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## **AV CONCEPT HOLDINGS LIMITED**

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

(Stock Code: 595)

### **DISCLOSEABLE TRANSACTION: DISPOSAL OF DRAGON FAVOUR AND POSSIBLE DISPOSAL OF 15% INDIRECT INTEREST IN JIUPUXIANG**

#### **DISPOSAL OF DRAGON FAVOUR**

Subsequent to the lapse of the 2010 Sale and Purchase Agreement, New Concept and the Purchaser have been in negotiation on the restructuring of the proposed disposal of the Sale Shares and the Sale Loan to the Purchaser. On 31 May 2011, New Concept and the Purchaser entered into the 2011 Share Transfer Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and New Concept conditionally agreed to sell, the Sale Shares and the Sale Loan for a total consideration of RMB40,800,000 (equivalent to approximately HK\$48,797,000).

#### **POSSIBLE DISPOSAL OF 15% INDIRECT INTEREST IN JIUPUXIANG**

In addition to the Disposal, the Group intends to dispose of its remaining 15% indirect interest in Jiupuxiang currently held by Ditec, subject to the completion of asset restructuring of Ditec. The Group will cease to have any interest in Jiupuxiang upon completion of the Disposal and the Possible Disposal (if it materializes).

#### **IMPLICATIONS UNDER THE LISTING RULES**

The Disposal constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements of Chapter 14 of the Listing Rules. It is expected that the Possible Disposal (if it materializes), aggregated with the Disposal, may also constitute a discloseable transaction for the Company. The Company will make a further announcement in respect of the Possible Disposal if it materializes.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 9 February 2010 in relation to the 2010 Sale and Purchase Agreement. As set out in such announcement, on 9 February 2010, New Concept, a wholly-owned subsidiary of the Company, and the Purchaser entered into the 2010 Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and New Concept conditionally agreed to sell, the Sale Shares and the Sale Loan for a total consideration of RMB29,662,500 (equivalent to approximately HK\$33,786,000 at the exchange rate at that relevant time) (subject to adjustment). The completion of the 2010 Sale and Purchase Agreement was conditional upon fulfillment or waiver of certain conditions precedent. The 2010 Sale and Purchase Agreement had lapsed in accordance with the terms of the 2010 Sale and Purchase Agreement as a result of non-fulfillment of certain of such conditions precedent. Subsequent to the lapse of the 2010 Sale and Purchase Agreement, New Concept and the Purchaser have been in negotiation on the restructuring of the proposed disposal of the Sale Shares and the Sale Loan to the Purchaser.

## **DISPOSAL OF DRAGON FAVOUR**

The Board wishes to announce that on 31 May 2011, New Concept and the Purchaser entered into the 2011 Share Transfer Agreement. Major terms of the 2011 Share Transfer Agreement are set out below.

### **2011 Share Transfer Agreement**

***Date:***

31 May 2011

***Parties:***

**Vendor:** New Concept, a wholly-owned subsidiary of the Company. New Concept is principally engaged in investment holding.

**Purchaser:** 廣州博勤網絡科技有限公司(unofficial English translation being Guangzhou Boqin Web Technology Company Limited), a company incorporated in the PRC with limited liability and is principally engaged in investment holding.

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

***Assets to be acquired:***

The Purchaser conditionally agreed to purchase, and New Concept conditionally agreed to sell, the Sale Shares and the Sale Loan for a total consideration of RMB40,800,000 (equivalent to approximately HK\$48,797,000). The Sale Shares represent the entire issued share capital of Dragon Favour. As at the date of the 2011 Share Transfer Agreement, the Sale Loan amounted to approximately HK\$31,466,000.

***Consideration:***

The Consideration payable by the Purchaser to the Group for the Sale Shares and the Sale Loan is RMB40,800,000 (equivalent to approximately HK\$48,797,000).

The Consideration was agreed at after arm's length negotiations between the Purchaser and the Vendor with reference to Dragon Favour's 50% interest in Jiupuxiang and the value of the Land of RMB81,600,000 as at 16 May 2011 as valued by an independent property valuer in the PRC.

***Payment of the Consideration:***

Pursuant to the 2011 Share Transfer Agreement, the Purchaser shall pay to the Vendor:

- (1) the First Instalment of RMB10,000,000 by the third day after the signing of the 2011 Share Transfer Agreement; and
- (2) the Balance Consideration of RMB30,800,000 on or before 1 October 2011, provided that the Purchaser shall pay the Consideration in full before or upon Completion and the Vendor shall not be required to transfer the Sale Shares to the Purchaser before it receives the Consideration in full.

As at the date of this announcement, the Group had received the First Instalment.

If the 2011 Sale Transfer Agreement is terminated not as a result of the default of the Vendor, the Vendor is not required to refund the First Instalment received by it to the Purchaser.

***Conditions precedent to the Completion:***

The Completion is conditional upon fulfillment of the following conditions:

- (i) the 2011 Share Transfer Agreement and the transactions contemplated thereunder having been approved by Department of Foreign Trade and Economic Cooperation and the State Administration of Foreign Exchange of Guangdong Province or Guangzhou City; and
- (ii) the issuance of the foreign investment permit and the foreign exchange permit in respect of the Disposal to the Purchaser by relevant authorities of the PRC and the delivery of the copy of these relevant approvals from the Purchaser to the Vendor (with the right of the Vendor to inspect the original of these approvals).

In the event that all of the above conditions are not fully completed or fulfilled at or before 5:00 p.m. on 1 October 2011, all the rights and obligations of the Purchaser and the Vendor under the 2011 Share Transfer Agreement shall lapse and be terminated (save for certain rights and obligations surviving termination as provided in the 2011 Share Transfer Agreement and antecedent breaches).

In the event that the 2011 Share Transfer Agreement is terminated in accordance with the above, the Vendor shall not be required to refund the First Instalment received by it to the Purchaser.

***Completion:***

Completion shall take place on or before 1 October 2011, upon the fulfillment of all the conditions precedent referred to under the paragraph headed “Conditions precedent to the Completion” above on or before 1 October 2011. The Vendor and the Purchaser shall agree on the date of the Completion after all such conditions precedent are fulfilled, provided that the date of the Completion shall not be later than 1 October 2011.

After the Completion, the Company will no longer have any interest in Dragon Favour and Dragon Favour will cease to be a subsidiary of the Company.

**INFORMATION ON DRAGON FAVOUR**

Dragon Favour is a company incorporated in Hong Kong with limited liability on 12 July 2000 and is an investment holding company. The principal business activity of Dragon Favour is investment holding and the sole non-current asset of Dragon Favour is its 50% interest in Jiupuxiang.

Jiupuxiang is a company incorporated in the PRC with limited liability. Jiupuxiang is currently owned as to 50% by Dragon Favour, 15% by Ditec (is a wholly-owned subsidiary of the Company) and the remaining 35% by two independent third parties. Notwithstanding the Group’s 65% indirect interest in Jiupuxiang, Jiupuxiang has not been treated as a subsidiary of the Company and the accounts of Jiupuxiang have not consolidated with those of the Group as the Group does not have control over the board of the directors of Jiupuxiang. Jiupuxiang currently owns the entire registered capital of Shouyi Guangdian, which is the owner of the Land.

Set out below is a summary of certain audited financial information of Dragon Favour for the two years ended 31 March 2010:

	<b>For the year ended 31 March 2010 HK\$ (approximately)</b>	For the year ended 31 March 2009 HK\$ (approximately)
Net loss (before taxation and extraordinary items)	<b>17,000</b>	22,000
Net loss (after taxation and extraordinary items)	<b>17,000</b>	22,000

The audited total assets and net liabilities of Dragon Favour as at 31 March 2010 are approximately HK\$29,825,000 and HK\$1,041,000 respectively.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

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

The Company expects to recognize an unaudited accounting gain of approximately HK\$18,445,000 upon Completion, being the difference between the Consideration and (i) the amount of audited net deficit of Dragon Favour of approximately HK\$1,041,000 as at 31 March 2010; and (ii) the assignment of the Sale Loan which amounted to approximately HK\$31,466,000 as at the date of the 2011 Share Transfer Agreement. The final amount of the actual gain or loss as a result of the Disposal will be determined as at the date of the Completion.

The Directors expect that the gross proceeds from the Disposal of approximately HK\$48,797,000 will be used as general working capital of the Company and used for potential business opportunities of the Group. As at the date of this announcement, the Group had not identified any such business opportunity.

The Directors consider that the Disposal represents an opportunity for the Group to realize its investment in Dragon Favour at a reasonable premium. The proceeds from the Disposal can enhance the cash flow of the Company which can better utilize its resources to focus on the business with more growth potential. The Directors consider that the terms of the 2011 Share Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **POSSIBLE DISPOSAL OF 15% INDIRECT INTEREST IN JIUPUXIANG**

In addition to the Disposal, the Group intends to dispose of its remaining 15% indirect interest in Jiupuxiang currently held by Ditec, subject to the completion of the asset restructuring of Ditec. The Group will cease to have any interest in Jiupuxiang upon completion of the Disposal and the Possible Disposal (if it materializes).

## **IMPLICATIONS UNDER THE LISTING RULES**

The Disposal constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements of Chapter 14 of the Listing Rules. It is expected that the Possible Disposal (if it materializes), aggregated with the Disposal, may also constitute a discloseable transaction for the Company. The Company will make a further announcement in respect of the Possible Disposal if it materializes.

## DEFINITIONS

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

“%”	per cent
“2010 Sale and Purchase Agreement”	the sale and purchase agreement dated 9 February 2010 entered into between the Vendor and the Purchaser in relation to the Disposal, details of which are set out in the Company’s announcement dated 9 February 2010
“2011 Share Transfer Agreement”	the share transfer agreement dated 31 May 2011 entered into between the Vendor and the Purchaser in relation to the Disposal (as supplemented by a deed of assignment of loan dated 31 May 2011 and entered into between the Vendor, Dragon Favour and the Purchaser)
“Balance Consideration”	the balance of the Consideration in the sum of RMB30,800,000
“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 Disposal in accordance with the 2011 Share Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Disposal payable by the Purchaser to the Vendor under the 2011 Share Transfer Agreement
“Director(s)”	the director(s) of the Company
“Ditec”	Ditec Company Limited, a company incorporated in Hong Kong with limited liability, which currently owns 15% interest in Jiupuxiang
“Disposal”	the disposal of the Sale Shares and the Sale Loan by New Concept to the Purchaser pursuant to the 2011 Share Transfer Agreement
“Dragon Favour”	Dragon Favour Technology Limited, a company incorporated in Hong Kong with limited liability, being the target of the Disposal

“First Instalment”	the amount of RMB10,000,000, being the first payment of the Consideration
“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
“Jiupuxiang”	桂林九鋪香麒麟酒業有限公司(unofficial English translation being Guilin Jiupuxiang Qilin Wine Company Limited), a company incorporated in the PRC with limited liability
“Land”	a piece of land occupying an area approximately 490,000 square metres in Yangtang Industrial Site, Lingui County, Guilin, Guangxi, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Concept” or “Vendor”	New Concept Capital Limited, a company incorporated in the British Virgin Islands with limited liability, being the vendor named in the Sale and Purchase Agreement and a wholly-owned subsidiary of the Company
“Possible Disposal”	the possible disposal by the Group of its indirect 15% interest in Jiupuxiang currently held by Ditec
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	廣州博勤網絡科技有限公司 (unofficial English translation being Guangzhou Boqin Web Technology Company Limited), being a company incorporated in the PRC with limited liability and the purchaser named in the 2010 Sale and Purchase Agreement and the 2011 Share Transfer Agreement
“RMB”	Renminbi, being the lawful currency of PRC
“Sale Loan”	means all indebtedness, obligations and liabilities due, or owing by Dragon Favour to the Vendor as at the date of the Completion

“Sale Shares”	the 200 shares of HK\$1.00 each in the issued share capital of Dragon Favour, representing the entire issued share capital of Dragon Favour
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Shouyi Guangdian”	首一光電開發有限公司 (unofficial English translation being Shouyi Guangdian Development Company Limited, formerly known as 金偉實業有限公司 (unofficial English translation being Jin Wei Industrial Company Limited)), being a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*In this announcement, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.196. 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.*

*If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese names shall prevail.*

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

Hong Kong, 31 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.*