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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

DISCLOSEABLE TRANSACTION : SUBSCRIPTION OF SHARES IN AVPEL

THE 2012 SHAREHOLDERS' AGREEMENT – SUBSCRIPTION

On 9 January 2012, AVEGL, a wholly-owned subsidiary of the Company, Good Profit and AVPEL entered into the 2012 Shareholders' Agreement, pursuant to which, among others, AVEGL and Good Profit agreed to subscribe for 57,500,000 new shares and 17,500,000 new shares in AVPEL respectively at the subscription price of HK\$1 per new share.

AVPEL is a company incorporated in Hong Kong with limited liability and is a joint venture owned by AVEGL and Good Profit to engage in the trading of semiconductors and electronic components. Immediately before completion of the Subscription, each of AVEGL and Good Profit holds 50% equity interest of AVPEL. Upon completion of the Subscription, the issued share capital of AVPEL will be held as to 75% by AVEGL and 25% by Good Profit. Notwithstanding the Group's increase in shareholding interest in AVPEL, as neither AVEGL nor Good Profit has control of the board of AVPEL after the Subscription, AVPEL will continue to be accounted as a jointly-controlled entity (instead of a subsidiary) of the Company.

IMPLICATION UNDER THE LISTING RULES

The Subscription contemplated under the 2012 Shareholders' Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is subject to reporting and announcement requirements of Chapter 14 of the Listing Rules.

On 9 January 2012, AVEGL, a wholly-owned subsidiary of the Company, Good Profit and AVPEL entered into the 2012 Shareholders' Agreement. The principal terms of the 2012 Shareholders' Agreement are set out below:

THE 2012 SHAREHOLDERS' AGREEMENT

Date

9 January 2012

Parties

- (i) AVEGL, a wholly-owned subsidiary of the Company;
- (ii) Good Profit; and
- (iii) AVPEL, which is held as to 50% by each of AVEGL and Good Profit as at the date of the 2012 Shareholders' Agreement.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, (i) the principal business of Good Profit is the distribution of electronic components in Hong Kong and the People's Republic of China and (ii) each of Good Profit and its ultimate beneficial owners is an independent third party of the Company and the connected persons of the Company.

Subscription

Pursuant to the 2012 Shareholders' Agreement, AVEGL and Good Profit have agreed to subscribe for 57,500,000 new shares and 17,500,000 new shares of AVPEL respectively at the subscription price of HK\$1 per each share of AVPEL in cash before 30 April 2012 (or such other later date as may be agreed between AVEGL and Good Profit). As at the date of the 2012 Shareholders' Agreement, AVPEL had 5,000,000 shares in issue and each of AVEGL and Good Profit holds 50% of such issued share capital. Upon completion of the Subscription, the issued share capital of AVPEL will be held as to 75% by AVEGL and 25% by Good Profit. The abovementioned subscription by AVEGL and Good Profit must take place simultaneously and neither party is obliged to subscribe, and make payment, for the shares under the 2012 Shareholders' Agreement if the other party fails to do so. Notwithstanding the Group's increase in shareholding interest in AVPEL upon completion of the Subscription, AVPEL will not become a subsidiary of AVEGL as AVEGL does not have control over the board of AVPEL and AVPEL will be continued to be accounted as a jointly-controlled entity of the Company.

It is intended that the Group will finance the aggregate subscription price of HK\$57,500,000 by its internal resources.

Neither AVEGL nor Good Profit is obliged to make further capital contribution to AVPEL when the issued share capital of AVPEL is equal to or exceeds HK\$80,000,000 (or an equivalent amount) unless otherwise agreed by them in writing.

Upon completion of the Subscription, the respective proportion of AVEGL and Good Profit in their aggregate liability in relation to AVPEL's liability to independent third party of AVEGL and Good Profit (including but not limited to their guarantee(s) made in favor of AVPEL and AVPEL's loan liabilities to banks) shall be in proportion to their ownership percentage in AVPEL as of such time except when AVEGL and Good Profit otherwise agree. In the event there is any difference between the aforesaid liability proportion and ownership percentage proportion, the benefiting party shall indemnify the other party for any shortfalls or losses resulted thereof.

Management of AVPEL

The board of AVPEL shall comprise two directors. Each of AVEGL and Good Profit shall have the right to nominate one director. All resolutions of the board of directors of AVPEL shall be decided by a majority of votes.

As neither AVEGL nor Good Profit has control of the board of AVPEL after the Subscription, the results of AVPEL will not be consolidated with that of the Company and AVPEL will continue to be accounted as a jointly-controlled entity of the Company.

Matters requiring consent of majority of shareholders

AVPEL shall not carry out any of the following actions unless consent of each shareholder of AVPEL holding not less than 20% of the voting rights of AVPEL is obtained:

- (a) the creation or issue of any shares or the grant of any options over any shares or the uncalled capital of AVPEL or, where applicable, its subsidiaries or the issue of any warrant, debentures, securities or other obligations convertible into shares or enter into any agreement to do any of the same (save for any issue of shares to shareholders in proportion to their respective holdings in AVPEL);
- (b) the capitalisation, repayment or other form of distribution of any amount standing to the credit of any reserve of AVPEL on the redemption or purchase of any shares or any other reorganisation of share capital;
- (c) the winding-up or liquidation of AVPEL or any of its subsidiaries;
- (d) the alteration of the rights attaching to any shares or any reorganisation of the share capital of AVPEL;
- (e) the change of the name or the trading name of AVPEL, the alteration of the memorandum or articles of association of AVPEL, and the passing of any resolutions, inconsistent with the provision of the 2012 Shareholders' Agreement;
- (f) the amalgamation or merger of AVPEL or any of its subsidiaries with any other company or concern;
- (g) the addition of new members to the board or the alteration of the composition of the board (save pursuant to the provisions contained in the 2012 Shareholders' Agreement);
- (h) the admission of any person whether by subscription or transfer as a member of AVPEL other than in accordance with the provisions of the 2012 Shareholders' Agreement;
- (i) the change of the business of AVPEL;

- (j) the acquisition or establishment of any subsidiaries, the entering into of any partnership, joint venture or other forms of co-operation;
- (k) the making any major decisions relating to the initiation or conduct (including the settlement) of legal or administrative proceedings (whether actual or potential) to which AVPEL is or might become a party, excluding claims of less than HK\$500,000;
- (l) the appointment, reappointment or removal of AVPEL's auditors; and
- (m) the entering into, amendment to or cancellation of, any contract, agreement or transaction between AVPEL or any of its subsidiaries and a shareholder, the contracted amount or the consideration involved exceeds HK\$100,000.

INFORMATION ON AVPEL

AVPEL (formerly known as United Benefits Limited as referred to in the Company's announcement dated 16 December 2009) is a limited liability company incorporated in Hong Kong on 13 October 2009. AVPEL is a joint venture company of AVEGL and Good Profit to engage in the trading of semiconductors and electronic components.

The unaudited consolidated net asset value and total asset value of AVPEL as at 31 October 2011 were approximately HK\$31.4 million and approximately HK\$226.3 million respectively.

Set out below is a summary of certain consolidated financial information of AVPEL for (i) the period from 13 October 2009 (date of its incorporation) to 31 December 2010 and (ii) the period for the 10 months ended 31 October 2011.

	From 13 October 2009 (date of incorporation) to 31 December 2010 (Audited) US\$	For the 10 months ended 31 October 2011 (Unaudited) HK\$
Net profit (before taxation and extraordinary items)	2,592,510 (equivalent to HK\$20,221,578)	11,721,440
Net profit (after taxation and extraordinary items)	2,159,204 (equivalent to HK\$16,841,791)	9,697,204

As the Group does not and will not control the board of directors of AVPEL (which consist of two members, one of whom will be nominated by the Group), following the completion of the Subscription, AVPEL will continue to be accounted as a jointly-controlled entity of the Company notwithstanding the Group's shareholding interest in it will be increased from 50% to 75%.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The principal activities of the Group consist of the marketing and distribution of electronic components, and the design, development and sale of electronic products.

As additional capital is required in line with the business development and expansion of AVPEL, AVEGL and Good Profit have agreed to inject additional funds to AVPEL by way of shareholder's equity. After the Subscription, the Group's share of profit distribution of AVPEL will be increased from 50% to 75%. The Directors consider that the terms of the 2012 Shareholders' Agreement are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Subscription contemplated under the 2012 Shareholders' Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is subject to reporting and announcement requirements of Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“2012 Shareholders' Agreement”	the shareholders' agreement dated 9 January 2012 entered into between AVEGL, Good Profit and AVPEL
“AVEGL”	AV Electronics Group Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of the Company
“AVPEL”	AVP ELECTRONICS LIMITED (formerly known as United Benefits Limited), a company incorporated in Hong Kong with limited liability
“Board”	the board of Directors
“Company”	AV Concept Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Good Profit”	Good Profit Hong Kong Group Limited, a company incorporated in Hong Kong with limited liability, being the joint venture partner of the Group in respect of AVPEL
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 57,500,000 shares of AVPEL of HK\$1.00 each by AVEGL pursuant to the terms and conditions of the 2012 Shareholders’ Agreement
“US\$”	United States dollars, the lawful currency of United States of America

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

Hong Kong, 9 January 2012

As at the date of this announcement, the Board comprises three executive Directors, Dr. Hon. So Yuk Kwan (Chairman), Mr. So Chi On and Mr. Ho Choi Yan, Christopher and three independent nonexecutive Directors, Dr. Hon. Lui Ming Wah, SBS, JP, Mr. Charles E. Chapman and Mr. Wong Ka Kit.

In this announcement, for the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of US\$1.00 to HK\$7.80. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.