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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

DISCLOSABLE TRANSACTION: ACQUISITION OF 100% INTEREST IN A KOREAN COMPANY

ACQUISITION OF 100% INTEREST IN A KOREAN COMPANY

On 16 May 2011, AV Electronics, a wholly-owned subsidiary of the Company and the Vendors, entered into the Share Transfer Agreement, pursuant to which AV Electronics conditionally agreed to purchase, and the Vendors, conditionally agreed to sell, the Sale Shares at the Consideration.

The Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements of Chapter 14 of the Listing Rules.

ACQUISITION OF 100% INTEREST IN A KOREAN COMPANY

The Board is pleased to announce that on 16 May 2011, AV Electronics, a wholly-owned subsidiary of the Company and the Vendors, entered into the Share Transfer Agreement. Major terms of the Share Transfer Agreement are set out below.

Share Transfer Agreement

Date:

16 May 2011

Parties:

- Vendors:
- (1) Tae-Suk Hwang, holder of 34,400 Sale Shares
 - (2) Soon-Yong Lee, holder of 24,000 Shares
 - (3) Young-Chul Kim, holder of 12,000 Shares
 - (4) Tae-Gon Park, holder of 8,000 Shares
 - (5) Seung-Hwan Kim, holder of 1,600 Shares

Purchaser: AV Electronics, a wholly-owned subsidiary of the Company. AV Electronics is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Vendors is a third party independent of the Company and its connected persons.

Assets to be acquired:

AV Electronics conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the Sale Shares at the Consideration. The Sale Shares represent the entire issued share capital of the Target Company.

Consideration:

The Consideration shall be a price equal to the following (the "**Initial Aggregate Price**"), subject to adjustment under the sub-paragraph headed "Adjustment to the Initial Aggregate Price" below:

- (a) 3.0 multiplied by the Target Company's net income for FY 2010, based on its financial statements for FY 2010 as audited in AV Electronics' financial due diligence review (the "**Audited 2010 F/S**"); plus
- (b) the net asset value of the Target Company as of 31 December 2010 (the "**Base NAV**"), based on the Audited 2010 F/S.

Adjustment to the Initial Aggregate Price

- (a) Adjustment by reference to the net asset value of the Company as at the Completion Date

The Initial Aggregate Price shall be adjusted by reference to the net asset value of the Target Company as of the Completion Date (the "**Closing NAV**") on a dollar-to-dollar basis provided that in no event shall the Closing-Adjusted Aggregate Price (as defined below) exceed KRW 6,800,000,000. The Initial Aggregate Price as adjusted pursuant to this sub-paragraph (or unadjusted, if the Closing NAV equals the Base NAV) is referred to as the "**Closing-Adjusted Aggregate Price**".

For this purpose, the Parties shall endeavor to jointly review and determine the Closing NAV as soon as practical on or after the Completion. If the Parties do not reach agreement on such valuation within 20 days after the Completion, the Parties shall promptly refer the determination to a neutral accounting firm.

- (b) Adjustment by reference to the sales in FY 2011

If the Target Company's sales during the FY 2011, determined in accordance with Korean GAAP on a consistent basis, are less than 80% of the Target Company's total sales for FY 2010 (based on the Audited 2010 F/S), and such decline below the sales for FY 2010 is not attributable to a Major Disruption, then the Consideration shall be adjusted downward to 90% of the Closing-Adjusted Aggregate Price.

In the event of a good faith disagreement between the Parties over the Closing NAV, or the amount of the Target Company's sales during FY 2011, the Parties, at their own cost, shall promptly refer the dispute for review and final determination by a neutral accounting firm, mutually acceptable to them.

Basis of determination of the Consideration

The Consideration was agreed at after arm's length negotiations between AV Electronics and the Vendors with reference to historical and prospective financial performance of the Target Company.

Payment of the Consideration

AV Electronics shall pay the Consideration in cash to the Vendors as follow:

- (a) at Completion, the amount equal to 50% of the Initial Aggregate Price;
- (b) on the date which is three months from the Completion Date (or, if later, following final determination of the Closing NAV), the amount equal to 70% of the Closing-Adjusted Aggregate Price, less (i) the amount paid by AV Electronics to the Vendors under sub-paragraph (a) above, and (ii) if applicable, the amount of any indemnification claimed by AV Electronics against the Vendors pursuant to the Share Transfer Agreement.
- (c) on or before 31 January 2012, the sum of the Closing-Adjusted Aggregate Price (as further adjusted in accordance with sub-paragraph (b) under the paragraph headed "Adjustment to the Initial Aggregate Price, if applicable) less (i) the amount paid by AV Electronics to the Vendors under sub-paragraph (a) above; (ii) the amount paid by AV Electronics to the Vendors under sub-paragraph (b) above; and (iii) the amount of any indemnification claimed by AV Electronics against the Vendors pursuant to the Share Transfer Agreement (including any such claim amount referred to in sub-paragraph (b) above).

In case of a disagreement over the amount of sales during FY 2011, AV Electronics shall in the meantime pay to the Vendors the amount calculated this sub-paragraph (c) but assuming downward adjustment under sub-paragraph (b) under the paragraph headed "Adjustment to the Initial Aggregate Price" above. In case such adjustment is later determined to be inapplicable, AV Electronics shall pay the difference (between adjusted and unadjusted price) promptly following the determination.

Conditions:

The obligations of each party to the Share Transfer Agreement shall be subject to the fulfillment, at or prior to the Completion Date, of the following conditions:

- (a) all Government Approvals necessary for the transactions under the Share Transfer Agreement have been duly obtained and effected. Any consents, approvals and notices with respect to other third parties that are required, under any Law or contract, to be obtained or effected by any party to the Share Transfer Agreement for the transactions under the Share Transfer Agreement have been duly obtained and effected.
- (b) there is no pending or threatened Action that questions the validity of, or seeks to enjoin or otherwise restrict, the transactions under the Share Transfer Agreement.

In addition, the obligations of AV Electronics under the Share Transfer Agreement shall be subject to the fulfillment, at or prior to the Completion Date, of each of the following conditions:

- (a) the representations and warranties of the Vendors under the Share Transfer Agreement were and are true and accurate as of the date of the Share Transfer Agreement and as of the Completion Date, and the Vendors have complied with their obligations under the Share Transfer Agreement;
- (b) since the date of the Share Transfer Agreement, there has not occurred any Material Adverse Change, nor any change in the Target Company's industry sector or in general market or financial conditions, that, in the good faith opinion of AV Electronics, has a material adverse impact on the value of the Sale Shares;
- (c) there is no pending or threatened Action that could affect AV Electronics' right, title and interest in and to the Sale Shares after the Completion;
- (d) Tae-Gon Park (one of the Vendors), as director on the board of directors of the Target Company, has submitted a resignation letter to the Target Company, in a form satisfactory to AV Electronics, and, at a duly convened general shareholders meeting of the Target Company, such resignation has been accepted, and three directors nominated by AV Electronics have been duly elected as directors of the Target Company;
- (e) the share certificates for the Sale Shares have been duly issued, and AV Electronics is, in good faith, satisfied that all the Sale Shares, of all Vendors, will be transferred to AV Electronics simultaneously at the Completion free and clear of any lien, mortgage, pledge, security interest, encumbrance or other similar contract or restriction; any adverse claim, right or option of or for use, transfer or possession; and any attachment or injunction;

- (f) the Vendors have delivered, and caused the Target Company to deliver, to AV Electronics such other documents, certificates and opinions as AV Electronics may reasonably request in order to effect and confirm the transactions contemplated under the Share Transfer Agreement;
- (g) the Target Company has, by arrangements satisfactory to AV Electronics in its sole discretion, removed any mortgages, liens or other security interests upon its assets. Any security, guarantee or similar arrangements entered into by the Vendors or third parties for the benefit of the Target Company have been unwound or replaced, by arrangements satisfactory to AV Electronics in its sole discretion;
- (h) arrangements, satisfactory to AV Electronics in its sole discretion, shall have been made to accommodate and ensure the early redemption, in June 2011, of the corporate bonds issued by the Target Company, and to obviate the need for any guarantee by AV Electronics (or its affiliates) for such bonds;
- (i) AV Electronics' financial due diligence review of the Target Company shall have been completed, and such review shall have identified, in AV Electronics' good faith opinion, no other substantial investment concerns pertaining to the Target Company or the transactions under the Share Transfer Agreement; and
- (j) Tae-Suk Hwang (one of the Vendors) has resigned as an officer of the Target Company, and Soon-Yong Lee (one of the Vendors) has entered into an employment agreement with the Target Company, in each case on terms satisfactory to AV Electronics.

Termination:

At any time prior to the Completion Date (and only prior to the Completion Date), the Share Transfer Agreement may be terminated:

- (a) by AV Electronics, effective upon written notice to the Vendors, (i) if there has been a material breach of any representation, warranty or obligation of the Vendors under the Share Transfer Agreement, or (ii) if the Completion has not occurred by 30 June 2011 for any reason other than fault on the part of AV Electronics;
- (b) by the Vendors jointly, effective upon written notice to AV Electronics, if the Completion has not occurred by 30 June 2011 for any reason other than fault on the part of a Vendor.

Upon termination under the above provisions, the Share Transfer Agreement shall immediately become void and of no effect, and no party there shall have any liability or further obligation to another party thereto; provided, however, that termination shall not relieve any party thereto from liability for any breach or other fault occurring before termination.

Completion:

Completion will take place on a date to be mutually agreed upon in writing by the Vendors and AV Electronics, which shall in any event be on or before 30 June 2011.

After the Completion, the Target Company will become a wholly-owned subsidiary of the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company organised in Korea with limited liability and is principally engaged in distribution business of semiconductor products of Fairchild Semiconductor International Inc. in Korea.

Set out below is a summary of certain unaudited financial information of the Target Company for the two years ended 31 December 2010, which were prepared under Korean GAAP:

	For the year ended 31 December 2010 KRW	For the year ended 31 December 2009 KRW
Net profit (before taxation and extraordinary items)	1,164,448,000 (equivalent to approximately HK\$8,200,000)	475,375,000 (equivalent to approximately HK\$3,348,000,)
Net profit (after taxation and extraordinary items)	906,852,000 (equivalent to approximately HK\$6,386,000)	453,277,000 (equivalent to approximately HK\$3,192,000)

The unaudited total asset value and the total liabilities of the Target Company as at 31 December 2010 (prepared in accordance with Korean GAAP) was approximately KRW10,374,646,000 (equivalent to approximately HK\$73,061,000) and KRW7,295,752,000 (equivalent to approximately HK\$51,379,000).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (a) marketing and distribution of electronic components; and (b) design, development and sale of electronic products.

The Acquisition represents a strategic opportunity for the Company to establish a leading presence in distributorship industry. The Target Company is the largest distributor in semiconductor products of Fairchild Semiconductor International Inc. in Korea and its sales channel and business relationship will further enhance growth in LED and semiconductor business of the Group from domestic and China market to expand coverage for East Asia.

The Directors consider that the terms of the Share Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes a discloseable transaction 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:

“Acquisition”	the acquisition of the Sale Shares by AV Electronics from the Vendors
“Action”	any claim, litigation, arbitration, investigation or other legal proceeding by or before any Government Authority
“AV Electronics”	AV Electronics Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	AV Concept Holdings Limited, a company incorporated in the Cayman Island with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition
“Completion Date”	the day on which the Completion occurs
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Acquisition as set out in the subparagraph headed “Consideration” under the paragraph headed “Share Transfer Agreement” above

“Director(s)”	the director(s) of the Company
FY 2010	the financial year ended 31 December 2010 of the Target Company
FY 2011	the financial year ending 31 December 2011 of the Target Company
“Government Approvals”	any approval, consent, permission or license from, registration or filing with, or notice to, any Government Authority
“Government Authority”	any (Korean or foreign) governmental entity or agency, and any court or other judicial or arbitral body having jurisdiction
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Korean GAAP”	generally accepted accounting principles of Korea in effect as modified from time to time
“Law”	any applicable law, regulation, judgment or order promulgated or administered by a Government Authority, in Korea or elsewhere
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Major Disruption”	a natural catastrophe, military confrontation or general, acute financial crisis in Korea (such as last occurred in 1997-1998)
“Material Adverse Change”	(i) any material adverse change in the business, operations, financial condition, or prospects of the Target Company; and (ii) any material impairment in the ability of any Vendor to perform his obligations under the Share Transfer Agreement
“Party(ies)”	the parties to the Share Transfer Agreement
“Share Transfer Agreement”	the agreement dated 16 May 2011 entered into between AV Electronics and the Vendors in relation to the Acquisition

“Sale Shares”	the 80,000 shares of KRW 5,000 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	P&S Semiconductor Co., Ltd., a company organized in Korea, being the target of the Acquisition
“Vendors”	Tae-Suk Hwang, Soon-Yong Lee, Young-Chul Kim, Tae-Gon Park and Seung-Hwan Kim
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“KRW” or “Won”	Korean Won, the lawful currency of Korea

In this announcement, amounts quoted in KRW have been converted into HK\$ at the rate of HK\$1 to KRW142. Such exchange rate has been used, where applicable, for the purposes 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.

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

Hong Kong, 16 May 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.