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If you have sold or transferred all your shares in the Company, you should at once hand this circular to the purchaser or transferee or to the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



AV CONCEPT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock : 595)

DISCLOSEABLE TRANSACTION

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DEFINITIONS

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

“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
“Director(s)”	the director(s) of the Company
“Dragon Favour”	Dragon Favour Technology Limited, a company incorporated with limited liability in Hong Kong, being the subject matter of the Transaction
“EJV”	桂林九鋪香麒麟酒業有限公司 (unofficial translation being Guilin Jiupuxiang Qilin Wine Co., Ltd.), a Sino-foreign equity joint venture enterprise established in the PRC on 7 December 2004 owned as to 50% by Dragon Favour and 50% by a company controlled by the spouse of the Vendor
“Group”	the Company and its subsidiaries
“Jinwei”	廣西桂林金偉實業有限公司 (unofficial translation being Guangxi Guilin Jinwei Enterprises Co., Ltd.), a company agreed to be acquired by EJV
“Jinwei Acquisition Agreement”	the agreement dated 29 January 2008 made between EJV as purchaser and a party independent of the Company and connected persons of the Company and its subsidiaries as vendor for the acquisition of Jinwei
“Latest Practicable Date”	7 March 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“NCC”	New Concept Capital Limited, a company incorporated with limited liability in the British Virgin Islands and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

DEFINITIONS

“PRC GAAP”	the generally accepted accounting principles of the PRC
“SFO”	the 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
“Subject Land”	the land occupying an area of approximately 490,000 sq. m. in Lingui County, Guilin City, the PRC and the land use right of which is registered in the name of Jinwei
“Transaction”	the acquisition of the entire issued share capital of, and all the shareholder’s loan to, Dragon Favour as described in the announcement of the Company dated 22 February 2008
“Vendor”	Zheng Cheng, the legal and beneficial owner of Dragon Favour immediately prior to the Transaction
“%”	per cent
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m.”	square metre

For the purpose of this circular, amounts denominated in RMB have been translated, for the purpose of illustration only, into HK\$ at a rate of RMB1 = HK\$0.92. No representation is made that any amount in RMB or HK\$ could have been or could be converted at the above rate or at any other rates or at all.

LETTER FROM THE BOARD



AV CONCEPT HOLDINGS LIMITED

(incorporated in the Cayman Islands with liability)

(Stock : 595)

Directors:

So Yuk Kwan (*Chairman*)

Lee Jeong Kwan

So Chi On

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

Charles Edward Chapman*

Wong Ka Kit*

Registered office:

P.O. Box 309

Ugland House

South Church Street

George Town

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* *Independent non-executive Directors*

Principal place of business:

6th Floor

Enterprise Square Three

39 Wang Chiu Road

Kowloon Bay

Hong Kong

11 March 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 22 February 2008, the Company announced that the Company had entered into the Transaction pursuant to which had acquired the entire issued share capital and all shareholder's loan to Dragon Favour. The Transaction constitutes a discloseable transaction to the Company under the Listing Rules. The purpose of this circular is to provide you with the relevant information regarding the Transaction and the Group.

TRANSACTION

Date:

1 February 2008

LETTER FROM THE BOARD

Parties:

- (1) The Vendor as vendor
- (2) NCC, a wholly-owned subsidiary of the Company, as purchaser

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, save as otherwise mentioned in the sub-paragraph headed “Subject matter and completion” below, the Vendor is a party independent of the Company and connected persons of the Company and its subsidiaries.

Subject matter and completion:

The Transaction concerns the acquisition of (i) the entire issued share capital of Dragon Favour (being 200 shares of HK\$1 each) and (ii) all the shareholder’s loan to Dragon Favour (in the principal amount of approximately HK\$973,000) which was advanced to Dragon Favour to fund its investment in EJV and operating expenses over the years. Dragon Favour is a company incorporated in Hong Kong with limited liability.

Completion of the Transaction was not subject to any condition precedent and took place immediately after signing of the relevant documents on 1 February 2008.

Upon completion of the Transaction, Dragon Favour has become a wholly-owned subsidiary of the Company. Dragon Favour is a joint venture partner holding 50% of the registered capital of EJV while the remaining 50% of the registered capital of EJV is held by 廣州市優柏克連鎖經營有限公司 (unofficial English translation being Guangzhou City Youpoke Chain Operation Co., Ltd.), which is controlled by the spouse of the Vendor. Each of 廣州市優柏克連鎖經營有限公司 (unofficial English translation being Guangzhou City Youpoke Chain Operation Co., Ltd.) and the spouse of the Vendor is a party independent of the Company and connected persons of the Company and its subsidiaries. Pursuant to a joint venture contract relating to EJV made between Dragon Favour and its joint venture partner on 28 January 2008 (as varied by a supplemental joint venture contract dated 29 January 2008 made by the same parties), Dragon Favour shall contribute HK\$28,530,000 to the registered capital of EJV in cash and the joint venture partner shall contribute RMB26,250,000 (the equivalent of HK\$28,530,000) in cash. Such capital is expected to be contributed in full by the end of July 2008. EJV has become an associated company of the Company (through its interest in Dragon Favour) upon completion of the Transaction.

On 29 January 2008, EJV entered into the Jinwei Acquisition Agreement with a party independent of the Company and connected persons of the Company and its subsidiaries for the acquisition of Jinwei, which is the holder of, among other matters, the land use rights of a piece of the Subject Land, occupying an area of approximately 490,000 sq. m. in Lingui County, Guilin City, the PRC. The consideration for the acquisition of Jinwei comprises a cash consideration of RMB22.5 million and the settlement of Jinwei’s liabilities up to RMB30 million. The cash consideration is payable in two instalments: RMB20 million (“First Instalment”) is payable on or before 5 February 2008 and the remaining RMB2.5 million is payable within five days after the independent vendor of Jinwei has delivered to EJV all documents

LETTER FROM THE BOARD

evidencing the liabilities of Jinwei. The First Instalment was paid by EJV to the independent vendor on 5 February 2008. As confirmed in a supplemental agreement dated 4 March 2008 and made between the parties to the Jinwei Acquisition Agreement, transfer of the title to the equity interest of Jinwei shall be arranged by 16 March 2008 and completion of the acquisition of Jinwei will take place upon the registration of such transfer.

Consideration:

The consideration for the acquisition of the entire issued share capital of, and all shareholder's loan to, Dragon Favour was nominal, being HK\$300 in total. Such consideration was paid upon completion of the Transaction.

As disclosed in the sub-paragraph headed "Subject matter and completion" in this letter above, prior to the entering into of the Transaction, Dragon Favour had committed to contribute HK\$28,530,000 in cash to the registered capital of EJV, representing 50% of the registered capital of EJV. Such amount also represents 50% of the total investment of EJV. RMB20,000,000 (equivalent to approximately HK\$21,739,000) was contributed by the Group on 4 February 2008. The remaining RMB6,250,000 (equivalent to approximately HK\$6,793,000) is expected to be contributed in full by the end of July 2008.

Save for the contribution to the registered capital of EJV as described above, the Group does not have any other capital commitment pertaining to the Transaction.

The total consideration paid, together with the capital contribution to EJV, was determined by the Company and the Vendor after arm's length negotiations with reference to the assets and liabilities of each of Dragon Favour and EJV and the commitment of EJV to acquire Jinwei. Such amounts will be funded by the Group's internal resources.

INFORMATION ON DRAGON FAVOUR, EJV AND JINWEI

Dragon Favour is a company incorporated in Hong Kong with limited liability. Save for its investment in EJV, it is not engaged in any other businesses at present.

According to the unaudited management accounts of Dragon Favour for the two years ended 31 March 2007 and the nine months ended 31 December 2007, its unaudited net loss for the year/period is as follows:

	For the nine months ended 31 December 2007	For the year ended 31 March	
	<i>HK\$'000</i>	<i>2007</i>	<i>2006</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(7.7)	(8.5)	(5.5)
Loss after taxation	(7.7)	(8.5)	(5.5)

LETTER FROM THE BOARD

According to the unaudited management accounts of Dragon Favour for the nine months ended 31 December 2007, its unaudited net liabilities amounted to approximately HK\$986,000 as at 31 December 2007. Such net liabilities were principally represented by the shareholder's loan in the principal amount of approximately HK\$973,000 assigned to NCC as part of the Transaction.

As confirmed by the Vendor, currently, EJV has no business operation and has no assets and liabilities.

At present, the business activities of Jinwei include processing and sale of metals and property investment and consultancy.

No profit or loss was recorded in the unaudited management accounts of Jinwei (prepared in accordance with PRC GAAP) for the year ended 31 December 2006 as Jinwei was then dormant. According to the unaudited management accounts of Jinwei (prepared in accordance with PRC GAAP) for the year ended 31 December 2007, the unaudited profit of Jinwei before and after taxation for the year ended 31 December 2007 were approximately RMB2.8 million and approximately RMB2.6 million respectively. As at 31 December 2007, the unaudited assets and liabilities of Jinwei (prepared in accordance with PRC GAAP) amounted to approximately RMB94.4 million and approximately RMB44.1 million respectively and the unaudited net asset value of Jinwei was approximately RMB50.3 million. Apart from the Subject Land and the liabilities of Jinwei which would be assumed by EJV under the Jinwei Acquisition Agreement, the assets and liabilities of Jinwei as of 31 December 2007 also included assets and liabilities which do not form the subject matter of the Jinwei Acquisition Agreement and will be transferred out by Jinwei prior to the completion of the Jinwei Acquisition Agreement. As confirmed by the vendor of Jinwei, the unaudited net book value (prepared in accordance with PRC GAAP) of the Subject Land as at 31 December 2007 was approximately RMB32.7 million. The Group, together with the joint venture partner of EJV, has obtained a preliminary valuation in respect of the Subject Land from an independent valuer qualified to practice in the PRC. Based on such preliminary valuation, the value of the subject land is not less than RMB80 million. The valuation method adopted by the independent valuer is standard land use fee scale adjustment method (基準地價系數修正法).

Upon completion of the Transaction, Dragon Favour has become a wholly-owned subsidiary of the Company and EJV has become an 50% owned associated company of the Company. Upon completion of the Jinwei Acquisition Agreement, Jinwei will also become an associated company of the Company and the Company will have an indirect 50% interest in Jinwei through its indirect interest in EJV.

The Company will reflect all the financials of Dragon Favour in its consolidated financial statements while it will equity account the financial results of EJV and Jinwei, being a wholly-owned subsidiary of EJV, in the consolidated financial statements of the Group.

It is expected that upon completion of the entire Transaction will have a positive effect on the Group's net assets position taking into account the following:

- the Group's cash would be reduced by approximately HK\$29 million, being the consideration paid and payable under the Transaction and the estimated of the expenses to be incurred;

LETTER FROM THE BOARD

- the Group's interest in associate is expected to be increased by approximately HK\$43.75 million (subject to final audit for the year ending 31 March 2008) (representing the net asset value of Jinwei (which is principally determined with reference to (i) the re-valued value of the Subject Land (subject to final audit for the year ending 31 March 2008) and (ii) the maximum amount of the liabilities that EJV would assume pursuant to the Jinwei Acquisition Agreement); and
- the liabilities of EJV and Jinwei will not be reflected on a line-by-line basis in the Group's consolidated financial statements as the Company only equity accounts the interests of two entities.

The completion of the Jinwei Acquisition Agreement is not expected to have any immediate effect on the Group's earnings other than the negative goodwill arising from the acquisition of Jinwei, which amount is subject to final audit for the year ending 31 March 2008. Such negative goodwill will be reflected in the Group's financial statements for the year ending 31 March 2008 as profits.

INDEMNITY PROVIDED BY THE VENDOR

To safeguard the Group from being held liable for the liabilities of each of Dragon Favour and EJV prior to the Transaction, the Company has requested the Vendor to execute, and the Vendor has so executed, a deed of indemnity in favour of the Company to provide it with an indemnity against all losses, claims, expenses arising out of the liabilities (including tax liability or otherwise) of each of Dragon Favour and EJV prior to the Transaction other than:

- a claim arising out of the shareholder's loan which has been assigned by the Vendor to NCC under the Transaction;
- a claim arising out of the obligation of Dragon Favour to contribute not more than HK\$28,530,000 into the registered capital of EJV;
- to the extent such liability is in connection with the payment obligation of EJV under the agreement to acquire Jinwei; and
- as regards liability which would not have arisen but for any act or omission by any of the Company, NCC, Dragon Favour and EJV voluntarily effected otherwise than in the ordinary course of business after the date of the Transaction (other than pursuant to a legally binding commitment created on or before the date hereof) and without the written consent of the Company.

LETTER FROM THE BOARD

REASONS FOR THE TRANSACTION

In essence, the Transaction enables the Company to acquire 50% equity interest in EJV which has a right to acquire the entire registered capital of Jinwei, being the holder of the land use rights of the Subject Land occupying an area of approximately 490,000 sq. m. in Lingui County, Guilin City, the PRC. Currently, the Group and the joint venture partner of EJV do not have any concrete plan to develop the Subject Land. Despite the fact that there is no current concrete plan to develop the Subject Land, taking into account the value of the Subject Land as referred to in the preliminary valuation, the Directors consider that the Transaction offers the Group a good opportunity and at a relatively lower investment cost to invest in PRC property.

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

GENERAL

The Group is principally engaged in marketing and distribution of electronic components.

The Transaction is a discloseable transaction for the Company and is subject to notification and publication requirements of the Listing Rules. The purpose of this circular is to provide you with the relevant information regarding the Transaction and the Group.

Your attention is also drawn to the additional information regarding the Group as set out in the appendix to this circular

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

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' 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	–	246,310,189 <i>(Note)</i>	246,310,189	57.07%

Note: This refers to the total number of Shares held by B.K.S. Company Limited (“BKS”) and Jade Concept Limited (“Jade Concept”). Mr. So Yuk Kwan is deemed to be interested in 245,432,189 Shares by virtue of his interests in BKS and Jade Concept, the particulars of which are more fully described in the paragraph headed “Interest and short positions of substantial shareholders and other person required to be disclosed under the SFO” below.

(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 Director	Date of grant	Number of share options outstanding as at the Latest Practicable Date	Exercise period (both dates inclusive)	Exercise price per Share HK\$
Lee Jeong Kwan	18/7/2007	2,000,000	19/7/2007 – 12/5/2012	0.5
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) 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 “Directors’ 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares

Name	Capacity	Number of Shares held	Approximate percentage of shareholding
BKS	Beneficial owner	165,670,300 (<i>Note 1</i>)	38.39%
Credit Cash Limited (“Credit Cash”)	Interest in controlled corporation	165,670,300 (<i>Note 1</i>)	38.39%
Jade Concept	Beneficial owner	80,639,889 (<i>Note 2</i>)	18.68%
Madam Yeung Kit Ling (“Madam Yeung”)	Interest in controlled corporation and interest of spouse	246,310,189 (<i>Notes 1 and 3</i>)	57.07%

Notes:

1. This refers to the same number of Shares held by BKS which is a wholly-owned subsidiary of Credit Cash. Credit Cash is held as to 50% by Mr. So Yuk Kwan (“Mr. So”), a Director, and as to 50% by Madam Yeung, the spouse of Mr. So. By virtue of the SFO, Mr. So and Madam Yeung are deemed to be interested in 165,670,300 Shares 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 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 the Shares in which Mr. So is interested.
4. Mr. So is a director of each of BKS, Credit Cash and Jade Concept. Mr. So’s interests in the Shares are disclosed in the paragraph headed “Directors’ interests and short positions in the securities of the Company and its associated corporations” above.

Save as disclosed above, so far as is known to the Directors, there is no other person or corporation (other than the Director(s) and chief executive of the Company whose interests is/are disclosed in the paragraph headed “Directors’ interests and short positions in the securities of the Company and its associated corporations” 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. MISCELLANEOUS

- (a) The qualified accountant and the company secretary of the Company is Mr. Wong Hei Pui, Andy who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) 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 of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese language text in the case of inconsistency.