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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF NEW SHARES AND ACQUISITION OF EXISTING SHARES IN A KOREAN COMPANY AND RESUMPTION OF TRADING

On 31 May 2010, New Concept entered into the 2010 Subscription Agreements with Wavesquare pursuant to which (i) New Concept has conditionally agreed to subscribe for, and Wavesquare has agreed to issue to New Concept, 370,796 new Wavesquare Shares at the subscription price of US\$4 million (equivalent to approximately HK\$31.2 million); and (ii) New Concept has conditionally agreed to subscribe for a further 302,341 new Wavesquare Shares at the subscription price of US\$3,261,540 (equivalent to approximately HK\$25.4 million).

In addition to the above, on 31 May 2010, New Concept entered into the 2010 Share Purchase Agreement with Mr. Ng, pursuant to which New Concept has agreed to purchase, and Mr. Ng has agreed to sell, 77,602 existing Wavesquare Shares at the consideration of US\$875,000 (equivalent to approximately HK\$6.83 million).

The transactions contemplated under the 2010 Subscription Agreements and the 2010 Share Purchase Agreement in aggregate constitute a discloseable transaction for the Company under Listing Rule 14.06(2).

On 18 November 2009, New Concept entered into the 2009 Share Purchase Agreement with Mr. Lee pursuant to which New Concept has agreed to conditionally purchase, and Mr. Lee has agreed to sell, 267,000 existing Wavesquare Shares at the consideration of US\$2.2 million (equivalent to approximately HK\$17.16 million).

On 31 May 2010, New Concept and Mr. Lee entered into the Termination Agreement, pursuant to which New Concept and Mr. Lee mutually agreed to terminate the 2009 Share Purchase Agreement. New Concept had remitted the consideration of US\$2.2 million to Mr. Lee pursuant to the 2009 Share Purchase Agreement. According to the Termination Agreement, Mr. Lee shall return and remit such consideration received from New Concept back to New Concept within six months from the date of the Termination Agreement. The Termination Agreement is subject to the Share Pledge Agreement pursuant to which Mr. Lee has agreed to pledge all of his rights and interests over 267,000 existing Wavesquare Shares to New Concept as collateral security for the full performance of his obligations under the Termination Agreement.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9.30 a.m. on 31 May 2010 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9.30 a.m. on 2 June 2010.

SUBSCRIPTION OF NEW SHARES AND ACQUISITION OF EXISTING SHARES IN A KOREAN COMPANY

On 31 May 2010, New Concept entered into the 2010 Subscription Agreements with Wavesquare pursuant to which (i) New Concept has conditionally agreed to subscribe for, and Wavesquare has agreed to issue to New Concept, 370,796 new Wavesquare Shares at the subscription price of US\$4 million (equivalent to approximately HK\$31.2 million); and (ii) subject to, among other things, the Tranche 1 Completion, New Concept has conditionally agreed to subscribe for a further 302,341 new Wavesquare Shares at the subscription price of US\$3,261,540 (equivalent to approximately HK\$25.4 million).

In addition to the above, on 31 May 2010, New Concept entered into the 2010 Share Purchase Agreement with Mr. Ng pursuant to which New Concept has agreed to purchase, and Mr. Ng has agreed to sell, 77,602 existing Wavesquare Shares at the consideration of US\$875,000 (equivalent to approximately HK\$6.83 million). The 2010 Share Purchase Agreement is not inter-conditional with the 2010 Subscription Agreements.

As at the date of this announcement, the Group, through New Concept, is interested in 1,056,893 Wavesquare Shares, representing approximately 17.02% of Wavesquare Shares in issue.

THE 2010 TRANCHE 1 SUBSCRIPTION AGREEMENT

Date

31 May 2010

Parties

Issuer: Wavesquare

Subscriber: New Concept

Pursuant to the 2010 Tranche 1 Subscription Agreement, New Concept has conditionally agreed to subscribe for, and Wavesquare has conditionally agreed to issue to New Concept, 370,796 new Wavesquare Shares representing approximately 5.63% of Wavesquare's issued share capital as enlarged by the Tranche 1 Subscription at the subscription price of US\$4 million (equivalent to approximately HK\$31.2 million). Upon the Tranche 1 Completion, New Concept's interest in Wavesquare will increase from approximately 17.02% of Wavesquare's existing issued share capital to approximately 21.69% (as enlarged by the Tranche 1 Subscription). Upon the Tranche 1 Completion, Wavesquare will become an associated company of the Company and its results will be equity accounted for in the Company's consolidated financial statements.

Conditions precedent and completion

The Tranche 1 Completion is subject to the fulfillment of, among other things, the following conditions by Wavesquare (unless waived by New Concept):

- the 2009 Share Purchase Agreement shall have been terminated, and the transactions provided for therein shall have been unwound, on conditions satisfactory to New Concept in its sole discretion; and
- Mr. Lee shall have granted a share pledge to New Concept over 267,000 Wavesquare Shares pursuant to the Share Pledge Agreement and such pledge shall have been duly perfected.

Subject to the terms and conditions of the 2010 Tranche 1 Subscription Agreement, the Tranche 1 Completion shall take place on the 15th business day after the conditions under the 2010 Tranche 1 Subscription Agreement are fulfilled, or such other date as agreed by the parties. If the Tranche 1 Completion has not occurred by 15 July 2010, either party (who has not intentionally delayed the Tranche 1 Completion) may terminate the 2010 Tranche 1 Subscription Agreement.

THE 2010 TRANCHE 2 SUBSCRIPTION AGREEMENT

Date

31 May 2010

Parties

Issuer: Wavesquare

Subscriber: New Concept

Pursuant to the 2010 Tranche 2 Subscription Agreement, New Concept has conditionally agreed to subscribe for, and Wavesquare has conditionally agreed to issue to New Concept, 302,341 new Wavesquare Shares representing approximately 4.39% of Wavesquare's issued share capital as enlarged by the Subscriptions at the subscription price of US\$3,261,540 (equivalent to approximately HK\$25.4 million). Upon the Tranche 2 Completion, New Concept's interest in Wavesquare will increase from approximately 21.69% of Wavesquare's issued share capital (immediately after the Tranche 1 Completion) to approximately 25.13% (as enlarged by the Subscriptions). Upon the Tranche 2 Completion, Wavesquare will continue to be an associated company of the Company and its results will continue to be equity accounted for in the Company's consolidated financial statements immediately following the Tranche 1 Completion.

Conditions precedent and completion

The Tranche 2 Completion is subject to the fulfillment of, among other things, the following conditions by Wavesquare (unless waived by New Concept):

- the Tranche 1 Completion shall have taken place and there shall have been no breach by Wavesquare of any covenant, representation or warranty under the 2010 Tranche 1 Subscription Agreement; and
- the Termination Agreement and the Share Pledge Agreement shall remain in full force and effect, and there shall have been no breach by Mr. Lee of any covenant, representation or warranty under either such agreement, and such pledge shall have been granted and remain perfected.

Subject to the terms and conditions of the 2010 Tranche 2 Subscription Agreement, the Tranche 2 Completion shall take place on or before 30 June 2010 or such other date as agreed by the parties. If the Tranche 2 Completion has not occurred by 31 August 2010, either party (who has not intentionally delayed the Tranche 2 Completion) may terminate the 2010 Tranche 2 Subscription Agreement.

SUBSCRIPTION PRICE

The subscription prices in respect of the Subscriptions were arrived at after arm's length negotiation between the Group and Wavesquare with reference to, among other things, the audited financial information of Wavesquare for the two years ended 31 December 2008 and 2009, the unaudited net assets value of Wavesquare as at 31 March 2010 of KRW15.22 billion (equivalent to approximately HK\$95.2 million), the expertise and professional industry knowledge of the management of Wavesquare and the potential business growth of Wavesquare. The Directors (including the independent non-executive Directors) consider that the terms of the 2010 Subscription Agreements and the subscription prices in respect of the Subscriptions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group will fund the consideration for the Subscriptions from its internal resources part of which are attributable to the net proceeds of HK\$58.1 million resulting from its placing of new Shares which was completed on 26 May 2010.

THE 2010 SHARE PURCHASE AGREEMENT

Date

31 May 2010

Parties

Purchaser: New Concept

Vendor: Mr. Ng, a third party independent of and not connected with the Company or its connected persons

Pursuant to the 2010 Share Purchase Agreement, New Concept has agreed to purchase, and Mr. Ng has agreed to sell to New Concept, 77,602 existing Wavesquare Shares at the consideration of US\$875,000 (equivalent to approximately HK\$6.83 million). The Sale Shares represent approximately 1.25% of Wavesquare's issued share capital as at the date of this announcement. Upon completion of the 2010 Acquisition, New Concept's interest in Wavesquare will increase from approximately 17.02% of Wavesquare's existing issued share capital to approximately 18.27% and Wavesquare will continue to be designated as an available-for-sale investment and measured at cost immediately following completion of the 2010 Acquisition if it takes place prior to the Tranche 1 Completion.

Assuming completion of the Subscriptions has taken place, the Sale Shares represent approximately 1.13% of Wavesquare's issued share capital as enlarged by the Subscriptions. Upon completion of the 2010 Acquisition, New Concept's interest in Wavesquare will increase from approximately 25.13% (immediately after the Tranche 2 Completion) to approximately 26.26% (as enlarged by the Subscriptions) and Wavesquare will continue to be an associated company of the Company and its results will continue to be equity accounted for in the Company's consolidated financial statements immediately following the completion of the Subscriptions.

The 2010 Share Purchase Agreement is not inter-conditional with the 2010 Subscription Agreements.

Completion

The transfer of the Sale Shares as contemplated in the 2010 Share Purchase Agreement shall be completed immediately following the receipt, by Mr. Ng, of the consideration of US\$875,000.

Consideration

The consideration for the 2010 Acquisition was arrived at after arm's length negotiation between the Group and Mr. Ng with reference to, among other things, the audited financial information of Wavesquare for the two years ended 31 December 2008 and 2009, the unaudited net assets value of Wavesquare as at 31 March 2010 of KRW15.22 billion (equivalent to approximately HK\$95.2 million), the expertise and professional industry knowledge of the management of Wavesquare and the potential business growth of Wavesquare. The Directors (including the independent non-executive Directors) consider that the terms of the 2010 Share Purchase Agreement and the consideration for the 2010 Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group will fund the consideration for the 2010 Acquisition from its internal resources part of which are attributable to the net proceeds of HK\$58.1 million resulting from its placing of new Shares which was completed on 26 May 2010.

INFORMATION ON WAVESQUARE

Wavesquare, a company incorporated in the Republic of Korea, carries on the business of research, development and manufacturing of the super high brightness LED wafer.

Based on the audited accounts received by the Company (which were prepared in accordance with financial accounting standards generally accepted in the Republic of Korea), the financial information of Wavesquare for the two years ended 31 December 2008 and 2009 are as follows:

	For the financial year ended 31 December 2008		For the financial year ended 31 December 2009	
	KRW	(equivalent to HK\$)	KRW	(equivalent to HK\$)
Revenue	–	–	395,155,713	2,470,000
(Loss) before extraordinary items and taxation	(1,438,522,833)	(8,991,000)	(2,257,536,066)	(14,110,000)
(Loss) after extraordinary items and taxation	(1,132,829,310)	(7,080,000)	(1,908,149,487)	(11,926,000)

	As at 31 December 2008		As at 31 December 2009	
	<i>KRW</i>	<i>(equivalent to HK\$)</i>	<i>KRW</i>	<i>(equivalent to HK\$)</i>
Net assets value	10,574,582,826	66,091,000	16,085,392,861	100,534,000

Pursuant to an agreement to subscribe for new Wavesquare Shares entered into between New Concept and Wavesquare on 26 October 2007 as announced by the Company on 29 October 2007, New Concept acquired 1,056,893 new Wavesquare Shares, representing approximately 17.02% of the Wavesquare Shares in issue as at the date of this announcement, at the consideration of US\$2 million (equivalent to approximately HK\$15.6 million). Save for the above, to the best of the Director's knowledge, information and belief and having made all reasonable enquiries, Wavesquare and the ultimate beneficial owners of Wavesquare are third parties independent of the Company and its connected persons.

Termination Agreement

Reference is made to the announcement of the Company dated 18 November 2009. On 18 November 2009, New Concept entered into the 2009 Share Purchase Agreement with Mr. Lee pursuant to which New Concept has agreed to conditionally purchase, and Mr. Lee has agreed to sell, 267,000 existing Wavesquare Shares at the consideration of US\$2.2 million (equivalent to approximately HK\$17.16 million). On 31 May 2010, New Concept and Mr. Lee entered into the Termination Agreement, pursuant to which New Concept and Mr. Lee mutually agreed to terminate the 2009 Share Purchase Agreement. New Concept had remitted the consideration of US\$2.2 million to Mr. Lee pursuant to the 2009 Share Purchase Agreement. According to the Termination Agreement, Mr. Lee shall return and remit such consideration received from New Concept back to New Concept within six months from the date of the Termination Agreement. The Termination Agreement is subject to the Share Pledge Agreement pursuant to which Mr. Lee has agreed to pledge all of his rights and interests over 267,000 existing Wavesquare Shares to New Concept as collateral security for the full performance of his obligations under the Termination Agreement.

REASONS FOR THE SUBSCRIPTIONS AND THE 2010 ACQUISITION

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

As mentioned above, Wavesquare is principally engaged in research, development and manufacturing of the super high brightness LED wafer. The Group remains confident that the high brightness LED sector possesses significant potential. As high brightness LED wafer can provide superior illumination and consume less energy than traditional lighting, such attributes perfectly correspond with the PRC Government's initiatives of promoting environmentalism and industries involved in energy conservation. Backed by a proven distribution network in the Greater China region, the Group will strive to deliver solid results by winning customers in the LED market and thus increase the portion of higher margin products which will eventually help to improve the Group's overall operational and financial performance.

The Group is of the view that the issue of new Wavesquare Shares under the 2010 Subscription Agreements and the capital injection by the Group shall strengthen the capital base of Wavesquare.

The acquisition of 267,000 existing Wavesquare Shares at the consideration of US\$2.2 million pursuant to the 2009 Acquisition represents approximately 3.88% of Wavesquare's issued share capital as enlarged by the Subscriptions. The subscription of a total of 673,137 new Wavesquare Shares and the acquisition of 77,602 existing Wavesquare Shares with the total consideration of approximately US\$8.14 million pursuant to the 2010 Subscription Agreements and the 2010 Share Purchase Agreement respectively represent approximately 10.91% of the issued share capital of Wavesquare as enlarged by the Subscriptions.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9.30 a.m. on 31 May 2010 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9.30 a.m. on 2 June 2010.

GENERAL

The transactions contemplated under the 2010 Subscription Agreements and the 2010 Share Purchase Agreement in aggregate constitute a discloseable transaction for the Company under Listing Rule 14.06(2).

DEFINITIONS

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

“2009 Acquisition”	the conditional acquisition by New Concept, and the sale by Mr. Lee to New Concept, 267,000 existing Wavesquare Shares at the consideration of US\$2.2 million (equivalent to approximately HK\$17.16 million)
“2009 Share Purchase Agreement”	the share purchase agreement dated 18 November 2009 entered into between New Concept and Mr. Lee in relation to the 2009 Acquisition
“2010 Acquisition”	the conditional acquisition by New Concept, and the sale by Mr. Ng to New Concept, 77,602 existing Wavesquare Shares at the consideration of US\$875,000 (equivalent to approximately HK\$6.83 million)

“2010 Share Purchase Agreement”	the share purchase agreement dated 31 May 2010 entered into between New Concept and Mr. Ng in relation to the 2010 Acquisition
“2010 Subscription Agreements”	the 2010 Tranche 1 Subscription Agreement and the 2010 Tranche 2 Subscription Agreement collectively
“2010 Tranche 1 Subscription Agreement”	the agreement entered into between New Concept and Wavesquare in relation to the Tranche 1 Subscription
“2010 Tranche 2 Subscription Agreement”	the agreement entered into between New Concept and Wavesquare in relation to the Tranche 2 Subscription
“Board”	the board of Directors of the Company
“Company”	AV Concept Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong SAR
“KRW”	the dollar unit in the lawful currency of the Republic of Korea
“LED”	light-emitting diode, an electronic light source
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lee”	Mr. Lee Yong Hyon, a third party independent of and not connected with the Company or its connected persons
“Mr. Ng”	Mr. Ng Chung Wai, a third party independent of and not connected with the Company or its connected persons
“New Concept”	New Concept Capital Limited, a company incorporated in British Virgin Islands and a wholly owned subsidiary of the Company

“PRC”	the People’s Republic of China
“Sale Shares”	77,602 existing Wavesquare Shares to be purchased by New Concept from Mr. Ng pursuant to the 2010 Share Purchase Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Pledge Agreement”	the share pledge agreement dated 31 May 2010 entered into between New Concept and Mr. Lee pursuant to which Mr. Lee has agreed to pledge all of his rights and interests over 267,000 Wavesquare Shares to New Concept as collateral security for the full performance of his obligations under the Termination Agreement
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the Tranche 1 Subscription and the Tranche 2 Subscription collectively
“Termination Agreement”	the termination agreement dated 31 May 2010 entered into between New Concept and Mr. Lee in relation to the termination of the 2009 Share Purchase Agreement
“Tranche 1 Completion”	completion of the Tranche 1 Subscription pursuant to the 2010 Tranche 1 Subscription Agreement
“Tranche 2 Completion”	completion of the Tranche 2 Subscription pursuant to the 2010 Tranche 2 Subscription Agreement
“Tranche 1 Subscription”	the subscription by New Concept, and the issue by Wavesquare to New Concept, 370,796 new Wavesquare Shares at the consideration of US\$4 million pursuant to the 2010 Tranche 1 Subscription Agreement
“Tranche 2 Subscription”	the subscription by New Concept, and the issue by Wavesquare to New Concept, 302,341 new Wavesquare Shares at the consideration of US\$3,261,540 pursuant to the 2010 Tranche 2 Subscription Agreement

“US\$”	United States Dollars, the lawful currency of the United States of America
“Wavesquare”	Wavesquare Inc., a company incorporated under the laws of the Republic of Korea
“Wavesquare Share(s)”	the common share(s) of par value KRW500 each in Wavesquare
“%”	per cent

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

Hong Kong, 1 June 2010

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

For the purpose of illustration only, sums in this announcement expressed in (i) KRW have been translated into HK\$ at the rate of KRW160 = HK\$1.00; and (ii)US\$ have been translated into HK\$ at the rate of US\$1.00 = HK\$7.80.