions based on its “one product, one QR code”.
- (c) On 19 August 2016, the Company allotted and issued 420,738,550 ordinary shares to certain independent third parties at a subscription price of HK\$0.28 per share and raised a total of approximately HK\$117,807,000, before expenses, which was used to satisfy the cash considerations for the acquisition of SHTY Group and the related shareholder’s loan, the remainder of which will be used towards working capital purpose of the Company.

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

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the principal activities of the Group were the manufacture of packaging products, treasury investment, and trading of fashion apparels. The loss attributable to the shareholders was HK\$282.8 million (six months ended 30 June 2015: profit of HK\$341.4 million). The substantial deterioration in the financial results was mainly due to the loss on disposal of listed investments in the early half of this period. Conversely, the significant profit in the same period of last year was derived from one-off gains on disposal of interests in subsidiaries. The Group reported HK\$101.4 million in negative revenue (six months ended 30 June 2015: a positive revenue of HK\$126.4 million), arising from the significant increase in net loss on disposal of listed investments as compared to the previous corresponding period.

Clouded by global economic and political volatility from this year on, the Group faced a tough business environment. Influenced by the weak momentum of the equity market due to poor sentiment and worse-than-expected key economic data in China and the Eurozone, stock prices had fallen since the beginning of this year. In light of tremors across the stock market, all listed securities were sold to control the downside risk of the financial market.

The global economic headwinds such as deteriorating GDP growth, risk of deflation and slumping trade flows discouraged sales of consumer items, which in turn adversely affected the manufacturing industry. The Group's packaging products experienced the declining demand in major markets and hence its sales for Hong Kong and Mainland China, Europe, North and South America regions dropped by 25.0%, 27.0% and 26.4% respectively as compared to those in the same period of last year.

Addressing the disappointing global market conditions, the Group has ventured into an apparel products business operating with an online shopping platform, so as to cope with the strong drive of e-commerce, which is a response to customers’ demands for an omni-channel experience.

FINANCIAL REVIEW

The packaging business reported a revenue of HK\$129.7 million for the period ended 30 June 2016, a decrease of 26.0% as compared to HK\$175.2 million for the same period of last year due to weak aggregate demand of consumer products and struggling recovery in major economies. Hong Kong and Mainland China were still the major market segment, accounting for 43.9% of this business segment revenue, while Europe and North and South America accounted for 31.0% and 16.6% respectively. This segment recorded a net profit of HK\$14.8 million (six month ended 30 June 2015: HK\$10.7 million), an increase of HK\$4.1 million attributable to the bigger gain of HK\$1.9 million on the disposal of equity interest in subsidiaries in spite of the shrunken revenue. Stringent cost control also helped during the interim periods.

The Group has expanded its business portfolio into the design and sale of fashion wears mainly in Hong Kong and Mainland China to provide a more diversified income source. The Group completed the acquisition of a group of four companies which sold apparel products under the brand ‘World We Made’ (collectively, referred to as the “WWM” group). The WWM group principally offered an online shopping platform for selling fashion wears to customers. Since the acquisition, the WWM group has commenced limited scale business activities and is expected to actively pursue the marketing plan in late fall and winter. For the six months ended 30 June 2016, the business segment recorded a turnover of HK\$0.1 million and reported a loss of HK\$12.0 million which came mainly from operating expenses.

The financial performance of the security trading and investment deteriorated due to the stock market fall in the period under review as investors worried about the slow economic growth in China and, signs of recession appeared in the Eurozone. For the six months ended 30 June 2016, the fair value loss on listed equity investment at fair value through profit and loss, together with the loss on disposal of available-for-sale investments were HK\$232.9 million and HK\$5.5 million (six months ended 30 June 2015: a loss of HK\$50.1 million and a gain of HK\$34.6 million) respectively.

SIGNIFICANT INVESTMENTS HELD

During the period the Group formed a joint venture company with Freeman Financial Corporation Limited, in preparation to provide financial services and money lending business to investors with a capital contribution of HK\$150 million by each party. Affected by the downturn of the financial market, a loss of HK\$18.7 million was shared from this joint venture at the period end.

As at 30 June 2016, the Group held unlisted investments of approximately HK\$301.1 million, details of which were set out as follows:

Nature of investments	Number of shares held as at 30 June 2016	Percentage of shareholding as at 30 June 2016 %	Impairment loss for six months ended 30 June 2016 HK\$'000	Fair value/carrying amount		Percentage to the Group's net assets as at 30 June 2016 %	Investment cost HK\$'000
				as at 30 June 2016 HK\$'000	as at 31 December 2015 HK\$'000		
<u>Available-for-sale investments</u>							
<i>Equity Shares</i>							
Freewill Holdings Limited (“FHL”)	14,550,000	2.54	18,915	61,110	80,025	10.4	80,025
Co-Lead Holdings Limited (“Co-Lead”)	225	3.95	-	90,000	90,000	15.4	90,000
			18,915	151,110	170,025	25.8	170,025
<u>Financial assets at fair value through profit or loss</u>							
<i>Convertible Notes</i>							
Win Wind Capital Limited (“Win Wind CN”)			-	150,000	150,000	25.7	150,000
			18,915	301,110	320,025	51.5	320,025

FHL is principally engaged in the business of property investment, investment advisory and financial services, investment in securities trading, and money lending.

Co-Lead is principally engaged in securities trading and investment holding business. Its investment portfolio consists of listed and unlisted securities.

Win Wind CN is the convertible notes in the principal amount of HK\$150.0 million issued by Win Wind, bearing an interest at the rate of 2% per annum. Win Wind is principally engaged in the financial services sector and money lending activities. After the reporting period the Win Wind CN was fully redeemed by Win Wind.

During the period under review, an impairment loss of HK\$18.9 million was recognised on the Group's investment in FHL for the decrease in fair value of their underlying investment assets. As long as the outlook for the global economy remains subdued and uncertain in the remainder of 2016, the performance of these investments will be highly vulnerable to the geopolitical crisis and stagnant economic growth which increase threat to the income earnings. The Group will closely monitor the investment portfolio from time to time to assess and manage actively the risks involved.

LIQUIDITY AND FINANCE RESOURCES

The Group's financial position remains sound and healthy. As at 30 June 2016, the Group had no borrowings (31 December 2015: HK\$201.1 million) and had cash balances amounting to HK\$72.2 million (31 December 2015: HK\$36.2 million). The gearing ratio (net borrowings to shareholders' equity) was zero as at 30 June 2016 (31 December 2015: 21.2%).

During the period under review, the Company had placed 575,063,972 shares at a subscription price of HK\$0.16 per share to raise net cash proceeds of approximately HK\$92.0 million.

PLEDGE OF ASSETS

As at 30 June 2016, the Group did not have any charge on its assets (31 December 2015: HK\$542.4 million).

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any contingent liabilities (31 December 2015: Nil).

FOREIGN EXCHANGE RISK

Most of the Group's revenues are transacted in US dollars and Hong Kong dollars while expenses are mainly in US dollars, Hong Kong dollars and Renminbi. In view of the prevailing financial market situation, the Group did not engage in any foreign exchange hedging products for the exposure of currency risk of Renminbi during the period. The Group still monitors fluctuations in exchange rates closely and manages the currency risk involved actively.

EMPLOYEES

As at 30 June 2016, the Group had a total workforce of approximately 896 employees in Hong Kong and Mainland China. The Group remunerates its staff based on their merit, qualification, competence and prevailing market salaries trend. In addition to salary and year-end bonus, the remuneration packages also comprised of option scheme, provident fund contributions, medical and life insurances.

PROSPECTS

The external outlook is highly challenging. The 2016 U.S. presidential election, China's economic slowdown and the U.K.'s decision to exit the European Union are driving the volatile and unstable global economy and financial investment market. Investors are concerned with the slowing economy which may lead to recession. Consumer spending is likely to remain weak. In the meantime, the Group will continue to improve production efficiencies, and strengthen the relationship with existing customers and broaden the customer base. Looking ahead, the Group will strive to explore business expansion and investment opportunities to maximise shareholders' return.

After the period end, the Group has completed the subscription agreement with Win Wind, a wholly-owned subsidiary of Enerchina Holdings Limited for the shares swap. At completion date, the Group holds 11.78% interest in Win Wind and Win Wind owns 28.56% interest in the Company. Win Wind has become a substantial shareholder of the Company and will provide valuable support to the Company for the business expansion.

Furthermore, on 10 August 2016, the Company entered into a conditional agreement to acquire indirectly a 100% interest in 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd. "SHTY"), a wholly owned foreign enterprise established in the PRC, the principal business of which is the provision of QR codes on product packaging for the fast moving consumer goods sector in the PRC and business intelligence information technology solutions based on its "one product, one QR code" through the PRC company. After considering the prospects of the QR code market of the PRC, the Board considers that the acquisition is a good opportunity for the Group to upgrade the information technology capabilities of its packaging business 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. The acquisition has been completed on 19 August 2016 and SHTY becomes the subsidiary of the Company thereafter.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made on all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with the management and independent auditors the accounting policies and practices adopted by the Group, and has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016.

PUBLICATION OF 2016 INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.chinaopto.com.hk. The 2016 Interim Report will also be available on these two websites and despatched to the shareholders of the Company in due course.

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

Hong Kong, 26 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