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## **AV CONCEPT HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 595)

### **VOLUNTARY ANNOUNCEMENT PROPOSED ISSUE OF CONVERTIBLE REDEEMABLE PREFERENCE SHARES BY MEMORIKI HOLDINGS LIMITED**

The Board is pleased to announce that on 12 July 2011, Memoriki Holdings, Memoriki and the Investors entered into the Subscription Agreement, pursuant to which the Investors have conditionally agreed to subscribe for the Convertible Redeemable Preference Shares at the total subscription price of US\$2,999,925. It is expected that the Convertible Redeemable Preference Shares will represent 22.5% of the then total outstanding share capital of Memoriki Holdings immediately upon completion of the Subscription (as enlarged by the allotment and issue of the Convertible Redeemable Preference Shares).

In connection with the Subscription and as one of the Closing Conditions, the Company, the Investors and Memoriki Holdings will enter into the Letter Agreement, details of which are set out below.

This is a voluntary announcement made by AV Concept Holdings Limited (“**Company**”).

### **PROPOSED ISSUE OF CONVERTIBLE REDEEMABLE PREFERENCE SHARES BY MEMORIKI HOLDINGS LIMITED**

The Board is pleased to announce that on 12 July 2011, (i) Memoriki Holdings Limited (an associated company of the Company) (“**Memoriki Holdings**”) (ii) Memoriki Limited (a wholly-owned subsidiary of Memoriki Holdings) (“**Memoriki**”); and (iii) OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd. and OZ Global Special Investments Master Fund, L.P. (collectively, the “**Investors**”) entered into a subscription agreement (“**Subscription Agreement**”), pursuant to which the Investors have conditionally agreed to subscribe for 22,500 convertible redeemable preference shares of par value US\$0.01 each in the capital of Memoriki Holdings (“**Convertible Redeemable Preference Shares**”) at the total subscription price of US\$2,999,925 (“**Subscription**”). It is expected that the Convertible Redeemable Preference Shares will represent 22.5% of the then total outstanding share capital of Memoriki Holdings immediately upon completion of the Subscription (as enlarged by the allotment and issue of the Convertible Redeemable Preference Shares). Completion of the Subscription shall occur within five business days of all of the conditions to the Subscription (“**Closing Conditions**”) having been satisfied or waived (“**Closing Date**”) and in any event prior to 1 August 2011, unless extended by mutual agreement of the parties in writing.

## **Conversion and redemption of the Convertible Redeemable Preference Shares**

Pursuant to the articles of association of Memoriki Holdings, which are agreed to be adopted by Memoriki Holdings at or before completion of the Subscription (“**New Articles**”), the Convertible Redeemable Preference Shares (a) may be converted into ordinary shares in the capital of Memoriki Holdings, at the option of the holder thereof, at any time and from time to time, at a conversion price to be determined in accordance with the New Articles; (b) will be mandatorily converted into ordinary shares in the capital of Memoriki Holdings upon, among other matters, a qualified initial public offering as provided in the New Articles; and (c) shall be redeemed by Memoriki Holdings, in whole or in part, at the option of any holder of the Convertible Redeemable Preference Shares, which option may be exercised on the third anniversary of the Closing Date or any anniversary of the Closing Date thereafter at a redemption price to be determined in accordance with the New Articles.

## **Information on Memoriki Holdings and Memoriki**

Memoriki Holdings was incorporated in the Cayman Islands with limited liability on 16 June 2011. As at the date of this announcement, Memoriki Holdings was owned as to 50% by Signeo Limited (a wholly-owned subsidiary of the Company) and the remaining 50% by five independent third parties. Memoriki Holdings is an associated company of the Company. Memoriki Holdings is an investment holding company and the sole asset of Memoriki Holdings is 100% equity interest in Memoriki. Memoriki is principally engaged in social media marketing and social game publishing.

## **Letter Agreement from the Company**

In connection with the Subscription and as one of the Closing Conditions, on the Closing Date, the Company, an indirect shareholder of Memoriki Holdings, the Investors and Memoriki Holdings will enter into a letter agreement (“**Letter Agreement**”), pursuant to which the Company will undertake to comply with certain covenants and restrictions, including:

- (i) to procure it or any subsidiary of the Company to enter into a services agreement with Memoriki Holdings and/or Memoriki with respect to the provision of administrative and human resources services and the leasing of office space to Memoriki Holdings and/or Memoriki on terms reasonably satisfactory to the Investors on or prior to 31 December 2011;
- (ii) not to, and to procure its subsidiaries not to:
  - (a) while it is a direct or indirect shareholder of any of Memoriki Holdings and its subsidiaries (“**Memoriki Group Companies**”) carry on or be concerned, engaged or interested directly or indirectly (in any capacity whatsoever) in any trade or business competing with the business of web programming and software engineering, principally focused on developing and publishing applications on social network sites (“**Business**”) at any time during a period of two years preceding the date on which the Company ceases to be a direct or indirect shareholder of any of the Memoriki Group Companies (“**Termination Date**”); or

- (b) during the period of two years commencing on the Termination Date, within Asia and North America carry on or be concerned, engaged or interested directly or indirectly in any capacity whatsoever in any trade or business competing with the Business carried on by any of the Memoriki Group Companies in which it shall have been engaged or involved at any time during the period of two years preceding the Termination Date.

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

Hong Kong, 12 July 2011

*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 non-executive directors, Dr. Hon. Lui Ming Wah, SBS, JP, Mr. Charles E. Chapman and Mr. Wong Ka Kit.*