

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 TRANSACTION

ACCEPTING A US\$3,000,000 12 PER CENT SECURED EXCHANGEABLE BOND DUE 2010 AND RESUMPTION OF TRADING

On 1 June 2009, BMSAL issued the 2010 due Bond to AVCC, a wholly-owned subsidiary of the Company, in consideration of:

- (1) the delivery by AVCC of the bond certificate in respect of the 2009 due Bond held by AVCC to BMSAL for cancellation; and
- (2) the release and discharge by AVCC of BC from all of BC's liabilities and obligations owing to AVCC under (i) the security agreement dated 30 January 2008 and executed by BC in favour of AVCC; and (ii) 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.

The Transaction constitutes provision of financial assistance by the Company to BMSAL under Listing Rule 14.04(1)(e). Since the applicable percentage ratios as defined under Listing Rule 14.07 are higher than 25% but less than 100%, the Transaction constitutes a major transaction for the Company under Listing Rule 14.06(3) and is therefore subject to the approval of the Shareholders.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction, written shareholders' approval has been obtained in lieu of holding a general meeting pursuant to Listing Rule 14.44. The Controlling Shareholders, in aggregate, holding 249,324,189 Shares, representing approximately 60.44% of the existing issued share capital of the Company as at the date of this announcement, have given their written approval in respect of the Transaction. Accordingly, no extraordinary general meeting of the Company will be convened for the purposes of approving the Transaction. A circular containing details of the Transaction will be issued as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 2 June 2009 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 3 June 2009.

On 1 June 2009, BMSAL issued the 2010 due Bond to AVCC, a wholly-owned subsidiary of the Company, in consideration of:

- (1) the delivery by AVCC of the bond certificate in respect of the 2009 due Bond held by AVCC to BMSAL for cancellation; and
- (2) the release and discharge by AVCC of BC from all of BC's liabilities and obligations owing to AVCC under (i) the security agreement dated 30 January 2008 and executed by BC in favour of AVCC; and (ii) 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.

PRINCIPAL TERMS OF THE 2010 DUE BOND

Date : 1 June 2009

Parties : (1) AVCC
(2) BMSAL, a wholly-owned subsidiary of BC

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, BMSAL, BC and the ultimate beneficial owners of BC are third parties independent of the Company and its subsidiaries and connected persons of the Company and its subsidiaries.

Principal amount : US\$3,000,000

Maturity date : 30 November 2010

Exchange right : The Bondholder has the right at any time to exercise the exchange rights attached to the 2010 due Bond or any part thereof in multiples of US\$60,000 to exchange such outstanding principal amount into BC Shares at any time from the date of issue of the 2010 due Bond to the Maturity Date at the Exchange Price.

Exchange price : The initial Exchange Price is US\$0.60 per BC Share.

The initial Exchange Price is subject to adjustment relating to share consolidations, share splits or re-classification of common shares into other securities. The Exchange Price shall be appropriately adjusted so that the Bondholder shall be entitled to receive the number of BC Shares which it would have held or have been entitled to receive after the happening of any of the foregoing events had the 2010 due Bond been converted immediately prior to such event.

The initial Exchange Price is the same as the prevailing exchange price under the 2009 due Bond immediately prior to its cancellation, and was then arrived at based upon arm's-length negotiation between the parties.

Exchange shares : The BC Shares falling to be issued upon exercise of the exchange rights attached to the 2010 due Bond by AVCC will rank pari passu in all respects with all other BC Shares outstanding as at the date of exchange of the 2010 due Bond.

Upon exercise of the exchange rights attached to the 2010 due Bond by the Bondholder, the Bondholder shall be entitled to receive the accrued and unpaid interest on the outstanding principal amount of the 2010 due Bond that is being exchanged.

The 2010 due Bond is exchangeable into up to 5 million BC Shares at the initial exchange price of US\$0.60 per BC Share.

Interest rate : The 2010 due Bond will bear an interest rate of 12% per annum with effect from 1 June 2009 which is payable on the Maturity Date or if the 2010 due Bond (or part of it) is converted and in respect of the converted 2010 due Bond, on the date of delivery of the BC Shares.

The interest rate was arrived at based on arm's length negotiation between the Group and BC Group.

Repayment : BMSAL shall pay the outstanding principal amount to AVCC according to the following schedule:

(i) US\$300,000 (equivalent to HK\$2,340,000) on 31 August 2009;

(ii) US\$200,000 (equivalent to HK\$1,560,000) per month at the end of each calendar month commencing 30 September 2009 until 31 March 2010 (both dates inclusive);

(iii) US\$100,000 (equivalent to HK\$780,000) per month at the end of each calendar month commencing 30 April 2010 until 31 October 2010 (both dates inclusive); and

- (iv) the balance outstanding principal amount together with all accrued interest on the Maturity Date.

If any of the above repayment dates would fall on a day which is not a Business Day, the repayment date will instead end on the next Business Day following such repayment date.

Other payments : As a separate and additional covenant, BMSAL shall pay to AVCC:

(a) US\$140,279 on or before 30 August 2009 (being 50% of the amount of the accrued interest under the 2009 due Bond as at 31 March 2009 amounting to US\$280,558, the other 50% of the accrued interest was paid by BMSAL on 1 June 2009); and

(b) US\$60,000 on or before the Maturity Date (representing the notional interest accrued at 12% per annum from 1 April 2009 to 31 May 2009).

For the avoidance of doubt, these amounts do not constitute part of the principal amount of the 2010 due Bond.

If any of the above repayment dates would fall on a day which is not a Business Day, the repayment date will instead end on the next Business Day following such repayment date.

Transferability : The ownership of the 2010 due Bond is not transferable or assignable except with the prior written consent of BMSAL.

Security : AVB charges in favour of AVCC, by way of floating charge, certain equipment comprising among other things, AVB's office fixtures and equipment, and production facilities pursuant to the Security Deed.

Change of control : BMSAL shall provide, and shall also procure BC to provide, a notice in writing to the Bondholder at least five Business Days prior to the occurrence of a Change of Control Event. Upon receipt of such notice, the Bondholder shall have the right to indicate by notice in writing to BMSAL within five Business Days of its receipt of such notice, either its intention to exercise its exchange right attached to the 2010 due Bond; failing which, the exchange right shall lapse and

the entire outstanding principal amount of the 2010 due Bond and any accrued interest thereon will have to be repaid by BMSAL in cash within the Relevant Period, in any event not later than the Maturity Date.

Events of default : The Bondholder may during the Relevant Period give notice to BMSAL that the 2010 due Bond is immediately due and repayable if:

- (1) a default is made by BMSAL in the performance or observance of any covenant, condition or provision contained in the 2010 due Bond or the Security Deed and such default continues for a period of 14 days immediately following the Bondholder has filed a relevant notice in respect of such default; or
- (2) a resolution is passed on or an order of a court of competent jurisdiction is made that BMSAL be wound up or dissolved; or
- (3) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of BMSAL; or
- (4) a distress, execution or seizure before judgement is levied or enforced upon a material part of the assets or undertaking or property of BMSAL and is not discharged within seven days thereof; or
- (5) BMSAL is unable to pay its debts as and when they fall due or BMSAL shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, winding up, reorganisation or insolvency law or make assignment for the benefit of, or enter into any composition with, its creditors; or
- (6) any bankruptcy, winding up, reorganisation or insolvency proceedings shall have been initiated against BMSAL which shall not have been discharged or stayed within a period of 21 days; or
- (7) any event analogous to any of the events referred to (3) to (6) above occurs; or

- (8) if there is not a sufficient number of authorised but unissued BC Shares available for fulfilling the exchange right; or
- (9) it is or will become unlawful for BMSAL to perform or comply with any obligations under the 2010 due Bond or the Security Deed

CANCELLATION OF THE 2009 DUE BOND

In consideration of the issue of the 2010 due Bond by BMSAL, amongst other things, AVCC shall surrender the bond certificate in respect of the 2009 due Bond to BMSAL for cancellation. Please refer to the announcement of the Company dated 3 January 2008 and the circular of the Company dated 24 January 2008 for the detailed terms of the 2009 due Bond.

The accrued interest under the 2009 due Bond as at 31 March 2009 amounted to US\$280,558 (equivalent to approximately HK\$2.19 million) payable by BMSAL to AVCC. On 1 June 2009, BMSAL made a remittance of US\$140,279 (equivalent to approximately HK\$1.09 million) to the Group for settling 50% of such accrued interest and the remaining 50% of the accrued interest will be paid on or before 30 August 2009 as a separate covenant under the 2010 due Bond as described in “other payments” in the section “Principal terms of the 2010 due Bond” above.

In consideration of the issue of the 2010 due Bond by BMSAL, on 1 June 2009, AVCC and BC executed two deeds of release pursuant to which:

- (1) AVCC agreed to release BC from all liabilities and obligations under the guarantee provided by BC under the terms of the 2009 due Bond; and
- (2) AVCC also agreed to release BC from all liabilities and obligations under a security agreement dated 30 January 2008 and executed by BC in favour of AVCC pursuant to which BC granted to AVCC security interests over certain collateral under the terms of the 2009 due Bond.

PRINCIPAL ACTIVITIES OF THE GROUP

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

INFORMATION ON THE BC GROUP

The BC Group is principally engaged in the provision of electronic manufacturing services which include manufacturing, engineering services, test development, component management and global procurement, new product introduction, order fulfilling, distribution services and product repair and end of life support.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Pursuant to the SP Agreement, AVCC had sold and BMSAL had acquired 50% of the issued share capital of AVB then held by AVCC. On 30 January 2008, BMSAL issued the 2009 due Bond to AVCC as the consideration of the AVB Disposal.

Although the 2010 due Bond has a later maturity date than the 2009 due Bond, the Group expects to receive a higher interest income under the 2010 due Bond (with an interest rate of 12% per annum), as compared to the 2009 due Bond (with an interest rate of 8% per annum), if the 2010 due Bond is redeemed in full upon its maturity. Having regard to the terms of the Transaction together with the Group's cost of capital, the Directors are of the view that since the Transaction will provide a reasonable return to the Group, the terms and conditions of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REQUIREMENTS OF THE LISTING RULES

The issue of the 2009 due Bond and other related transactions constituted a discloseable transaction, details of which were disclosed in the Company's announcement dated 3 January 2008 and the Company's circular dated 24 January 2008.

The Transaction constitutes provision of financial assistance by the Company to BMSAL under Listing Rule 14.04(1)(e). Since the applicable percentage ratios as defined under Listing Rule 14.07 are higher than 25% but less than 100%, the Transaction constitutes a major transaction for the Company under Listing Rule 14.06(3) and is therefore subject to the reporting, announcement and shareholders' approval requirements.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction, written shareholders' approval has been obtained in lieu of holding a general meeting pursuant to Listing Rule 14.44. B.K.S. Company Limited which holds 168,684,300 Shares and Jade Concept Limited which holds 80,639,889 Shares are companies beneficially and wholly-owned by Mr. So Yuk Kwan, the Chairman and an Executive Director of the Company, and are the Controlling Shareholders. They, in aggregate, holding 249,324,189 Shares, representing approximately 60.44% of the existing issued share capital of the Company as at the date of this announcement, have given their written approval in respect of the Transaction.

Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Transaction. A circular containing details of the Transaction will be issued 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 2 June 2009 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 3 June 2009.

As at the date of this announcement, the Board comprises three executive Directors, Mr. So Yuk Kwan (Chairman), Mr. Lee Jeong Kwan, 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.

DEFINITIONS

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

“2009 due Bond”	the guaranteed exchangeable bond due 2009 issued by BMSAL to AVCC on 30 January 2008 as the consideration for the AVB Disposal
“2010 due Bond”	the secured exchangeable bond due 2010 issued by BMSAL to AVCC on 1 June 2009 as a substitution for the 2009 due Bond
“AVB”	AV BreconRidge Limited, formerly known as AV Chaseway Limited, a company incorporated in Hong Kong, 50% of the issued share capital of AVB was disposed of by AVCC to BMSAL pursuant to the SP Agreement
“AVB Disposal”	the disposal of the 50% of the issued share capital of AVB by AVCC to BMSAL pursuant to the SP Agreement
“AVCC”	AV Concept (China) Industrial Co., Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“BC”	BreconRidge Corporation, formerly known as BreconRidge Manufacturing Solutions Corporation, a company incorporated in Canada
“BC Group”	BC and its subsidiaries
“BC Shares”	the common shares of BC
“BMSAL”	BreconRidge Manufacturing Solutions (Asia) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of BC
“Board”	the board of Directors of the Company

“Bondholder”	a holder of the 2010 due Bond
“Business Day”	any day (other than a Saturday or Sunday) on which banks are open for business in both Canada and Hong Kong
“Change of Control Event”	a sale, amalgamation, merger, business combination, other arrangement, transaction or reorganisation of BC or the sale of all or substantially all of the shares or assets of BC, whether by a single transaction or a series of transactions, pursuant to which, after giving effect to such transaction or series of transactions, the holders of voting securities of BC immediately prior to the transaction hold, immediately after such transaction, directly or indirectly, securities of BC representing less than 50% of the voting power of BC (save for circumstances allowed in the 2010 due Bond, including, among other things, the issuance of securities by BC from treasury for the purpose of completing an acquisition)
“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
“Controlling Shareholders”	B.K.S. Company Limited and Jade Concept Limited, each being a Shareholder and a company controlled by Mr. So Yuk Kwan, the Chairman and an Executive Director of the Company, which, in aggregate, hold 249,324,189 Shares, representing approximately 60.44% of the issued share capital of the Company as at the date of this announcement
“Directors”	directors of the Company
“Exchange Price”	the exchange price of the 2010 due Bond, initially being US\$0.60 per BC Share (subject to adjustment)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Maturity Date”	the maturity date of the 2010 due Bond, being 30 November 2010
“Relevant Period”	the period commencing on the 180th day following the occurrence of an Event of Default or Change of Control Event or if such date would fall on or after the Maturity Date, then on the Maturity Date
“SP Agreement”	the sale and purchase agreement dated 18 December 2007 entered into by AVCC, BMSAL and BC in respect of, amongst other things, the AVB Disposal details of which are set out in the Company’s announcement dated 3 January 2008 and the Company’s circular dated 24 January 2008
“Security Deed”	a deed dated 1 June 2009 executed by AVB in favour of AVCC, pursuant to which AVB has created a floating charge over certain of its assets as continuing security for the due and punctual payment and discharge of all present and future moneys, debts and liabilities due, owing or incurred by BMSAL under or in connection with the 2010 due Bond subject to a maximum cap of US\$3,000,000 (being the principal amount of the 2010 due Bond)
“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
“Transaction”	the transaction contemplated under the issue of the 2010 due Bond
“US”	the United States of America
“US\$”	US Dollars
“%”	per cent

For the purpose of this announcement, amounts denominated in US\$ have been translated, for the purpose of illustration only, into HK\$ at a rate of US\$1 = HK\$7.8. No representation is made that any amount in US\$ or HK\$ could have been or could be converted at the above rate or at any other rates or at all.

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

Hong Kong, 2 June 2009