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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in AV Concept Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**AV CONCEPT HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

**PLACING OF NEW SHARES UNDER A SPECIFIC MANDATE
SUPPLEMENTAL INFORMATION RELATING TO THE PROPOSED
REFRESHMENT OF GENERAL MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders in respect of the Proposed Refreshment of General Mandate**



A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Proposed Refreshment of General Mandate is set out on page 14 of this circular. A letter from Access Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Refreshment of General Mandate is set out on pages 15 to 21 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 6th Floor, Enterprises Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong on Thursday, 20 May 2010 at 10:30 a.m. is set out on pages 22 to 25 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

5 May 2010

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DEFINITIONS

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

| | |
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| “Access Capital” | Access Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Refreshment of General Mandate and a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |
| “associate(s)” | has the same meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “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 |
| “Completion” | completion of the placing of the Placing Shares in accordance with the terms and conditions as set out in the Placing Agreement |
| “connected person(s)” | has the same meaning as ascribed to it under the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened and held at 6th Floor, Enterprises Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong, at 10:30 a.m. on 20 May 2010, Thursday |
| “Existing General Mandate” | the existing general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 31 August 2009 to allot, issue and deal with up to 82,504,883 Shares |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong SAR |
| “Independent Board Committee” | the independent committee of the Board, comprising the independent non-executive Directors, namely Dr. Hon. Lui Ming Wah, <i>SBS, JP</i> , Mr. Charles Edward Chapman and Mr. Wong Ka Kit, established for the purpose of advising the Independent Shareholders on the Proposed Refreshment of General Mandate |

DEFINITIONS

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| “Independent Third Party(ies)” | Independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates |
| “Independent Shareholders” | holders of the Shares other than B.K.S. Company Limited and Jade Concept Limited and their respective associates |
| “Investment” | the subscription of 730,000 new shares of Accupix Co., Ltd. by the Group pursuant to the investment agreement dated 15 March 2010, details of which are stated in the announcement of the Company dated 16 March 2010 |
| “Latest Practicable Date” | 3 May 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular |
| “LED” | light-emitting diode, an electronic light source |
| “Listing Committee” | has the meaning ascribed to it under the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited |
| “New General Mandate” | the general mandate proposed to be granted to the Directors at the Refreshment EGM to allot, issue and otherwise deal with Shares not exceeding 20% of the Shares in issue as at the date of the Refreshment EGM |
| “Placees” | any person or entity whom the Placing Agent and/or any of its agent(s) has procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement |
| “Placing” | the placing of the Placing Shares pursuant to the Placing Agreement |
| “Placing Agent” | Kingsway Financial Services Group Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, acting as the placing agent pursuant to the Placing Agreement |

DEFINITIONS

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| “Placing Agreement” | the placing agreement entered into between the Company and the Placing Agent dated 27 April 2010 as amended by a supplemental agreement dated 28 April 2010 |
| “Placing Price” | HK\$1.05 per Placing Share |
| “Placing Shares” | up to 57,000,000 new Shares to be placed by the Placing Agent under the Placing Agreement |
| “Proposed Refreshment of General Mandate” | the Company’s proposal to refresh a general and unconditional mandate to be granted by the Shareholders to the Directors during the Relevant Period to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the Shareholders’ approval plus the number of Shares repurchased by the Company since the granting of the Proposed Refreshment of General Mandate (up to a maximum number equivalent to 10% of the Shares in issue as at the date of the relevant resolution at the annual general meeting of the Company held on 31 August 2009) |
| “Refreshment Circular” | the circular issued by the Company dated 15 April 2010 in respect of the New General Mandate |
| “Refreshment EGM” | an adjourned extraordinary general meeting then convened to be held at 10:30 a.m. on Friday, 30 April 2010 to consider and approve the New General Mandate |
| “Relevant Period” | the period from the date of the passing of the resolution in respect of the Proposed Refreshment of General Mandate until whichever is the earlier of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of the authority given under the resolution in respect of the Proposed Refreshment of General Mandate by ordinary resolution of the Shareholders in general meetings |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the share capital of the Company |
| “SFO” | The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong SAR |

DEFINITIONS

“Shareholders” holders of Shares

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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 Director*

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

5 May 2010

*To the Shareholders and, for information only,
holders of options*

Dear Sir or Madam,

**PLACING OF NEW SHARES UNDER A SPECIFIC MANDATE
SUPPLEMENTAL INFORMATION RELATING TO THE PROPOSED
REFRESHMENT OF GENERAL MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 28 April 2010 in relation to the Placing and the adjournment of the Refreshment EGM.

LETTER FROM THE BOARD

The Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 57,000,000 Placing Shares to the Placees whom the Placing Agent reasonably believes to be independent investors not connected with or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, at the Placing Price of HK\$1.05 per Placing Share, representing (i) a discount of approximately 12.50% to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on 26 April 2010, being the last trading day prior to the Placing Agreement; and (ii) a discount of approximately 7.89% to the average of the closing prices per Share of HK\$1.14 as quoted on the Stock Exchange for the last five trading days up to and including 26 April 2010. The Placing Shares are to be issued under a specific mandate to be sought at the EGM.

The Company considers that the Placing constitutes material information on the Proposed Refreshment of General Mandate that comes to the Directors' attention after the Refreshment Circular is issued. The purpose of this circular is (i) to provide the Shareholders with information on the Placing; (ii) to provide the Shareholders with supplemental information on the Proposed Refreshment of General Mandate; (iii) to set out the recommendation of the Independent Board Committee and the advice of Access Capital in relation to the Proposed Refreshment of General Mandate; and (iv) to give notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the necessary resolutions in relation to (a) the granting of a specific mandate to allot and issue new Shares in connection with the Placing; and (b) the Proposed Refreshment of General Mandate.

THE PLACING

The Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 57,000,000 Placing Shares.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

The Placing Agreement

The major terms of the Placing Agreement are as follows:

Placees

The Placing Agent has agreed to procure Placees whom it reasonably believes to be independent investors not connected with or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries. It is expected that, upon Completion, none of the Placees will become a substantial shareholder of the Company. If any of the Placees become a substantial shareholder of the Company after Completion, further announcement will be made by the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company understands that the Placing Shares will possibly be placed to the following parties:

- (i) Kingsway Lion Spur Technology Limited
- (ii) OZ Master Fund, Ltd
- (iii) OZ Asia Master Fund, Ltd
- (iv) OZ Global Special Investments Master Fund, L.P.
- (v) OZ Select Master Fund, Ltd
- (vi) Gordel Holdings Limited

Completion of the Placing Agreement is subject to the conditions as detailed below.

Number of Placing Shares

The maximum number of Placing Shares of 57,000,000 Shares represent approximately 12.22% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 10.89% of the issued share capital of the Company as enlarged by the Placing (assuming there is no new issue nor repurchase of Shares during the period).

Placing Price

The Placing Price of HK\$1.05 per Placing Share was determined with reference to the prevailing market price of the Shares. It represents a discount of approximately 12.50% to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on 26 April 2010, being the last trading day prior to the Placing Agreement; and (ii) a discount of approximately 7.89% to the average of the closing prices per Share of HK\$1.14 as quoted on the Stock Exchange for the last five trading days up to and including 26 April 2010.

Placing fees and expenses

Upon Completion, the Placing Agent will receive a placing fee of 2.5% of the amount equal to the Placing Price multiplied by the number of Placing Shares. In addition, the Company will be responsible for all costs and expenses incurred in relation to the execution of all transactions in connection with the Placing.

Ranking of Placing Shares

The Placing Shares will rank pari passu in all respects among themselves and with all other Shares in issue as at the date of allotment.

LETTER FROM THE BOARD

Conditions of the Placing

The Placing is conditional on, among other things, (i) the granting of the approval by the Stock Exchange for the listing of, and permission to deal in, the Placing Shares; and (ii) the granting of approval by the Shareholders for the allotment and issue of the Placing Shares. If these conditions are not fulfilled by 31 May 2010 (or such later date as may be agreed by the Placing Agent and the Company), all rights and obligations of the Company and the Placing Agent in relation to the Placing shall cease and none of the parties shall have any claim against any other party in respect of the Placing.

Listing application

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Mandate to issue the Placing Shares

The issue of the Placing Shares is subject to Shareholders' approval at the EGM to be convened at which a specific mandate would be sought to approve the Placing Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Placing Shares at the Placing Price.

Effects on the shareholding structure of the Company

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company immediately after completion of the Placing (assuming there are no other changes to the issued share capital of the Company):

| | As at the Latest Practicable Date | | Immediately after completion of the Placing | |
|--------------------------------------|--|----------------|--|----------------|
| | <i>Shares</i> | <i>%</i> | <i>Shares</i> | <i>%</i> |
| Dr. Hon. So Yuk Kwan (<i>Note</i>) | 261,916,189 | 56.16% | 261,916,189 | 50.05% |
| Placees (public) | – | 0.00% | 57,000,000 | 10.89% |
| Other existing public Shareholders | <u>204,444,230</u> | <u>43.84%</u> | <u>204,444,230</u> | <u>39.06%</u> |
| Total | <u>466,360,419</u> | <u>100.00%</u> | <u>523,360,419</u> | <u>100.00%</u> |
| Total public shareholding | <u>204,444,230</u> | <u>43.84%</u> | <u>261,444,230</u> | <u>49.95%</u> |

LETTER FROM THE BOARD

Note: As at the Latest Practicable Date, Dr. Hon. So Yuk Kwan, the chairman of the Company and an executive Director, was deemed to be interested in 261,916,189 Shares by virtue of his interests in B.K.S. Company Limited and Jade Concept Limited. As at the Latest Practicable Date, B.K.S. Company Limited owned 181,276,300 Shares and Jade Concept Limited owned 80,639,889 Shares.

As Madam Yeung Kit Ling is the spouse of Dr. Hon. So Yuk Kwan, by virtue of the SFO, she is deemed to be interested in all Shares in which Dr. Hon. So Yuk Kwan is interested.

Reasons for the Placing and use of proceeds

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

The Board considers that the Placing represents an opportunity to raise additional funds for the Company while broadening the capital base of the Company. Based on the Placing Price of HK\$1.05 per Placing Share and up to 57,000,000 Placing Shares to be issued to the Placees, the gross proceeds of the Placing will be up to approximately HK\$59.85 million and the net proceeds, after the deduction of all related expenses (including professional advisors fees, placing fees and charges and printing costs), are estimated to be up to approximately HK\$58.1 million, representing a net issue price of approximately HK\$1.02 per Placing Share. The Company intends to use such net proceeds in the development of LED business including but not limited to possible increase in investment in Wavesquare Inc.'s LED chips business.

The Directors consider that the Placing Agreement is on normal commercial terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Fund raising activities of the Company during the 12 months prior to the Latest Practicable Date

Save as disclosed below, the Company did not conduct any fund raising activities involving the issue of its securities in the past 12 months immediately preceding the Latest Practicable Date:

| Announcement date | Event | Net proceeds | Intended use of proceeds | Actual use of proceeds as at the Latest Practicable Date |
|-------------------|--|---------------------------------|--|--|
| 3 November 2009 | Top-up subscription of 45,836,000 Shares at a price of HK\$0.681 per Share | Approximately HK\$30.70 million | Development of LED business of the Group and as general working capital of the Group | (i) HK\$17.16 million was utilised for the acquisition of 4.3% shareholding in Wavesquare Inc., details of which were announced by the Company on 18 November 2009; and (ii) The remaining balance of the net proceeds was utilised to pay for the deposit for the Investment, details of which were announced by the Company on 16 March 2010. |

SUPPLEMENTAL INFORMATION ON THE PROPOSED REFRESHMENT OF GENERAL MANDATE

It is set out in the Refreshment Circular that the New General Mandate (if granted) will empower the Directors to allot, issue and deal with Shares not exceeding 20% of the Shares in issue as at the date of the Refreshment EGM.

On the basis of a total of 466,360,419 Shares in issue as at 14 April 2010, being the latest practicable date for ascertaining such information for the purpose of the Refreshment Circular and assuming that no other Shares will be issued or repurchased whatsoever between 14 April 2010 and the Refreshment EGM, the New General Mandate (if granted) will empower the Directors to allot, issue and deal with up to 93,272,083 new Shares under the New General Mandate.

Reasons for and benefits of the Proposed Refreshment of General Mandate

As discussed above, the Company has, in the past 12 months immediately preceding the Latest Practicable Date, conducted one fund raising transaction on 3 November 2009 raising net proceeds of approximately HK\$30.7 million. All of the net proceeds have been applied on pursuing acquisition and investment opportunities relating to or creating synergies with the principal business of the Group.

LETTER FROM THE BOARD

As mentioned in the annual report of the Company for the year ended 31 March 2009, the Group commenced its LED business during the year ended 31 March 2009. In view of the economy stimulation scheme and a series of measures announced by the China government to stimulate the domestic demand, the Directors think that the market demand in environmental friendly and high efficiency energy saving LED products will increase. The Board is of the view that the development and investment in respect of the LED business of the Group is in line with the Group's strategy to take advantage of the growing market demands for environmental friendly and energy saving products and is looking for additional capital to meet the business development funding requirements.

The Proposed Refreshment of General Mandate will empower the Directors to issue new Shares under the refreshed limit speedily as and when necessary, and without the need to seek further approval from the Shareholders. This could provide the Company with flexibility and ability to capture any appropriate capital raising or investment or business opportunity when they arise.

As at the Latest Practicable Date, the Company did not have any specific plan which may utilise any part of the new mandate to be granted under the Proposed Refreshment of General Mandate (if granted). The Company will continuously explore appropriate equity fund raising opportunities and/or investment opportunities which may or may not require the use of the new mandate to be granted under the Proposed Refreshment of General Mandate. If the Company proposes to issue any new Shares for business acquisitions or equity fund raising, it will make further announcement(s) as and when required.

On the basis of a total of 466,360,419 Shares in issue as at the Latest Practicable Date and assuming that no other Shares including the Placing Shares will be issued or repurchased whatsoever between the Latest Practicable Date and the EGM, the new general mandate will empower the Directors to allot, issue and deal in up to 93,272,083 new Shares plus the number of Shares that may be repurchased by the Company since the granting of the new general mandate subject to compliance with the Listing Rules. Notwithstanding the Placing and the adjournment of the Refreshment EGM, the number of new Shares as represented by the new general mandate on which the Shareholders are asked to consider and approve remains unchanged.

The Directors consider that the Proposed Refreshment of General Mandate is fair and reasonable and is in the interests and for the benefit of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any refreshment of the existing general mandate before the next annual general meeting shall be subject to the Shareholders' approval at a general meeting of the Company at which the controlling Shareholders and its associates shall abstain from voting in favour of the resolution in connection with the Proposed Refreshment of General Mandate. Dr. Hon. So Yuk Kwan, the chairman of the Company, through B.K.S. Company Limited and Jade Concept Limited, was interested in 261,916,189 Shares, being approximately 56.16% of the issued share capital of the Company as at the Latest Practicable Date. B.K.S. Company Limited and Jade Concept Limited and their respective associates, who control or are entitled to exercise control

LETTER FROM THE BOARD

over the voting rights in respect of their Shares, will abstain from voting in favour of the resolution in connection with the Proposed Refreshment of General Mandate as set out in the notice of EGM. B.K.S. Company Limited and Jade Concept Limited and their respective associates have indicated that they will not vote against the resolution in connection with the Proposed Refreshment of General Mandate.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the EGM will be taken by poll.

EXTRAORDINARY GENERAL MEETING

Set out on pages 22 to 25 of this circular is a notice convening the EGM to consider and, if appropriate, to approve the ordinary resolutions relating to (i) the proposed grant of a specific mandate to allot and issue new Shares in connection with the Placing; and (ii) the proposed grant of the new mandate under the Proposed Refreshment of General Mandate.

A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon, as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 14 of this circular which contains its recommendation to the Independent Shareholders on the Proposed Refreshment of General Mandate. Your attention is also drawn to the letter from Access Capital as set out on pages 15 to 21 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Refreshment of General Mandate.

Based on the reasons set out in the paragraphs headed "Reasons for the Placing and use of proceeds" and "Reasons for and benefits of the Proposed Refreshment of General Mandate" above, the Board considers that the terms of the Placing and that the proposed grant of the new mandate under the Proposed Refreshment of General Mandate are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Board recommends that (i) the Shareholders vote in favour of the ordinary resolution in connection with the Placing; and (ii) the Independent Shareholders vote in favour of the ordinary resolution in connection with the Proposed Refreshment of General Mandate, to be put forward to the Shareholders at the EGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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.

Yours faithfully,
By order of the Board
So Yuk Kwan
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Proposed Refreshment of General Mandate, which has been prepared for the purpose of inclusion in this circular.



AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

5 May 2010

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

We refer to the circular of the Company dated 5 May 2010 (the “Circular”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the Proposed Refreshment of General Mandate. Access Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 15 to 21 of this Circular. Your attention is also drawn to the letter from the Board in the Circular.

Having considered the terms of the Proposed Refreshment of General Mandate and the advice of Access Capital, in particular the principal factors and reasons set out in its letter, we consider that the terms of the Proposed Refreshment of General Mandate are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the grant of the new mandate under the Proposed Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of the new mandate under the Proposed Refreshment of General Mandate.

Yours faithfully,

Independent Board Committee

Dr. Hon. Lui Ming Wah, SBS, JP
Independent non-executive Director

Charles Edward Chapman
Independent non-executive Director

Wong Ka Kit
Independent non-executive Director

LETTER FROM ACCESS CAPITAL

Set out below is the text of a letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Refreshment of General Mandate, for inclusion in this circular.



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

5 May 2010

*To: The Independent Board Committee and
the Independent Shareholders of AV Concept Holdings Limited*

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Refreshment of General Mandate, details of which are set out in the letter from the Board contained in the circular of the Company dated 5 May 2010 to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

At the EGM, an ordinary resolution will be proposed to the Independent Shareholders for approving the Proposed Refreshment of General Mandate to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM plus the number of Shares repurchased by the Company since the granting of the Proposed Refreshment of General Mandate (up to a maximum number equivalent to 10% of the Shares in issue as at the date of the relevant resolution at the annual general meeting of the Company held on 31 August 2009). The Proposed Refreshment of General Mandate will continue in force until whichever is the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of the authority given under the resolution in respect of the Proposed Refreshment of General Mandate by ordinary resolution of the Shareholders in general meetings.

LETTER FROM ACCESS CAPITAL

On the basis of a total of 466,360,419 Shares in issue as at the Latest Practicable Date and assuming that no other Shares including the Placing Shares will be issued or repurchased whatsoever between the Latest Practicable Date and the EGM, the Proposed Refreshment of General Mandate (if granted) will empower the Directors to allot, issue and deal in up to a maximum of 93,272,083 new Shares plus the number of Shares that may be repurchased by the Company since the granting of the new general mandate subject to compliance with the Listing Rules.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any refreshment of the existing general mandate before the next annual general meeting shall be subject to the Shareholders' approval at a general meeting of the Company at which the controlling Shareholder and its associates shall abstain from voting in favour of the resolution in connection with the Proposed Refreshment of General Mandate. Dr. Hon. So Yuk Kwan ("Dr. So"), the chairman of the Company, through B.K.S. Company Limited and Jade Concept Limited, was interested in 261,916,189 Shares, being approximately 56.16% of the issued share capital of the Company as at the Latest Practicable Date. B.K.S. Company Limited and Jade Concept Limited and their respective associates, who control or are entitled to exercise control over the voting rights in respect of their Shares, will abstain from voting in favour of the resolution in connection with the Proposed Refreshment of General Mandate. B.K.S. Company Limited and Jade Concept Limited and their respective associates have indicated that they will not vote against the relevant resolution in connection with the Proposed Refreshment of General Mandate.

BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular.

We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular has been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are made available to us 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. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries.

LETTER FROM ACCESS CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Proposed Refreshment of General Mandate, we have taken into consideration the following principal factors and reasons:

A. Background to and reasons for the Proposed Refreshment of General Mandate

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

At the annual general meeting of the Company held on 31 August 2009, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate under which the Directors were authorised to allot, issue and deal with up to 82,504,883 Shares, which is equivalent to the then 20% issued share capital of the Company as at the date of the said resolution was passed.

The Existing General Mandate was utilized for the allotment and issue of 45,836,000 new Shares pursuant to a top-up subscription agreement dated 3 November 2009, details of which are stated in the Company's announcement dated 3 November 2009, entered into between the Company and B.K.S. Company Limited at a price of HK\$0.681 per Share. Following the issuance and allotment of the Shares after the top-up subscription, only 36,668,883 new Shares could be further issued under the Existing General Mandate. Subject to the passing of the ordinary resolution for the approval of the Proposed Refreshment of General Mandate and assuming that no Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be allowed to allot and issue up to 93,272,083 Shares under the Proposed Refreshment of General Mandate, representing approximately 20% of the issued share capital of the Company of 466,360,419 Shares as at the Latest Practicable Date.

It was stated in the announcement of the Company dated 3 November 2009 that the placing and the top-up subscription were carried out to broaden the capital base of the Company and the net proceeds from such issue of new Shares of approximately HK\$30.7 million would be used for the development of LED business of the Group and as general working capital of the Group. On 18 November 2009, the Company published an announcement regarding an agreement ("Share Purchase Agreement"), in which the Group has agreed to purchase from an independent third party 4.3% of the shareholding in Wavesquare Inc., a company incorporated in the Republic of Korea, at a consideration of approximately HK\$17.16 million. The Company has utilized HK\$17.16 million of the net proceeds from the top-up subscription to pay for the transactions contemplated under the Share Purchase Agreement up to the Latest Practicable Date. On 16 March 2010, the Company published an announcement regarding the subscription of 730,000 new shares of Accupix Co., Ltd. by the Group (the "Investment"), in which the Company stated that the consideration for the Investment would be financed by the Group's internal resources. The Company has utilized the remaining balance of the net proceeds from the top-up subscription to pay the deposit for the Investment up to the Latest Practicable Date.

LETTER FROM ACCESS CAPITAL

On 28 April 2010, the Company announced that the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 57,000,000 Placing Shares to the Placees whom the Placing Agent reasonably believes to be independent investors not connected with or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, at the Placing Price of HK\$1.05 per Placing Share. As at the Latest Practicable Date, the Placing has not completed. The Company intends to use such net proceeds of approximately HK\$58.1 million in the development of LED business including but not limited to possible increase in investment in Wavesquare Inc.'s LED chips business.

Save for the above, the Company has not carried out any other equity fund raising in the 12 months prior to the Latest Practicable Date.

We note from the Company's interim report for the six months ended 30 September 2009 (the "Interim Report") that the Group had unaudited cash and bank balances of approximately HK\$80.1 million and interest-bearing bank borrowing repayable within one year or on demand of approximately HK\$327.5 million as at 30 September 2009. The Group has to either refinance the bank borrowings or repay the outstanding amount when they fall due. Issuing new Shares would improve the Group's capital structure by having more long-term financing in the form of equity.

We also note from the Interim Report that the Group has been diversifying the distribution product mix to protect business margin. On 26 October 2007, the Group acquired approximately 18.9% of the share capital of Wavesquare Inc. based in Korea at a consideration of approximately HK\$15.6 million and further increased the investment in Wavesquare Inc. at a consideration of approximately HK\$17.2 million. On 16 July 2009, the Group entered into a joint venture agreement for the formation of FLEX Technology Limited. The joint venture company is principally engaged in the distribution of the LED for the display backlight modules, which will complement the Group's relationship with key electronic manufacturers. These investments, along with the approximately HK\$27.9 million subscription in Accupix Co. Ltd. by the Group pursuant to the investment agreement dated 15 March 2010, allow the Group to carry out its corporate strategy of diversifying its distribution product mix.

As mentioned in the annual report of the Company for the year ended 31 March 2009, in view of the economy stimulation scheme and a series of measures announced by the China government to stimulate the domestic demand, the Directors think that the market demand in environmental friendly and high efficiency energy saving LED products will increase. The Board is of the view that the development of the LED business of the Group is in line with the Group's strategy to take advantage of the growing market demands for environmental friendly and energy saving products and is looking for additional capital to meet the business development funding requirements.

LETTER FROM ACCESS CAPITAL

As stated in the Letter from the Board, the Proposed Refreshment of General Mandate will empower the Directors to issue new Shares under the refreshed limit speedily as and when necessary, and without the need to seek further approval from the Shareholders. This could provide the Company with flexibility and ability to capture any appropriate capital raising or investment or business opportunity when they arise. The Company will explore appropriate equity fund raising opportunities and/or investment opportunities which may or may not require the use of the new mandate to be granted under Proposed Refreshment of General Mandate. As at the Latest Practicable Date, the Company did not have any specific plan which may utilise any part of the new mandate to be granted under the Proposed Refreshment of General Mandate (if granted). If the Company proposes to issue any new Shares for business acquisitions or equity fund raising, it will make further announcement(s) as and when required. We concur with the management of the Company that funding requirements or appropriate investment opportunities may arise at any time and such funding or investment decisions may have to be made within a short period of time. Should the issuance of new Shares be required and a specific mandate be sought, the Directors are uncertain as to whether the requisite approval from Shareholders or Independent Shareholders, as the case may be, could be obtained in a timely manner. Accordingly, the Proposed Refreshment of General Mandate will provide the Group with the flexibility of issuing new Shares to raise capital within a short period of time.

We understand from the management of the Company that apart from equity financing, the Directors will also consider other financing alternatives such as debt financing as possible fund raising method for the Group to meet its financial requirements, depending on the then financial position, capital structure and cost of funding of the Group as well as the then market condition. We note that on 7 April 2010, the Company announced that it acted as guarantor for credit facilities provided by commercial banks to AV Concept Limited (“AVC”), AVC Technology (International) Limited (“AVCTI”) and Plus Good Enterprises Limited (“PGEL”), which are wholly owned subsidiaries of the Company and FLEX Technology Limited (“JVC”), a company owned as to 50% by the Group. Details of the credit facilities provided by the four commercial banks to AVC, AVCTI, PGEL and/or JVC are set out in the announcement of the Company dated 7 April 2010. However, additional debt financing shall inevitably increase the interest burden to the Group and it may subject to lengthy due diligence and negotiations between the Group and its financiers.

Should the Placing is approved by the Shareholders at the EGM, the Company will raise a total of approximately HK\$58.1 million after expenses for the development of LED business including but not limited to possible increase in investment in Wavesquare Inc.’s LED chips business. Taking into account (i) the Group’s interest-bearing bank borrowing repayable within one year or on demand of approximately HK\$327.5 million as at 30 September 2009 and (ii) the business development funding requirements in the LED business, we are of the view that the Proposed Refreshment of General Mandate would provide an additional source of funding as and when appropriate.

LETTER FROM ACCESS CAPITAL

In view of the above and having considered that the approval of the Proposed Refreshment of General Mandate shall (i) provide the Company with the flexibility to raise additional fund to carry out its corporate strategy of diversifying its distribution product mix and to enable the Group to readily invest in attractive opportunities should such opportunities arise; (ii) provide the Directors with greater autonomy and more flexibility in their decision making process in responding to the rapidly changing capital market in a timely manner; and (iii) offer the Group an opportunity to finance its long-term growth with long-term funding in the form of equity, which will strengthen the Group's capital structure and will not have refinancing risk and interest burden, we concur with the Directors' view that the Proposed Refreshment of General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development and/or possible investment opportunities should they arise. Accordingly, we consider that the Proposed Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

B. Potential dilution to shareholdings of the Independent Shareholders

Assuming full utilisation of the Proposed Refreshment of General Mandate and no Shares will be issued and/or repurchased during the period between the Latest Practicable Date and the date of EGM, 93,272,083 new Shares will be issued. Upon full utilisation of the Proposed Refreshment of General Mandate to independent third parties, (i) the aggregate shareholding of the Independent Shareholders will be reduced from approximately 43.84% to approximately 36.53%; and (ii) Dr. So's shareholding in the Company (through B.K.S. Company Limited and Jade Concept Limited) will be reduced from approximately 56.16% to approximately 46.80%. Under such circumstances, Dr. So and parties acting in concert with him would be subject to the 2% creeper under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code") and, when exceeding the 2% creeper, they would be obliged to make a mandatory general offer under the Takeovers Code.

Assuming the Placing is approved by the Shareholders at the EGM and there are no other changes to the issued share capital of the Company, immediately after completion of the Placing, Dr. So and other existing public Shareholders ("Other Existing Public Shareholders") would be interested in approximately 50.05% and 39.06% of the issued share capital of the Company, respectively. Upon full utilisation of the Proposed Refreshment of General Mandate to independent third parties, (i) the aggregate shareholding of the Other Existing Public Shareholders will be further reduced from approximately 39.06% to approximately 33.15%; and (ii) Dr. So's shareholding in the Company will be reduced from approximately 50.05% to approximately 42.48%. Under such circumstances, Dr. So and parties acting in concert with him would be subject to the 2% creeper under Rule 26.1 of the Takeovers Code and, when exceeding the 2% creeper, they would be obliged to make a mandatory general offer under the Takeovers Code.

LETTER FROM ACCESS CAPITAL

Taking into account the benefits of the Proposed Refreshment of General Mandate mentioned in the section headed “Background to and reasons for the Proposed Refreshment of General Mandate” above and the fact that the shareholdings of all Shareholders will be diluted to the same extent as long as no new Shares under the Proposed Refreshment of General Mandate are issued to existing Shareholders, we consider the potential dilution of shareholdings to be acceptable.

RECOMMENDATION

Having considered the principal factors and reasons set out in this letter, we concur with the view of the Board that the Proposed Refreshment of General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to approve the Proposed Refreshment of General Mandate.

Yours faithfully,
For and on behalf of
Access Capital Limited
Jimmy Chung
Principal Director

NOTICE OF EXTRAORDINARY GENERAL MEETING



AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of AV Concept Holdings Limited (“**Company**”) will be held at 6th Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong on Thursday, 20 May 2010 at 10:30 a.m. to consider and, if thought fit, transact the following ordinary businesses:

ORDINARY RESOLUTIONS

1. “**THAT** subject to the fulfillment of the terms and conditions set out in the placing agreement dated 27 April 2010, as amended by a supplemental agreement dated 28 April 2010, (the “**Placing Agreement**”) entered into between the Company and Kingsway Financial Services Group Limited (a copy of the Placing Agreement having been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) in respect of the placing of up to 57,000,000 new shares of HK\$0.10 each in the capital of the Company (the “**Placing Shares**”) at a placing price of HK\$1.05 per Placing Share and on such terms and conditions set out thereon (the “**Proposed Placing**”):
 - (a) the Placing Agreement in relation to the Proposed Placing and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (b) the placing of the Placing Shares to the places pursuant to the Placing Agreement be and is hereby approved and the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue the Placing Shares pursuant to the Placing Agreement; and
 - (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Placing Agreement and the transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Placing Agreement) as are, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “**THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with the unissued shares (each a “**Share**”) of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers after the expiry of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed the aggregate of:
 - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
 - (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) subject to the passing of each of the paragraphs (a), (b) and (c) of this resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this resolution which had been granted to the Directors and which are still in effect be and are hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution); and
- (e) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; or
- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meetings;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares whose names appear on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong SAR).”

By order of the Board of
AV CONCEPT HOLDINGS LIMITED
So Yuk Kwan
Chairman

Hong Kong, 5 May 2010

NOTICE OF EXTRAORDINARY GENERAL MEETING

Head office and principal place of business in Hong Kong:

6th Floor
Enterprise Square Three
39 Wang Chiu Road
Kowloon Bay
Hong Kong

Notes:

1. A form of proxy for use at the EGM is being despatched to the shareholders of the Company together with a copy of this notice.
2. Any shareholder of the Company entitled to attend and vote at the EGM convened by the above notice shall be entitled to appoint one proxy or, if he is the holder of two or more Shares, more than one proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM convened or any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint registered holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such shares shall alone be entitled to vote.
7. In accordance with the Listing Rules, B.K.S. Company Limited and Jade Concept Limited and their respective associates shall abstain from voting in favour in respect of ordinary resolution numbered 2 set out in the notice above.