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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

**MAJOR AND CONNECTED TRANSACTION –
FORMATION OF JOINT VENTURE COMPANY
FINANCIAL ASSISTANCE**

Financial adviser to the Company

OSK Capital Hong Kong Limited

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**

AmCap

Ample Capital Limited

豐盛融資有限公司

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DEFINITIONS

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

“Ample Capital”	Ample Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the independent board committee and the Independent Shareholders in relation to the transactions contemplated under the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees
“AVC”	AV Concept Limited, a wholly owned subsidiary of the Company
“AVCTI”	AVC Technology (International) Limited, a wholly owned subsidiary of the Company
“AVEGL”	AV Electronics Group Limited, a wholly owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Company”	AV Concept Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning as ascribed thereto under the Listing Rules
“Controlling Shareholders”	B.K.S. Company Limited and Jade Concept Limited which are beneficially owned by Dr. Hon. So Yuk Kwan, the Chairman and an executive Director of the Company, which, in aggregate, hold 261,916,189 Shares, being approximately 56.16% of the issued share capital of the Company as at the Latest Practicable Date
“Counter-indemnity”	a counter-indemnity dated 31 March 2010 created by Mr. Lee in favour of the Group Guarantors
“Directors”	directors of the Company
“Facilities Letters A”	the existing banking facilities letter and factoring agreements issued by Bank A pursuant to which Bank A has agreed to offer general banking facilities and treasury facilities to the Group and JVC

DEFINITIONS

“Facilities Letters B”	the existing banking facilities letter and receivables purchase agreements issued by Bank B pursuant to which Bank B has agreed to offer general banking facilities and treasury facilities to the Group and JVC
“Facilities Letters C”	the existing invoice discounting and factoring agreement and the relevant offer letter issued by Bank C pursuant to which Bank C has agreed to offer invoice discounting and factoring services to JVC
“Facilities Letters D”	the existing banking facilities letter, factoring services letters and factoring agreements issued by Bank D pursuant to which Bank D has agreed to offer banking facilities and factoring service to the Group and JVC
“Group”	the Company and its subsidiaries
“Group Guarantees”	Group Guarantees A, Group Guarantees B, Group Guarantees C and Group Guarantees D
“Group Guarantees A”	guarantees and indemnity created by the Group in favour of Bank A
“Group Guarantees B”	guarantees and indemnity created by the Company in favour of Bank B
“Group Guarantees C”	guarantees and indemnity created by the Group and JVC in favour of Bank C
“Group Guarantees D”	guarantees and indemnity created by the Company in favour of Bank D
“Group Guarantors”	The guarantors in respect of the Group Guarantees comprising the Company, AVC, AVCTI, AVEGL and PGEL
“HK\$”	Hong Kong Dollars
“Independent Shareholder(s)”	Shareholder(s) which does (do) not have any material interest in the transactions contemplated under the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees
“Joint Venture Agreement”	the joint venture agreement entered into on 16 July 2009 between AVEGL and Mr. Lee

DEFINITIONS

“JVC”	FLEX Technology Limited, a company incorporated in Hong Kong with limited liability which is owned as to 50% by Mr. Lee and 50% by AVEGL
“Latest Practicable Date”	22 April 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information, save for the information in respect of the Group’s indebtedness as set out in Appendix I to this circular, for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lee”	Mr. Lee Jeong Kwan, the former Vice Chairman and former executive Director of the Company; owns 50% equity interest in JVC
“PGEL”	Plus Good Enterprises Limited, a wholly owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental joint venture agreement entered into on 31 March 2010 between AVEGL and Mr. Lee
“%”	per cent

LETTER FROM THE BOARD



AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

Directors:

Dr. Hon. So Yuk Kwan (*Chairman*)

So Chi On

Dr. Hon. Lui Ming Wah, *SBS, JP* *

Charles Edward Chapman *

Wong Ka Kit *

* *Independent Non-executive Directors*

Registered office:

P.O. Box 309

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

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

6th Floor

Enterprise Square Three

39 Wang Chiu Road

Kowloon Bay

Hong Kong

24 April 2010

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION – FORMATION OF JOINT VENTURE COMPANY FINANCIAL ASSISTANCE

INTRODUCTION

The Company refers to its announcements dated 16 July 2009 and 7 April 2010.

On 16 July 2009, AVEGL (a wholly owned subsidiary of the Company) and Mr. Lee, the former Vice Chairman and former executive Director of the Company, posts he held within the last 12 months, entered into the Joint Venture Agreement to jointly establish JVC which undertakes LED backlight module distribution business. Following the establishment of JVC, each of AVEGL and Mr. Lee holds 50% equity interest in JVC. Pursuant to the Joint Venture Agreement, the registered capital of JVC is HK\$2,000,000 and each of AVEGL and Mr. Lee has contributed HK\$1,000,000.

On 31 March 2010, AVEGL and Mr. Lee entered into the Supplemental Agreement pursuant to which each of AVEGL and Mr. Lee has agreed to further contribute HK\$15,000,000 to JVC.

LETTER FROM THE BOARD

On 31 March 2010, the Company and AVC created the deeds of guarantee in favour of Bank A in relation to certain general banking facilities and treasury facilities provided to the Group and JVC.

The Company has been providing guarantees in favour of Bank B in respect of the liabilities relating to the Group. Such guarantees were extended on 31 March 2010 to cover the liabilities of JVC. After that, the guarantees provided by the Company in favour of Bank B cover all the liabilities, interests, commission, costs, charges, expenses etc. owing by the Company, AVC, AVCTI, PGEL and JVC (whether alone or jointly with any other person) to Bank B and/or Bank B's group companies.

On 31 March 2010, the Company, AVC, AVCTI, AVEGL and JVC created cross-guarantees in favour of Bank C in respect of all the liabilities, interests, expenses, fees etc. owing by the Company, AVC, AVCTI, AVEGL and JVC (whether separately or jointly with any other person) to Bank C with a guarantee amount of HK\$30 million.

On 31 March 2010, the Company created guarantees in favour of Bank D (i) in respect of all the liabilities, interests, commission, fees, other costs etc. owing by AVC, AVCTI and JVC to Bank D with a guarantee amount of HK\$50 million; and (ii) in respect of all the liabilities, interests, commission, fees, other costs etc. owing by JVC to Bank D with a guarantee amount of HK\$181 million.

The transactions contemplated under the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees, in aggregate, constitute a major and connected transaction for the Company and have been approved by the Controlling Shareholders by way of written approval. No extraordinary general meeting will be held by the Company for approval of the above transactions. This circular is issued for the Shareholders' information.

THE SUPPLEMENTAL AGREEMENT RELATING TO JVC

Reference is made to the announcements of the Company dated 16 July 2009 and 7 April 2010. On 16 July 2009, AVEGL (a wholly owned subsidiary of the Company) and Mr. Lee, the former Vice Chairman and former executive Director of the Company, posts he held within the last 12 months, entered into the Joint Venture Agreement to jointly establish JVC which undertakes LED backlight module distribution business. Following the establishment of JVC, each of AVEGL and Mr. Lee holds 50% equity interest in JVC. Pursuant to the Joint Venture Agreement, the registered capital of JVC is HK\$2,000,000 and each of AVEGL and Mr. Lee has contributed HK\$1,000,000.

On 31 March 2010, AVEGL and Mr. Lee entered into the Supplemental Agreement pursuant to which each of AVEGL and Mr. Lee has agreed to further contribute HK\$15,000,000 to the registered capital of JVC. Upon the further capital injection and execution of the relevant documents in relation to the capital injection, the registered share capital of JVC shall be increased from HK\$2,000,000 to HK\$32,000,000.

The proposed registered capital of JVC of HK\$32,000,000 was determined after arm's length negotiations between AVEGL and Mr. Lee with reference to the proposed capital requirement for the business of JVC.

LETTER FROM THE BOARD

Each of AVEGL and Mr. Lee holds 50% equity interest in JVC. JVC will be accounted for as an associated company of the Company in the consolidated financial statements of the Company.

During the six months ended 28 February 2010, based on JVC's unaudited accounts, JVC recorded revenue of approximately HK\$327,339,000 with profit before and after taxation and extraordinary items of approximately HK\$6,125,000 and approximately HK\$5,114,000 respectively. As at 28 February 2010, the unaudited net assets value of JVC was approximately HK\$7,114,000.

Each of AVEGL and Mr. Lee shall inject HK\$15,000,000 to JVC within 20 business days after the relevant independent shareholders' approval has been obtained. Save for the proposed further capital contribution and the change in the registered capital of JVC, the terms of the Joint Venture Agreement remain the same. Shareholders may refer to the announcements of the Company dated 16 July 2009 and 7 April 2010 for details.

Reasons for setting up JVC and increasing registered capital of JVC

The Group expects great potential in the LED backlight module distribution business as market demand for its application is expected to grow substantially in the near future. The establishment of JVC represents a further step of the Group to expand its semiconductor distribution business in Pan Asia. The proposed capital to be injected into JVC shall provide funding to JVC for its business operations. The Company intends to finance its capital contribution to JVC by the Group's internal resources.

The Directors (including the independent non-executive Directors) consider that the terms of the Supplemental Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL ASSISTANCE

(A) Group Guarantees A

Borrowers: AVC and JVC

Lender: Bank A

- Guarantors:
- (i) The Company created guarantees in favour of Bank A in respect of both AVC and JVC; and
 - (ii) AVC created a guarantee in favour of Bank A in respect of JVC

LETTER FROM THE BOARD

Pursuant to Facilities Letters A, a commercial bank (“Bank A”) has agreed to provide to AVC and JVC (i) general banking facilities (including trade finance); and (ii) treasury facilities (as at the Latest Practicable Date, the general banking facilities limit is up to HK\$50 million and the treasury facilities’ notional limit is up to HK\$50 million) subject to, among other things, (a) the Company creating guarantees and indemnities in respect of the liabilities of AVC in favour of Bank A for HK\$100 million plus interest and other charges; (b) the Company creating guarantees and indemnities in respect of the liabilities of JVC in favour of Bank A for HK\$100 million plus interest and other charges; and (c) AVC creating guarantees and indemnities in respect of the liabilities of JVC in favour of Bank A for HK\$100 million plus interest and other charges. The relevant deeds of guarantee in favour of Bank A were created by the Company and AVC on 31 March 2010.

Pursuant to Facilities Letters A, (i) AVC and JVC should ensure that the Company maintains its tangible net worth of not less than HK\$270 million at all times; and (ii) AVC shall ensure that the Company maintains directly 100% of the issued share capital of AVC.

(B) Group Guarantees B

Borrowers: the Company, AVC, AVCTI, PGEL and JVC

Lender: Bank B

Guarantors: the Company created guarantees in favour of Bank B in respect of the Company, AVC, AVCTI, PGEL and JVC (whether alone or jointly with any other person)

Pursuant to Facilities Letters B, a commercial bank (“Bank B”) has agreed to provide to the Company, AVC, AVCTI, PGEL and JVC (i) general banking facilities (including but not limited to current account overdraft, trade finance, bond and guarantee and factoring service) (as at the Latest Practicable Date, the general banking facilities limit is up to HK\$152,500,000); and (ii) treasury facilities (including foreign exchange contracts of which the facility limit to be determined by Bank B on a case by case basis and currency and interest rate risk management). The Company has been providing guarantees in favour of Bank B in respect of the liabilities relating to the Group. Such guarantees were extended on 31 March 2010 to cover the liabilities of JVC. After that, the guarantees provided by the Company in favour of Bank B cover all the liabilities, interests, commission, costs, charges, expenses etc. owing by the Company, AVC, AVCTI, PGEL and JVC (whether alone or jointly with any other person) to Bank B and/or Bank B’s group companies.

Pursuant to Facilities Letters B, the Company, AVC, AVCTI, PGEL and JVC should ensure that the Company maintains minimum group consolidated net worth of not less than HK\$200 million at all times.

LETTER FROM THE BOARD

(C) Group Guarantees C

Borrower:	JVC
Lender:	Bank C
Guarantors:	the Company, AVC, AVCTI, AVEGL and JVC created cross-guarantees in favour of Bank C

Pursuant to the Facilities Letters C, a commercial bank (“Bank C”) has agreed to provide invoice discounting and factoring services to JVC with a limit of HK\$30 million as at the Latest Practicable Date. On 31 March 2010, the Company, AVC, AVCTI, AVEGL and JVC created cross-guarantees in favour of Bank C in respect of all the liabilities, interests, expenses, fees etc. owing by the Company, AVC, AVCTI, AVEGL and JVC (whether separately or jointly with any other person) to Bank C with a guarantee amount of HK\$30 million.

(D) Group Guarantees D

Borrowers:	AVC, AVCTI and JVC
Lender:	Bank D
Guarantors:	(i) the Company created guarantees in favour of Bank D in respect of AVC, AVCTI and JVC; and (ii) the Company created guarantee in favour of Bank D in respect of JVC

Pursuant to Facilities Letters D, a commercial bank (“Bank D”) has agreed to provide banking facilities (including but not limited to overdraft, import/export limit, standby documentary credits, factoring facility, negotiation under documentary credits with discrepancies, treasury product(s) facility and corporate credit card(s) facility) for AVC, AVCTI and JVC (as at the Latest Practicable Date, the banking facilities limit is up to HK\$230,600,000).

On 31 March 2010, (i) the Company created guarantees in favour of Bank D in respect of all the liabilities, interests, commission, fees, other costs etc. owing by AVC, AVCTI and JVC to Bank D with a guarantee amount of HK\$50 million; and (ii) the Company created guarantee in favour of Bank D in respect of all the liabilities, interests, commission, fees, other costs etc. owing by JVC to Bank D with a guarantee amount of HK\$181 million.

Pursuant to Facilities Letters D, the Company has covenanted and undertaken to Bank D that its net worth be not less than HK\$200 million.

LETTER FROM THE BOARD

Counter-indemnity created by Mr. Lee

On 31 March 2010, Mr. Lee created the Counter-indemnity in favour of the Group Guarantors to reimburse the Group Guarantors 50% of (i) the aggregate amount actually paid by any of the Group Guarantors to the relevant bank(s) in relation to the Group Guarantees as a result of JVC's utilisation of the relevant banking facilities and its non-repayment of such utilised banking facilities ; and (ii) the aggregate amounts expended by the relevant Group Guarantor in, or in connection with, defending or otherwise dealing with any actions, proceedings, claims or demands in relation to any of the Group Guarantees or in connection with, clarifying or analysing any or all of the obligations of the relevant Group Guarantor under any of the Group Guarantees in connection with or arising from any non-repayment of such utilised banking facilities.

REASONS FOR THE GUARANTEES

The Group and JVC negotiated the banking facilities and the Group agreed to create the Group Guarantees in favour of Bank A, Bank B, Bank C and Bank D on arm's length basis. No consideration is receivable/payable by the Group in relation to providing financial assistance to JVC pursuant to the Group Guarantees. The Board of Directors (including the independent non-executive Directors) considers that the terms of the Group Guarantees are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The arrangements of the guarantees, cross-guarantees and Counter-indemnity enable the Group and JVC to develop external source of fund for their business operations.

INFORMATION OF THE GROUP

The Group is principally engaged in the marketing and distribution of electronic components and the design, development and sale of electronic products.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Bank A, Bank B, Bank C and Bank D are commercial banks. Bank A, Bank B, Bank C and Bank D, their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

FINANCIAL EFFECTS OF THE TRANSACTIONS ON THE GROUP

The formation of JVC pursuant to the Joint Venture Agreement and the Supplemental Agreement and the provision of the Group Guarantees will have no material impact on the consolidated earnings or consolidated net assets of the Group except that the amount of Group Guarantees will be contingent liabilities for the Group as long as non-repayment of such utilised banking facilities does not occur.

LETTER FROM THE BOARD

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activities of the Group consist of the marketing and distribution of electronic components, and the design, manufacture and sale of electronic products. The transactions pursuant to the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees will not affect the Group's principal activities. In addition, the management will continue to explore new business opportunities and develop niche and high margin markets with growth potential.

The Group will endeavour to maintain the earnings prospects of the Group. The Group will continue to tighten cost control measures and diversify its distribution portfolio to achieve better cost effectiveness.

REQUIREMENTS OF THE LISTING RULES

Mr. Lee is the former Vice Chairman and former executive Director of the Company, posts he held within the last 12 months, and therefore Mr. Lee is a connected person of the Company under the Listing Rules. As Mr. Lee holds 50% of the equity interest in JVC, JVC is an associate of Mr. Lee and thus a connected person of the Company under the Listing Rules. For the purpose of Chapters 14 and 14A of the Listing Rules, the transactions contemplated under the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees are subject to aggregation and (i) constitute a major transaction of the Company under Chapter 14 of the Listing Rules; (ii) constitute a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules; and (iii) result in a general disclosure obligation according to Listing Rule 13.16 of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

B.K.S. Company Limited which holds 181,276,300 Shares and Jade Concept Limited which holds 80,639,889 Shares are the Controlling Shareholders which are companies beneficially owned by Dr. Hon. So Yuk Kwan, the Chairman and an executive Director of the Company. The Controlling Shareholders are a closely allied group of shareholders who, in aggregate, hold 261,916,189 Shares, representing approximately 56.16% of the existing issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Lee and his associates did not hold any Shares.

On the bases that (i) to the best of the Directors' knowledge, information and belief having made reasonable enquiries, none of the Controlling Shareholders and their associates has any interest in transactions contemplated under the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees and no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting in respect of the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees; and (ii) the Controlling Shareholders have agreed to approve the resolutions relating to the Joint Venture Agreement, the Supplemental Agreement and the Group

LETTER FROM THE BOARD

Guarantees and a written shareholders' approval has been obtained from the Controlling Shareholders for the purpose of Listing Rules 14.44 and 14A.43, the Company has made an application to the Stock Exchange applying for, and the Stock Exchange has conditionally granted, a waiver that the written approval from the closely allied group of Shareholders in lieu of holding a physical shareholders' meeting is acceptable for approval of the above transactions subject to satisfaction of the two conditions under Listing Rule 14A.43.

Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the above transactions. This circular is issued for Shareholders' information.

The Directors consider that the terms and conditions of the transactions pursuant to the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors would recommend the Shareholders to vote in favour of the above transactions if an extraordinary general meeting were convened for approving the above transactions.

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

Yours faithfully,
For and on behalf of the Board of
AV CONCEPT HOLDINGS LIMITED
Dr. Hon. So Yuk Kwan
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

To the Independent Shareholders

24 April 2010

Dear Sirs

**MAJOR AND CONNECTED TRANSACTION-
FORMATION OF JOINT VENTURE COMPANY
FINANCIAL ASSISTANCE**

We refer to the circular dated 24 April 2010 issued by the Company to the Shareholders (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings given to them in the Circular.

We have been appointed by the Board as members of the independent board committee to advise the Independent Shareholders on the terms of the Joint Venture Agreement and the Supplemental Agreement in relation to the formation of JVC and the Group Guarantees and the transactions contemplated thereunder (the “Transactions”). Ample Capital has been appointed as the independent financial adviser by the Board to advise the independent board committee and the Independent Shareholders in relation to the Transactions.

We wish to draw your attention to the letter from Ample Capital as set out on pages 13 to 24 of the Circular. We have considered the terms and conditions of Transactions, the advice of Ample Capital and the other factors contained in the “Letter from the Board” as set out on pages 4 to 11 of the Circular.

We acknowledge that the Company has submitted an application to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the requirement to hold a physical general meeting under Rule 14A.43 of the Listing Rules to approve the Transactions on the bases that (i) to the best of the Directors’ knowledge, information and belief having made reasonable enquiries, none of the Controlling Shareholders and their associates has any interest in transactions contemplated under the Transactions and no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting in respect of the Transactions and (ii) the Controlling Shareholders have agreed to approve the resolutions relating to Transactions and a written shareholders’ approval has been obtained from the Controlling Shareholders for the purpose of Listing Rules 14.44 and 14A.43. Accordingly, no Shareholders’ meeting is required to approve the Transactions for the purpose of the Listing Rules.

Having taken into account the advice of Ample Capital, we consider that the terms and conditions of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. If a general meeting of the Company was to be held for the purpose of considering, and if thought fit, approving the Transactions, we would recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,

For and on behalf of

Independent Board Committee

Dr. Hon. Lui Ming Wah, SBS, JP **Mr. Charles Edward Chapman**

Independent non-executive

Directors

Mr. Wong Ka Kit

LETTER FROM AMPLE CAPITAL

The following is the full text of the letter from Ample Capital Limited setting out its advice to the independent board committee and the Shareholders for inclusion in this circular.



Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

24 April, 2010

*To the independent board committee and the Shareholders
of AV Concept Holdings Limited*

Dear Sirs and Madams,

MAJOR AND CONNECTED TRANSACTION- FORMATION OF JOINT VENTURE COMPANY FINANCIAL ASSISTANCE

INTRODUCTION

Ample Capital Limited has been appointed by the Company to act as the independent financial adviser to advise the independent board committee and the Shareholders, pursuant to the requirements of the Listing Rules, in relation to the formation of JVC and the provision of financial assistance to JVC, details of which are set out in the circular issued by the Company (the “Circular”) to the Shareholders dated 24 April, 2010.

This letter sets out our advice in respect of the terms of the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees for inclusion in the Circular. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning when used in this letter.

AVEGL, a wholly owned subsidiary of the Company, and Mr. Lee entered into (i) the Joint Venture Agreement on 16 July, 2009 to jointly establish JVC to undertake LED backlight module distribution business; and (ii) the Supplemental Agreement on 31 March, 2010 pursuant to which each of AVEGL and Mr. Lee has agreed to further contribute HK\$15,000,000 to JVC. On 31 March, 2010, the Company and/ or certain of its subsidiaries granted/extended guarantees and/or cross guarantees in favour of four banks offering facilities to certain members of the Group and/or JVC.

LETTER FROM AMPLE CAPITAL

Mr. Lee was the former executive Director and vice chairman of the Company, posts he held within the last 12 months, and therefore Mr. Lee is a connected person of the Company under the Listing Rules. As Mr. Lee holds 50% of the equity interest in JVC, JVC is an associate of Mr. Lee and thus a connected person of the Company under the Listing Rules. As the transactions contemplated under the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees (the "Transactions") will be completed within a 12-month period, they are subject to aggregation under Chapter 14A of the Listing Rules and constitute a non-exempt connected transaction for the Company that requires the approval of the independent Shareholders.

The Company has applied for and the Stock Exchange has conditionally granted a waiver from strict compliance with the requirement of holding a general meeting to approve the Transactions subject to the satisfaction of the two conditions under Listing Rule 14A.43. We understand that (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transactions; and (ii) the Company has obtained a written independent Shareholders' approval dated 31 March, 2010 of B.K.S. Company Limited and Jade Concept Limited (who are closely allied Shareholders and together hold 261,916,189 Shares, representing approximately 56.16% of the existing issued share capital of the Company giving the right to attend and vote at the general meeting of the Company to approve the Transactions). Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Transactions.

We noted that the Transactions also constituted a major transaction under the Listing Rules.

The independent board committee comprising three independent non-executive Directors, namely Dr. Hon. Lui Ming Wah, SBS, JP, Messrs. Charles Edward Chapman and Wong Ka Kit has been established to advise the Shareholders in respect of the Transactions.

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company and the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular. We have assumed that all the information and representations so supplied by the Directors and/or the management of the Company and all information, opinions and representations referred to or contained in the Circular, for which the Directors and the Company are solely and wholly responsible, were true, accurate, complete and not misleading at the time they were supplied, expressed or made, and remained so up to the date of the Circular. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, opinions and/or representations. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM AMPLE CAPITAL

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Transactions.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Joint Venture Agreement, the Supplemental Agreement and the Group Guarantees, we have taken into consideration the following principal factors and reasons:

A. FORMATION OF JVC

1. Joint Venture Agreement

AVEGL and Mr. Lee entered into the Joint Venture Agreement on 16 July, 2009 to jointly establish JVC to undertake LED backlight module distribution business and further details could be found in the announcement of the Company dated 16 July, 2009 (the “July Announcement”).

Reasons for entering into the Joint Venture Agreement

It was stated in the July Announcement that the establishment of JVC represented a further step of the Group to expand its semiconductor distribution business.

We noted that the Group is principally engaged in the marketing and distribution of electronic components and the design, development and sale of electronic products. We are also given to understand that the Company has evaluated the potential benefits to the Group in admitting Mr. Lee as the partner of JVC arising from his long-established valuable relationship with the Samsung Group the subsidiary of which, Samsung LED Co., Ltd., is the major supplier of LED backlight modules to JVC. In view of the above, we consider that the establishment of the JVC is an expansion of the Group’s distribution business and concur with the Directors that it is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Terms

The Company has stated in the July Announcement that the terms of the Joint Venture Agreement were negotiated on an arm’s length basis.

LETTER FROM AMPLE CAPITAL

We observed that pursuant to the Joint Venture Agreement, the major terms include, amongst other things:

- so long as each of AVEGL and Mr. Lee holds not less than 50% of the issued share capital, each shall have the right to appoint and remove one member of the board;
- all decisions of the board shall be by a simple majority vote of the directors; and
- all accounts to be maintained by JVC with any banks shall be operated in accordance with the instructions of the board.

Based on our discussions with the management of the Company, we understand that, at present, JVC has two directors only. Taking into account the simple majority requirement on board resolutions, this would imply that in effect any resolution of the board of JVC has to be approved by both directors and we are satisfied that although the Group did not have control of the board of JVC, the Group has sufficient influence on the management of JVC. We consider that the terms of the Joint Venture Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. Supplemental Agreement

On 31 March, 2010, AVEGL and Mr. Lee entered into the Supplemental Agreement pursuant to which each of AVEGL and Mr. Lee has agreed to further contribute HK\$15 million to JVC.

Reasons for entering into the Supplemental Agreement

It is stated in the letter from the Board contained in the Circular that the Group expects great potential in the LED backlight module distribution business as market demand for its application is expected to grow substantially in the near future. In addition, it further stated that the proposed capital to be injected into JVC shall provide funding to JVC for its business operations.

We noted from the interim report 2009-2010 of the Company (“Interim Report”) that the Company will become the first and only distributor of Samsung’s LED backlight modules for TV screens and computer monitors.

We understand that light-emitting diode backlighting modules (“LED backlight modules”) are a type of semiconductor used for producing the light that makes liquid crystal display (“LCD”) panel images visible. LCD panel is a primary component that produces the images displayed on many visual display products including televisions and computer monitors but LCD panel does not produce light on its own. Given the

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various advantages of LEDs over the conventionally used cold cathode fluorescent lamps (“CCFL”) as a lighting source, such as (i) LEDs are much smaller than CCFL enabling the thickness of televisions and monitors to be greatly reduced; (ii) LEDs will result in a wider range of colours that consequently enhance the images displayed which look more natural and intense; (iii) LEDs are more energy efficient and thus more environmentally friendly; and (iv) LEDs are more durable and have a longer life span, we believe there is enormous potential for LEDs in the visual display industry.

In order to support our belief, we tried to obtain some industrial figures and forecast. According to the information published on 11 September 2009 and 2 December 2009 on the website of “LEDinside”, a research company offering extensive research information on LED industry, the number of LED backlight units to be consumed in 2010 is estimated to be approximately 7,000 million which is substantially more than the approximately 2,000 million units for 2009 and the LED backlight penetration rate for the television segment in 2010 will be around 13% as compared with the approximate figure of 2.5% for 2009. Furthermore, Samsung Electronics Co., Ltd. (“Samsung”), in its results announcement for 4th quarter and financial year 2009 dated 29 January, 2010 stated that it will target to sell 10 million LED televisions in 2010 as compared with 2.5 million units in 2009. We notice that the term LED televisions means LED-lit LCD televisions. It could be seen that even Samsung which is having the largest market share in television sales and having in-depth knowledge of the visual display industry has made such an optimistic target. In fact, the unaudited revenue of approximately HK\$327.3 million and profit after taxation and extraordinary items of approximately HK\$5.1 million for the first six months after commencement of operations of JVC are already indicators that there will be exponential growth in the demand for LED backlight modules.

In view of the above, we concur with the Directors that the injection of further capital into JVC is justifiable and is for the interests of the Company and Shareholders as a whole.

Terms

We noted that each of AVEGL and Mr. Lee has to contribute the same amount (i.e. HK\$15 million) under the Supplemental Agreement within twenty business days after the date of approval by Shareholders and their respective percentage shareholding will remain the same even after the injection of such further capital. Mr. Lee’s contribution is on no more favourable terms than the Group.

We notice that the capital contribution by the Group contemplated under the Supplemental Agreement will be financed by Group’s internal resources. It is observed from the Interim Report that the Group has cash and cash equivalents of approximately HK\$109.2 million and equity investments at fair value through profit or loss of approximately HK\$80.8 million. Hence, we trust the further capital contribution of HK\$15 million by AVEGL would not have any adverse financial effect on the Group.

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In light of the above, we concur with the Directors that the terms of the Supplemental Agreement are on normal commercial terms and fair and reasonable.

B. FINANCIAL ASSISTANCE

As details of the facilities letters, the Group Guarantees and Counter-indemnity are set out in the letter from the Board in the Circular, we would simplify our analysis in this section by commenting on the Group Guarantees as a whole unless mentioning of specific features of individual item is warranted.

1. Group Guarantees

Background

On 31 March, 2010, the Group Guarantors (i) executed the deeds of guarantee for Group Guarantees A and Group Guarantees D; (ii) executed document to extend Group Guarantees B to cover all the liabilities of JVC and; (iii) together with JVC executed the deed of cross-guarantees for Group Guarantees C, in favour of Bank A, Bank B, Bank C and Bank D (the “Banks”) that are offering facilities to the Group Guarantors and/or JVC. Further details of the individual Group Guarantees are set out in the letter of the Board in the Circular.

Reasons for the Group Guarantees

We notice from the letter of the Board in the Circular that the arrangements of the Group Guarantees and the Counter-indemnity enable the Group and JVC to develop external source of fund for their business operations. In reviewing the Group Guarantees documents, we also observed that the provision of the Group Guarantees was one of the conditions for the offering of the banking facilities to the Group and JVC by the Banks.

Based on discussions with management of the Company, we understand that JVC mainly sourced its products from Korea and Tianjin and sold them to clients in Hong Kong and the PRC. It has been further confirmed by the Company that approximately 59% of the sales of JVC were on back-to-back orders. We believe banking facilities are an important source of funding in particular, for import /export business such as JVC’s distribution business. Hence, the provision of the Group Guarantees which is incidental to the offering of facilities by the Banks will enable JVC to be equipped with sufficient funding to capture the exponential growth in the LED business as discussed in the paragraphs under the heading “Reasons for entering into the Supplemental Agreement” in subsection A2 of this letter. The Group will eventually benefit from the positive future prospect of JVC through the sharing of results of JVC as an associated company.

In light of the above, we consider that the Group Guarantees are in the ordinary and usual course of business and for the interests of the Company and the Shareholders as a whole.

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Terms

The Company has stated in the Circular that the Group Guarantees in favour of the Banks are negotiated on an arm's length basis and that to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Bank A, Bank B, Bank C and Bank D, their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

After reviewing the Group Guarantees documents supplied by the Company we notice that the Banks are well-known licensed banks in Hong Kong and the Group Guarantees are on normal commercial terms just as in any usual bank financing arrangement.

Since the Group will be subject to the risk of any liabilities or losses which might arise from the enforcement of the Group Guarantees by the Banks as a result of JVC's utilisation of the relevant banking facilities and its subsequent default in repayment, there are reasonable concern about the extent of the risks the Group is exposed.

Based on the documents provided by the Company, we note that the maximum liability under the Group Guarantees will be the aggregate of the (i) specified sum as set out in the respective deeds of guarantee; (ii) default interest; and (iii) costs and expenses incurred by the Banks in enforcing the relevant guarantee on a full indemnity basis. As the amount under items (ii) and (iii) would only be known upon default and they would be relatively smaller when compared with the relevant specified sum, we would use the specified sum as a point of reference in our analysis.

We have summarized below for ease of reference information on the specified sum for each of the Group Guarantees:

Group Guarantees	Specified Sum <i>HK\$'M</i>
A	100.0
B	152.5* Unlimited
C	30.0
D	<u>231.0</u>
Total	<u>513.5*</u>

* by applying the facilities limit of HK\$152.5 million

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Despite that Group Guarantees B are unlimited we are comfortable that the Group has sufficient influence on the management of JVC at board level details of which are set out in the paragraphs under the heading “Terms” of subsection A1 of this letter in monitoring JVC’s financial position. At the Latest Practicable Date, the banking facilities limit offered by Bank B is HK\$152.5 million. As the facilities were offered for utilisation by the Group and/or JVC, any increase in the limit would be within the knowledge of the Group. Hence, in practice, the Group would not be exposed to unlimited liability under Group Guarantees B as there would always be a facilities limit set by Bank B. Further discussions on this issue are set out in the paragraphs under heading “Financial Effects” in this subsection below.

In addition, the Group has to make various specific undertakings including but not limited to, the maintenance of minimum net worth ranging from HK\$200 million to HK\$270 million. According to the Interim Report, the Group has an unaudited net asset value of HK\$313.5 million as at 30 September, 2009 which is above the upper range of HK\$270 million.

Financial Effects

We understand that the maximum liabilities under the Group Guarantees would constitute part of the Group’s contingent liabilities and only in the event of the enforcement of the Group Guarantees by the Banks would it be materialised into an actual liability of the Group. The Group had cash and cash equivalents of approximately HK\$109.2 million and equity investments at fair value through profit and loss of approximately HK\$80.8 million as shown in the Interim Report. According to the Group’s unaudited consolidated balance sheet as at 30 September, 2009, the Group had total assets and total liabilities amounting to approximately HK\$846.3 million and HK\$532.8 million respectively. The Group had also raised approximately HK\$30.7 million on 3 November, 2009 by the issue of approximately 45.8 million Shares for cash. It seems that the net assets of the Group as at 30 September, 2009 of approximately HK\$313.5 million would not cover the maximum liabilities of HK\$513.5 million.

However, we have reviewed the facilities letters provided by the Company and noticed that around HK\$480 million of the facilities is available for utilisation by the Group and/or JVC with limits on the aggregate amount utilised by both the Group and JVC being set for different types of trade finance. As an illustration, if the Group has already utilised a certain amount of certain facilities, the maximum amount that could be utilized by JVC will be the balancing amount up to the aggregate limit. This type of arrangement is not unusual in bank financing. It is also noted that around HK\$30 million of the remaining balance of the facilities are available for the sole utilisation by JVC and around HK\$3.1 million for the sole utilisation by the Group.

For further illustrative purposes, we would assume a hypothetical case that all the facilities were utilized by JVC alone. It would mean that the balancing amount of the facilities available to the Group would be nil (ignoring the minimal amount of HK\$3.1 million for the sole utilization by the Group). This, in turn, would imply that the Group would no longer have any amount outstanding with any of the Banks. Under

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such circumstances, the amount of liabilities of the Group would be reduced accordingly. Based on information available to us, we note that approximately HK\$242.8 million of the bank borrowings as shown in the Interim Report was from the Banks. As such, the hypothetical net assets of the Group would be increased from approximately HK\$313.5 million to approximately HK\$556.3 million which would be more than the maximum liabilities of HK\$513.5 million. Hence, we believe that the maximum liabilities under the Group Guarantees will not likely to exceed the net assets of the Group. Mr. Lee has also executed the Counter-indemnity on 31 March, 2010 to reimburse the Group Guarantors his 50% share of the Group's liabilities under the Group Guarantees relating to the non-repayment by JVC. Further discussions on the Counter-indemnity are set out in subsection B2 under the heading "Counter-indemnity" below.

We also noted that no consideration is receivable /payable by the Group in relation to the provision of financial assistance to JVC pursuant to the Group Guarantees. It should be noted that JVC has to provide cross-guarantee under Group Guarantees C.

In view of the above and taking into account the Counter-indemnity, we consider that the Group Guarantees are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

2. Counter-indemnity

Since the Company only beneficially owns 50% equity interest in JVC but the Group Guarantors alone have taken up full liability under the Group Guarantees, the other beneficial shareholder of JVC gave the Counter-indemnity on 31 March, 2010 to reimburse the Group Guarantors 50% of (i) the aggregate amount actually paid by any of the Group Guarantors to the relevant Bank(s) in relation to the Group Guarantees as a result of JVC's utilisation of the relevant banking facilities and its non-repayment of such utilised banking facilities; and (ii) the aggregate amounts expended by the relevant Group Guarantor in, or in connection with, defending or otherwise dealing with any actions, proceedings, claims or demands in relation to any of the Group Guarantees or in connection with, clarifying or analyzing any or all of the obligations of the relevant Group Guarantor under any of the Group Guarantees in connection with or arising from any non-repayment of such utilised banking facilities.

Based on discussions with management of the Company, we notice that the provision of the guarantees by the Group (instead of the provision of guarantee by each of the shareholders of JVC on a several basis) was an arrangement resulting from the negotiations with the Banks. In order to safeguard the interests of the Company and limit its exposure under the Group Guarantees, Mr. Lee was required to execute the Counter-indemnity in favour of the Group Guarantors.

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While we are aware that the effectiveness of the Counter-indemnity will largely depend on the ability of Mr. Lee to fulfill his obligations as and when demanded by the Group in accordance with the terms of the Counter-indemnity, we are given to understand that the Directors believe that as Mr. Lee has 50% interest (i.e. not minority) in JVC, Mr. Lee would use his best endeavours to make JVC a success so as to maximise the value of his investment in JVC. This is exemplified by JVC recording an unaudited profit after taxation of approximately HK\$5.1 million for the first six months after commencement of operations. Hence, the risk of default by JVC in its repayment to the Banks would be much reduced. The Directors also believe that Mr. Lee's long established relationship with Samsung would be the driving force in the success of JVC and the benefits would eventually be reflected in the Group's results through the share of profits of JVC as an associated company. As such, there would not be further security of any kind from Mr. Lee for his obligations under the Counter-indemnity.

Based on discussions with management of the Company, we noted the following information in respect of JVC:

- all back-to-back order sales by JVC were made to OEM manufacturers ("OEM Customers") of televisions and computer monitors for the Samsung Group. These OEM Customers would only make purchases for LED backlight modules from JVC upon receipt of manufacturing orders from the Samsung Group. Moreover, credit insurance would usually be required by the Bank offering factoring facilities for sales to these OEM Customers that qualified for factoring;
- JVC is on positive cashflow since commencement of operation in September 2009 and the Directors do not expect any change in such cashflow pattern in the future;
- no bad debt or any provision has been made for any of JVC's customers since commencement of its operation in September 2009;
- the facilities granted by the Banks for utilisation by JVC would be used for trade finance such as documentary credit, trust receipts, import & export loans, factoring facilities, etc.; and
- depending on the orders to be procured by JVC which the Directors envisage to grow substantially, the Directors expected that the amount of banking facilities to be utilised by JVC will increase.

Despite that the increase in the facilities to be utilised by JVC may have a negative impact on the risk of default in repayment to the Banks, we consider this as a normal commercial risk to be undertaken by any growing business. In view of the above information on JVC and taking into consideration the substantial influence of the Group on JVC together with the promising prospects of LED industry, we concur with the Directors that the risk of default by JVC in its repayment to the Banks would be much reduced.

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Turning to the ability of Mr. Lee to fulfill his obligations under the Counter-indemnity, we are advised that Mr. Lee had worked with the Group for almost 10 years. Prior to joining the Group, Mr. Lee was an employee of the Samsung Group for over 10 years and he is a well recognised person in the electronic components industry. Given the reduced risk of default in repayment by JVC to the Banks as discussed above, the Group's ability in monitoring JVC's financial position and the preliminary assessment by the Directors on the assets of Mr. Lee, the Directors have no doubt on Mr. Lee's willingness and ability to fulfill his obligations under the Counter-indemnity. On condition that the Group would exercise tight control on the financial position of JVC, we concur with the Directors' view on Mr. Lee's ability to fulfill his obligations under the Counter-indemnity.

Although the non-provision of further security by Mr. Lee may be unsatisfactory, we believe the Directors have assessed the overall benefits derived from having Mr. Lee as the joint venture partner and the risk of Mr. Lee's ability in fulfilling his obligations under the Counter-indemnity.

ADVICE

To summarise, in arriving at our advice, we have taken into consideration all the reasons and factors discussed above, in particular the following:

- the promising future prospect of the LED backlighting industry;
- the injection of further capital under the Supplemental Agreement by Mr. Lee is on no more favourable terms than the Group;
- the extent of influence of the Group on the board of JVC and its effective unanimous vote requirement;
- the provision of guarantees by the Group instead of the provision of guarantee by each of the Group and Mr. Lee on a several basis was an arrangement resulting from negotiations with the Banks;
- the provision of the Group Guarantees is incidental to the offering of the banking facilities which are important for the development of JVC's business the benefit of which would eventually be reflected in the share of results of JVC as an associated company by the Group; and
- the provision of the Counter-indemnity by Mr. Lee.

The fact that no further security by Mr. Lee for his obligations under the Counter-indemnity would be provided may be unsatisfactory but on balance, we consider the overall benefits derived from the Group Guarantees are for the best interests of the Shareholders.

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Having considered the above principal factors and reasons, we are of the opinion that the Transactions are in the ordinary and usual course of business of the Company and the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, should a general meeting of the Shareholders be held for the purpose of considering and, if thought fit, approving the Transactions, we would advise the Shareholders, and also the independent board committee to recommend to the Shareholders, to vote in favour of the ordinary resolution to approve the Transactions.

Yours faithfully,

For and on behalf of

Ample Capital Limited

Howard H.W. Tang

President

Fiona M.Y. Lau

Senior Vice President

1. INDEBTEDNESS STATEMENT**Borrowings**

As at the close of business on 28 February 2010, being the latest practicable date for the purpose of this statement of indebtedness, the Group had (i) unsecured and unguaranteed bank borrowings of approximately HK\$237,163,742; (ii) secured and guaranteed bank borrowing of approximately HK\$53,851,806 by the Group; and (iii) unsecured and unguaranteed finance lease payable for the Group's office equipment of approximately HK\$902,835.

Mortgages and charges

As at the close of business on 28 February 2010, certain equity investments at fair value through profit or loss with a carrying value of approximately HK\$90,667,779 held by the Group were pledged to a bank to secure general banking facilities granted to the Group.

Contingent liabilities

As at the close of business on 28 February 2010, the Group had contingent liabilities in respect of guarantees issued for banking facilities utilised by subsidiaries, associates and joint venture companies of the Company of approximately HK\$957,165,000.

Debt securities

As at the close of business on 28 February 2010, the Group did not have any outstanding debt security.

Disclaimers

Save as aforesaid or otherwise disclosed in this circular, and apart from intra-group liabilities, and normal trade payables in the ordinary course of business, none of the companies in the Group had any outstanding debt securities, liabilities under acceptances, acceptance credits, finance lease or hire purchase commitments, mortgages, charges, loan capital and overdraft or other similar indebtedness, guarantees or other material contingent liabilities as at the close of business on 28 February 2010.

Save for the Group Guarantees as mentioned in the Letter from the board of this circular which will be contingent liabilities of the Group, the Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 28 February 2010.

2. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that after taking into account the internal resources and present banking facilities available to the Group, the Group has sufficient working capital for its requirements for at least the next twelve months from 24 April 2010 in the absence of unforeseeable circumstances.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code or were required to be entered into the register required to be kept under section 352 of SFO were as follows:

(i) Long position in the Shares

Name of Director	Capacity	Number of Shares and nature of interests			Approximate percentage of shareholding
		Personal interests	Corporate interests	Total	
So Yuk Kwan	Interest of controlled corporations	–	261,916,189 (Note 1)	261,916,189	56.16%
So Chi On	Beneficial owner	4,300,000 (Note 2)	–	4,300,000	0.92%

Note:

- This refers to the total number of shares held by B.K.S. Company Limited (“BKS”) and Jade Concept Limited (“Jade Concept”). Dr. Hon. So Yuk Kwan is deemed to be interested in 261,916,189 Shares by virtue of his interests in BKS and Jade Concept, the particulars are more fully described in the section headed “Interest and short positions of substantial shareholders and other person required to be disclosed under the SFO” below.
- These shares include (i) 3,500,000 share options granted to Mr. So Chi On by the Company on 18 July 2007 and (ii) 800,000 Shares held by Mr. So Chi On.

(ii) Interests in underlying Shares

Certain Directors were granted share options to subscribe for Shares under the share option scheme of the Company, details of which as at the Latest Practicable Date were as follows:

Name of as Director	Date of grant	Number of share options outstanding at the Latest Practicable Date	Exercise period (both dates inclusive)	Exercise price per Share HK\$
So Chi On	18/7/2007	3,500,000	19/7/2007 – 12/5/2012	0.5

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code or which were required to be entered into the register required to be kept under section 352 of the SFO.

(b) Directors' other interests

- (i) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2009, being the date to which the latest published audited consolidated accounts of the Company were made up.
- (ii) There were no contracts or arrangement subsisting as at the Latest Practicable Date in which a Director is materially interested in and which is significant in relation to the business of the Group.

(c) Interest and short positions of substantial shareholders and other person required to be disclosed under the SFO

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by the Directors and chief executive of the Company, the following persons or corporations (other than the Directors or chief executive of the Company whose interests are set out in the paragraph headed “2.(a) Directors’ and chief executive’s interests and short positions in the securities of the Company and its associated corporations” above) has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares

Name	Capacity	Number of Shares held	Approximate percentage of shareholding
B.K.S. Company Limited (“BKS”)	Beneficial owner	181,276,300 (<i>Note 1</i>)	38.87%
Jade Concept Limited (“Jade Concept”)	Beneficial owner	80,639,889 (<i>Note 2</i>)	17.29%
Madam Yeung Kit Ling (“Madam Yeung”)	Interest of spouse	261,916,189 (<i>Note 3</i>)	56.16%

Notes:

1. BKS is beneficially owned by Mr. So Yuk Kwan (“Mr. So”). By virtue of the SFO, Mr. So is deemed to be interested in 181,276,300 Shares of the Company held by BKS.
2. Jade Concept is beneficially owned by Mr. So. By virtue of the SFO, Mr. So is deemed to be interested in 80,639,889 Shares of the Company held by Jade Concept.
3. As Madam Yeung is the spouse of Mr. So, by virtue of the SFO, she is deemed to be interested in all Shares of the Company in which Mr. So is interested.
4. Mr. So is a director of each of BKS and Jade Concept.

Save as disclosed above, so far as is known to the Directors and chief executive of the Company, there is no other person or corporation (other than the Director(s) and chief executive of the Company whose interests is/are disclosed in 2.(a) above) who/which, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

3. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business which competes or is likely to compete with the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor proposed Directors had entered, or is proposing to enter, into any service contract with the Company which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which is contained in this circular:

Name	Qualifications
Ample Capital	a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Ample Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Ample Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Ample Capital did not have any direct or indirect interests in any assets which have been, since 31 March 2009 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

Save as disclosed below, there were no contracts that have been entered into by members of the Group not in the ordinary course of business within the two years preceding the Latest Practicable Date which are or may be material.

- (a) Joint Venture Agreement;
- (b) Supplemental Agreement;
- (c) Deeds of guarantees in relation to the Group Guarantees dated 31 March 2010;
- (d) On 15 March 2010, New Concept Capital Limited, a wholly-owned subsidiary of the Company, entered into an investment agreement with Accupix Co., Ltd., Atree Co., Ltd. and Mr. Hanil Ko, pursuant to which New Concept Capital Limited has agreed to subscribe for 730,000 new shares of Accupix Co., Ltd. at a consideration of US\$3,600,000 (approximately HK\$27.9 million);
- (e) On 9 February 2010, New Concept Capital Limited, a wholly-owned subsidiary of the Company, and 廣州博勤網絡科技有限公司 (unofficial English translation being Guangzhou Boqin Web Technology Company Limited) entered into a sale and purchase agreement pursuant to which 廣州博勤網絡科技有限公司 conditionally agreed to purchase, and New Concept Capital Limited conditionally agreed to sell, (i) the entire issued share capital of Dragon Favour Technology Limited and (ii) all indebtedness, obligations and liabilities due or owing by Dragon Favour Technology Limited to New Concept Capital Limited for a total consideration of RMB29,662,500 (approximately HK\$33,785,588)(subject to adjustment);
- (f) On 2 February 2010, AV Concept Limited, a wholly owned subsidiary of the Company, entered into a letter of intent with Ledman Optoelectronic Co., Ltd. (“深圳雷曼光電股份有限公司”, “Ledman”) to form a joint venture company with Ledman in the People’s Republic of China with an estimated capital investment from each of AV Concept Limited and Ledman of not more than US\$2 million (or an equivalent amount of Renminbi) and each of Ledman and AV Concept Limited shall own 51% and 49% equity interest in the joint venture company;
- (g) On 18 November 2009, New Concept Capital Limited, a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Mr. Lee Yong Hyon, a third party independent of and not connected with the Company and its connected persons, pursuant to which New Concept Capital Limited has agreed to conditionally purchase, and Mr. Lee Yong Hyon agreed to sell, 267,000 shares of the common stock in Wavesquare Inc. at a price of US\$2.2 million (equivalent to approximately HK\$17.16 million);
- (h) On 3 November 2009, the Company entered into a subscription agreement with B.K.S Company Limited, pursuant to which B.K.S Company Limited shall subscribe for up to 45,836,000 new Shares at a subscription price of HK\$0.681 per Share. The net proceeds of the subscription is approximately HK\$30.70 million; and

- (i) On 1 June 2009, BreconRidge Manufacturing Solutions (Asia) Limited (“BMSAL”), a wholly owned subsidiary of BreconRidge Corporation (“BC”), issued the secured exchangeable bond due 2010, to AV Concept (China) Industrial Co., Limited (“AVCC”), a wholly owned subsidiary of the Company, in consideration of: (i) the delivery by AVCC of the bond certificate in respect of a 2009 due bond (the guaranteed exchangeable bond due 2009 issued by BMSAL to AVCC on 30 January 2008, the “2009 due Bond”) held by AVCC to BMSAL for cancellation; and (ii) the release and discharge by AVCC of BC from all of BC’s liabilities and obligations owing to AVCC under (a) the security agreement dated 30 January 2008 and executed by BC in favour of AVCC; and (b) the guarantee provided by BC under the terms of the 2009 due Bond, pursuant to two deeds of release executed by AVCC and BC on 1 June 2009.

8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Group since 31 March 2009, being the date to which the latest published audited financial statements of the Company were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company’s principal place of business in Hong Kong at 6th Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong from the date of this circular up to and including 14 May 2010:

- (a) the memorandum and articles of association or equivalent documents of the Company;
- (b) the audited consolidated financial statements of the Group for the two years ended 31 March 2009 and the interim report of the Company for the six months ended 30 September 2009;
- (c) the material contracts set out above;
- (d) this circular;
- (e) the letter from the independent board committee, the text of which is set out on pages 4 to 11 of this circular;
- (f) the letter from Ample Capital, the text of which is set out on pages 13 to 24 of this circular; and
- (g) the written consent of Ample Capital referred to in this appendix.

10. MISCELLANEOUS

- (a) The qualified accountant, company secretary and Chief Financial Officer of the Company is Mr. Ho Choi Yan, Christopher. Mr. Ho obtained a Bachelor's degree in Accountancy from The Hong Kong Polytechnic University in 1995. He is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. In addition, Mr. Ho possesses the qualification of a company secretary as required under Rule 8.17 of the Listing Rules.
- (b) The registered office of the Company is at P.O. Box 309, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The head office and principal place of business of the Company in Hong Kong is at 6th Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong.
- (c) The share registrar and transfer office of the Company in the Cayman Islands is HSBC Financial Services (Cayman) Limited, P.O. Box 1109, 90 North Church Street, Strathvale House, 2nd Floor, Grand Cayman KY1-1102, Cayman Islands. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English language text of this circular shall prevail over the Chinese language text in the case of inconsistency.