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## **AV CONCEPT HOLDINGS LIMITED**

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

(Stock Code: 595)

### **CONNECTED TRANSACTION FORMATION OF JOINT VENTURE COMPANY**

On 16 July 2009, AVEGL (a wholly owned subsidiary of the Company) and Mr. Lee Jeong Kwan entered into the Joint Venture Agreement to jointly establish the JVC to undertake LED backlight module distribution business. Each of AVEGL and Mr. Lee Jeong Kwan holds 50% equity interest of the JVC. The registered capital of the JVC is HK\$2,000,000, to which each of AVEGL and Mr. Lee Jeong Kwan will contribute HK\$1,000,000.

The JVC is agreed by both parties after arm's length negotiations. The Directors consider that the Joint Venture Agreement was entered into on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

Mr. Lee Jeong Kwan is the former Vice Chairman and executive Director, and therefore a connected person of the Company. The entering into the Joint Venture Agreement constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

#### **THE JOINT VENTURE AGREEMENT**

Date: 16 July 2009

Parties: (1) AVEGL, a wholly owned subsidiary of the Company

(2) Mr. Lee Jeong Kwan

Mr. Lee Jeong Kwan is the former Vice Chairman and executive Director, who is thus a connected person of the Company under the Listing Rules.

## **Scope of Business of the JVC**

The JVC will principally engaged in distribution of LED backlight module.

## **Registered Capital**

The registered capital of the JVC is HK\$2,000,000, which is the total investment amount of the JVC. Each of AVEGL and Mr. Lee Jeong Kwan will contribute HK\$1,000,000 in cash in proportion to their respective equity interests in the JVC. Such amount of registered capital is determined after arm's length negotiations between AVEGL and Mr. Lee Jeong Kwan with reference to their proposed capital requirement for the business of the JVC. Apart from the capital contribution, neither AVEGL nor Mr. Lee Jeong Kwan has any capital commitment, guarantee and indemnity in connection with the establishment of the JVC.

Upon making the capital contributions to the JVC, each of AVEGL and Mr. Lee Jeong Kwan will hold 50% interest of the JVC. The JVC will be an associate of the Company.

## **Board Composition of the JVC**

The JVC shall comprise two directors, of which one will be nominated by AVEGL and one will be nominated by Mr. Lee Jeong Kwan.

## **Profit/Loss Sharing**

The profit/loss of the JVC will be shared by AVEGL and Mr. Lee Jeong Kwan in proportion to their respective equity interests in the JVC.

## **REASONS FOR ENTERING INTO THE JOINT VENTURE AGREEMENT**

The Group sees great potential in the LED backlight module distribution business as demand for its application is expected to grow substantially in the coming years. The establishment of the JVC is in the Group's usual and ordinary course of business and represents a further step of the Group to expand its semiconductor distribution business. The Company intends to finance its investment in the JVC by the Group's internal resources.

The terms of the Joint Venture Agreement was negotiated on an arm's length basis. The Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE GROUP**

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

The investment in the JVC does not lead to any change in the Group's principal activities.

## LISTING RULES REQUIREMENT

Mr. Lee Jeong Kwan is the former Vice Chairman and executive Director, and is therefore regarded as connected person of the Company for the purpose of the Listing Rules. The entering into the Joint Venture Agreement constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47, but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“AVEGL”	AV Electronics Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Board”	the board of Directors
“Company”	AV Concept Holdings Limited, a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“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 PRC
“Joint Venture Agreement”	the joint venture agreement entered into on 16 July 2009 between AVEGL and Mr. Lee Jeong Kwan
“JVC”	FLEX Technology Limited, a company incorporated in Hong Kong with limited liability on 7 July 2009, which is wholly owned by Mr. Lee Jeong Kwan, the former Vice Chairman and executive Director
“Listing Rules” Exchange	the Rules Governing the Listing of Securities on the Stock
“PRC”	the People’s Republic of China
“Shareholders”	the shareholder(s) of the Company from time to time

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Hong Kong, 16 July 2009

*As at the date of this announcement, the Board comprises two executive directors, Mr. 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.*