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China Optoelectronics Holding Group Co., Limited

中國光電控股集團有限公司

(Incorporated in Bermuda with limited liability)

Website: www.chnoe.com

(Stock Code: 1332)

DISCLOSEABLE TRANSACTION

THE PROPOSED INVESTMENT IN AN EQUAL JOINT VENTURE IN PROVISION OF FINANCE AND MONEY-LENDING BUSINESS

The Board announces that on 30 December 2015 after trading hours, MGL (an indirect wholly-owned subsidiary of the Company) entered into the JV Agreement with FFIC (a wholly-owned subsidiary of Freeman) and FreeOpt, pursuant to which MGL and FFIC conditionally agreed to cooperate to set-up the JV Company for single purpose of carrying out business of provision of finance and money lending by contributing HK\$150 million each to the initial share capital of the JV Company so that MGL and FFIC will each hold 50% equity interest in the JV Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the JV Agreement exceed 5% but are less than 25%, the entering into of the JV Agreement and the transactions contemplated thereunder constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements set out in the Listing Rules.

Shareholders and potential investors who wish to deal in the Shares should note that the Completion is subject to the satisfaction of the conditions precedent contained in the JV Agreement and it may or may not proceed; and therefore, they are advised to exercise caution when dealing in the Shares.

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JV AGREEMENT

Date

30 December 2015 (after trading hours)

Parties

- (1) MGL as a JV Partner
- (2) FFIC as the other JV Partner
- (3) FreeOpt as the joint venture vehicle

Nature of transaction

Upon completion of the JV Agreement, each of MGL and FFIC shall subscribe, and the JV Company shall allot and issue, 1,500,000 JV Shares for a consideration of HK\$150 million each and, as a result, MGL and FFIC will each hold 50% of the JV Company's issued share capital at Completion.

Ranking of JV Shares

The JV Shares, when issued as fully-paid shares, will rank pari passu with all other shares of the JV Company in issue on the date of allotment and issue of the JV Shares.

Conditions precedent of the JV Agreement

The JV Agreement is conditional upon:-

- (a) the adoption of the new memorandum and articles of association of the JV Company;
- (b) the taking of all actions and passing of all resolutions as may be required to issue the JV Shares in accordance with the terms contained in the JV Agreement;
- (c) each of the parties to the JV Agreement having obtained all necessary consents, approvals and permissions for the entering into the JV Agreement and the Joint Venture Partners' Agreement and performance and completion of the transactions contemplated thereunder;
- (d) (if required) compliance with all legal and regulatory requirements relating to the JV Agreement and the Joint Venture Partners' Agreement and the transactions contemplated thereunder by the Company and Freeman; and
- (e) the execution and delivery of the Joint Venture Partners' Agreement by each of the parties to the JV Agreement.

If the conditions precedent are not fulfilled on or before 29 February 2016 (or such later date which may be agreed by MGL and FFIC), the JV Agreement shall cease and determine, thereafter neither party to the JV Agreement shall have any obligations and liability towards each other under the JV Agreement, save for any antecedent breaches of the terms thereunder.

Completion of the JV Agreement

Completion of the JV Agreement will take place within 15 Business Days after fulfillment of the conditions precedent of the JV Agreement or such other date as may be agreed by MGL and FFIC whereupon each of MGL and FFIC shall contribute HK\$150 million to the JV Company by way of subscription of the 1,500,000 JV Shares each.

JOINT VENTURE PARTNERS' AGREEMENT

Pursuant to the JV Agreement, it is a condition precedent that the JV Partners shall execute the Joint Venture Partners' Agreement upon Completion and it is contemplated that the Joint Venture Partners' Agreement will contain the material terms as set out below.

Parties

- (1) MGL as a JV Partner as well as a shareholder of the JV Company
- (2) FFIC as the other JV Partner as well as a shareholder of the JV Company
- (3) the JV Company as the joint venture vehicle

Business scope

The JV Company shall solely engage in the provision of finance and money-lending business and such activities that are wholly incidental thereto.

Term

The Joint Venture Partners' Agreement shall become effective from the Completion Date and shall remain in full force and effect as long as the JV Company continues to exist, unless earlier terminated pursuant to any other provisions of the Joint Venture Partners' Agreement.

Board composition

MGL and FFIC shall be entitled to nominate two candidates respectively to serve as directors of the JV Company. Hence, the composition of the board of directors of the JV Company reflects the equal shareholding in the JV Company held by MGL and FFIC respectively.

Profit sharing

The profit of the JV Company shall be shared by way of dividends between MGL and FFIC in proportion to their respective shareholdings in the JV Company.

Matters requiring JV Partners' unanimous consent

The following matters of the JV Company require consent in writing of all the JV Partners holding in aggregate 100% of voting rights of the JV Company:

- (a) any change of nature or scope of business, purpose, activity and duration of the JV Company;
- (b) any change of the nomination procedures of a director of the JV Company;
- (c) any change of voting rights of the JV Partners of the JV Company;
- (d) any change of capital or other contributions made by the JV Partners of the JV Company;
- (e) any change of sharing of assets, liabilities, revenues, expenses or profit or loss of the JV Company; and
- (f) any entering into transactions by the JV Company which are not on an arm's length basis.

INFORMATION ON THE JV PARTNER

As at the date of this announcement, FFIC (being the other JV Partner under the JV Agreement) is a wholly-owned subsidiary of Freeman and is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, FFIC and its ultimate beneficial owners are independent third parties and not connected to the Company and its connected persons.

GENERAL INFORMATION OF THE GROUP

The Company is incorporated in Bermuda with limited liability. The Group is principally engaged in (i) the design, development, manufacture and sale of packaging products and point-of-sales display units; (ii) securities investment and trading business as well as (iii) money-lending business.

MGL is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.

The Group has been conducting money-lending business in Hong Kong through an indirect wholly-owned subsidiary of the Company, Era Bright Limited. Era Bright Limited is incorporated in Hong Kong and is a licensed money-lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group generated revenue of approximately HK\$1.26 million, representing approximately 1.48% of the total revenue of HK\$84.86 million for the six month ended 30 June 2015, from the money-lending business. The current money-lending business is still in the development phase for the Group.

REASONS FOR AND BENEFITS OF THE JV AGREEMENT

As stated above, money-lending business is one of the principal activities of the Group. The Group has been keen to expand its money-lending business in order to capture more business opportunities which can yield reasonable returns.

Freeman Group has extensive experience in money-lending business and has a well-established business network of money-lending business for both corporate and individual customers. Further, they possess in-depth knowledge, skills and valuable information and data in, amongst other things, undertaking approval and due diligence procedures when granting loans to its customers (such as assessing the quality of the collateral and guarantees, the source of funds for repayment, the business conditions and creditworthiness of the borrowers and guarantors, etc.), giving them an advantage in assessing potential corporate and individual customers.

As such, the Group would like to cooperate with Freeman Group to share with their experience and resources in the money-lending business in order to expand its own money-lending business. The JV Partners believe that they can be both benefited from the joint venture by reinforcing the parties' financial strength and customer networks as well as combining both parties' experience and resources to cater to the different financing needs of the corporate and individual customers in the market.

The Company intends to fund the consideration of HK\$150 million from internal resources of the Company or external borrowings or a combination of both.

The Board considers that the terms of the JV Agreement are negotiated at arm's length basis and on normal commercial terms and are fair and reasonable and that it is in the interest of the Company and the Shareholders as a whole to enter into the JV Agreement to undertake a joint venture money-lending business with Freeman.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the JV Agreement exceed 5% but are less than 25%, the entering into of the JV Agreement and the transactions contemplated thereunder constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements set out in the Listing Rules.

Shareholders and potential investors who wish to deal in the Shares should note that the Completion is subject to the satisfaction of the conditions precedent contained in the JV Agreement and it may or may not proceed; and therefore, they are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day”	a day (other than Saturdays and Sundays) on which banks are open for business in Hong Kong

“Company”	China Optoelectronics Holding Group Co., Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1332)
“Completion”	completion of the transactions (including but not limited to the subscription of the JV Shares by the JV Partners) pursuant to and in accordance with the terms of the JV Agreement
“Completion Date”	within 15 Business Days after the day on which all the conditions precedent to the JV Agreement have been fulfilled or any other date which may be agreed by the JV Partners
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“FFIC”	Freeman Financial Investment Corporation, a company incorporated in Cayman Islands with limited liability and is a wholly-owned subsidiary of Freeman as at the date of this announcement
“Freeman”	Freeman Financial Corporation Limited, a company incorporated in Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 279)
“Freeman Group”	Freeman and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JV Agreement”	the joint venture agreement entered into on 30 December 2015 between MGL, FFIC and the JV Company in relation to, amongst other things, the setting up of the JV Company
“JV Company or FreeOpt”	FreeOpt Holdings Limited, a company incorporated in the Republic of the Marshall Islands with limited liability to serve as the joint venture company pursuant to the JV Agreement
“JV Partners”	MGL and FFIC, being the joint venture partners under the JV Agreement, and each a “JV Partner”
“JV Share(s)”	new share(s) in respect of the JV Company to be allotted and issued by the JV Company to the JV Partners pursuant to the terms of the JV Agreement

“Joint Venture Partners’ Agreement”	the joint venture partners’ agreement to be entered into among MGL, FFIC and the JV Company pursuant to the JV Agreement to, amongst other things, regulate their relationship with each other and the operations, management and business of the JV Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MGL”	Marvel Galaxy Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Shares”	ordinary shares of HK\$0.01 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

By order of the Board
China Optoelectronics Holding Group Co., Limited
Lam How Mun Peter
Chairman

Hong Kong, 30 December 2015

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

Executive Directors

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

Non-executive Director

Dr. Lam How Mun Peter (*Chairman*)

Independent Non-executive Directors

Mr. Chan Sze Hung
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. Man Wai Chuen
Mr. To Shing Chuen