

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 RULE 13.16 DISCLOSURE AND RESUMPTION OF TRADING

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.

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. 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.

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, (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.

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 pursuant to 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 rule 13.16 of the Listing Rules, and are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Controlling Shareholders have agreed to approve the resolutions relating to the Joint Venture Agreement, the Supplemental Agreement and the Group 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 applied to the Stock Exchange for a waiver from the requirement to hold general meeting under Listing Rule 14A.43. Subject to the Stock Exchange's approval of the waiver, an extraordinary general meeting of the Company may or may not be convened for the purpose of approving the above transactions.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 1 April 2010 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 April 2010.

THE SUPPLEMENTAL AGREEMENT RELATING TO JVC

Reference is made to the announcement of the Company dated 16 July 2009. 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.

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 announcement of the Company dated 16 July 2009 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

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 date of this announcement, 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 date of this announcement, 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.

(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 date of this announcement. 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 date of this announcement, 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 of not less than HK\$200 million.

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 (the "Breach"); 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 Breach.

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.

IMPLICATIONS 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 pursuant to 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 date of this announcement.

As at the date of this announcement, 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. The Controlling Shareholders have agreed to approve the resolutions relating to the Joint Venture Agreement, the Supplemental Agreement and the Group 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 applied to the Stock Exchange for a waiver from the requirement to hold general meeting under rules 14A.43 of the Listing Rules. Subject to the Stock Exchange's approval of the waiver, an extraordinary general meeting of the Company may or may not be convened for the purpose of approving the above transactions.

GENERAL

A circular containing, inter alia, further information on the Supplemental Agreement, the Group Guarantees and the letter of advice from the independent financial adviser to the independent board committee and the independent Shareholders and the letter from the independent board committee will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 1 April 2010 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 April 2010.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“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 date of this announcement
“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
“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
“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

“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
“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
“Joint Venture Agreement”	the joint venture agreement entered into on 16 July 2009 between AVEGL and Mr. Lee
“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
“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

“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

By Order of the Board
AV Concept Holdings Limited
Dr. Hon. So Yuk Kwan
Chairman

Hong Kong, 7 April 2010

As at the date of this announcement, the Board comprises two executive directors, Dr. Hon. So Yuk Kwan (Chairman) and Mr. So Chi On, and three independent non-executive directors, Dr. Hon. Lui Ming Wah, SBS, JP, Mr. Charles E. Chapman and Mr. Wong Ka Kit.