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AV CONCEPT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 595)

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
72.73% EQUITY INTEREST OF THE TARGET COMPANY;
AND
(II) BREACH OF LISTING RULES**

THE ACQUISITION

On 20 January 2017, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 72.73% equity interest of the Target Company, at the Consideration of HK\$29,000,000 in cash.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all of them are under 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of the Acquisition, the Vendor was wholly-owned by Mr. Man, who should be deemed as a connected person of the Company (details of which are further explained in the section headed “Breach of the Listing Rules” of this announcement). Accordingly, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

THE ACQUISITION

On 20 January 2017, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 72.73% equity interest of the Target Company, at the Consideration of HK\$29,000,000 in cash.

The principal terms of the Agreement are set out below:

Date: 20 January 2017

Parties: (i) the Purchaser; and
(ii) the Vendor.

Subject matter

Pursuant to the Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares, which represented 72.73% equity interest of the Target Company.

Consideration

The Consideration of HK\$29,000,000 shall be payable by the Purchaser to the Vendor in cash.

The Consideration was determined primarily with reference to the prevailing market price of the shares in IE Limited, which were listed on the stock exchange in South Korea.

The Participating Directors considered that the Consideration was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE VENDOR AND THE TARGET GROUP

The Vendor is a company incorporated in Hong Kong with limited liability. It is principally engaged in investment holding. As at the date of the Acquisition, the Vendor was wholly-owned by Mr. Man.

The Target Company was a company incorporated in the British Virgin Islands with limited liability. It was principally engaged in investment holding. The Target Company had been struck off from the register in the British Virgin Islands in November 2019.

At the time of the Acquisition, the principal asset of the Target Group was its equity interest in IE Limited.

The Target Group was incorporated in June 2016. Save for the equity investment in IE limited, the Target Group had no business operation since its incorporation.

According to the unaudited financial information of the Target Group, during the period from the date of its incorporation in June 2016 to the year ended 31 December 2016, the Target Group (i) had not recorded any revenue; and (ii) recorded net losses before and after taxation of approximately HK\$2,200,000 and HK\$2,200,000, respectively. Furthermore, as at 31 December 2016, the Target Group had (i) equity investment in IE Limited of approximately HK\$40,800,000 which was based on the then market price of the shares in IE Limited; (ii) no other material assets and/or liabilities; and (iii) net assets of approximately HK\$40,700,000.

INFORMATION OF THE GROUP AND THE PURCHASER

The principal activity of the Company is investment holding. The Group is principally engaged in the marketing and distribution of electronic components, the design, development and sale of consumer products and product sourcing services, venture capital investment, and internet social media business.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITION

At the time of the Acquisition, the shares of IE Limited were listed on the stock exchange in South Korea. IE Limited was mainly engaged in certain influencer marketing platform and oil station businesses. In 2016, IE Limited acquired South Korea's top influencer marketing platform, SmartPosting, and later on in late 2016, IE Limited had also acquired a mobile game development business which owned some of the Korea's most popular webtoon licenses. In light of the potential of IE Limited's business, the Acquisition was considered to be a good investment opportunity which could enhance investment return for the Group.

Having considered the above, the Participating Directors were of the view that the terms of the Acquisition were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all of them are under 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of the Acquisition, the Vendor was wholly-owned by Mr. Man, who should be deemed as a connected person of the Company (details of which are further explained in the section headed "Breach of the Listing Rules" of this announcement). Accordingly, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BREACH OF THE LISTING RULES

Chapter 14 of the Listing Rules

During approval of the Acquisition by the Company at the relevant time, the Participating Directors considered that the Acquisition was part of the Group's ordinary and usual course of business and was therefore exempt from compliance with the requirements under Chapter 14 of the Listing Rules.

After having received the guidance and clarification from the Stock Exchange, the Company acknowledged that the Acquisition should have constituted a discloseable transaction for the Company, and regrettably admitted that it had unintentionally breached Rules 14.34 of the Listing Rules.

Chapter 14A of the Listing Rules

The Acquisition was entered into between the Company and the Vendor (which was wholly-owned by Mr. Man at the relevant time). The Participating Directors considered that Mr. Man was an independent third party of the Company and the Acquisition was therefore exempt from compliance with the requirements under Chapter 14A of the Listing Rules.

After having received the guidance and clarification from the Stock Exchange, the Company noted that Mr. Man would be treated as a deemed connected person of the Company by the Stock Exchange given that, among others, Mr. Man acquired the entire equity interest of the Vendor from a connected person of the Company. Accordingly, the Acquisition should have constituted a connected transaction for the Company.

The Company regrettably admitted that it had unintentionally breached Rules 14A.35, 14A.36 and 14A.46 of the Listing Rules. Should the Company have consulted the Stock Exchange on the Listing Rules implication regarding the Acquisition prior to the entering into of the Agreement, the aforesaid unintentional breaches could have been avoided.

REMEDIAL ACTIONS

The Company deeply regrets for the Non-Compliance and it would like to stress that the Non-Compliance was inadvertent and unintentional.

In order to prevent the occurrence of similar non-compliance incidents in the future and to ensure compliance with the Listing Rules on an on-going basis, the Company has adopted and implemented the following remedial measures:

- (i) in April 2021, the Company has promoted the then assistant to the company secretary of the Company as compliance officer of the Company (the “**Compliance Officer**”) who is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). In addition to the company secretary of the Company, the Compliance Officer will also assist in double checking and seeking professional advice as appropriate in respect of Listing Rules requirements for any potential transactions to be entered into by the Company or its subsidiaries;
- (ii) the Company has engaged a financial adviser on an on-going basis, and will seek advice from the financial adviser and/or legal adviser of the Company in respect of Listing Rules requirements before entering into any potential transactions by the Company or its subsidiaries;
- (iii) a training session on the compliance requirements and practical application of, among others, the Listing Rules (in particular Chapter 14 and Chapter 14A of the Listing Rules) and corporate governance was provided by an independent professional law firm, to, among others, the Participating Directors, the company secretary of the Company and the Compliance Officer in June 2021; and
- (iv) the Company has engaged an independent internal control expert to conduct an overall review on the internal controls of the Group which relate to compliance with the Chapter 14 and Chapter 14A of the Listing Rules during the annual audit for the year ended 31 March 2021 of the Company, and it has made recommendations for improvements to the audit committee of the Board.

Shareholders of the Company and potential investors are urged to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Company pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 20 January 2017 and entered into between the Vendor and the Purchaser in respect of the Acquisition
“Board”	the board of Directors
“Company”	AV Concept Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 595)
“Consideration”	the total consideration in the sum of HK\$29,000,000 payable by the Purchaser to the Vendor for the Acquisition under the Agreement
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Man”	Mr. Man Kin Fung
“Non-Compliance”	the failure of the Company to report, announce and issue circular in relation to the details of the Acquisition and to seek Shareholders’ approval
“Participating Directors”	Dr. So Yuk Kwan, Mr. So Kevin Chi Heng and Mr. So Chi Sun Sunny, being executive Directors at the time of the Acquisition

“Purchaser”	New Concept Capital Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“Sale Shares”	72.73% equity interest of the Target Company
“Share(s)”	ordinary shares in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Central Venture Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiary
“Vendor”	Central Investments Limited, a company incorporated in Hong Kong with limited liability
“%”	per cent.

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

Hong Kong, 8 November 2021

As at the date of this announcement, the Board comprises three executive Directors, Dr. So Yuk Kwan (Chairman), Mr. So Kevin Chi Heng and Mr. So Chi Sun Sunny and three independent non-executive Directors, Dr. Lui Ming Wah, SBS, JP, Mr. Charles Edward Chapman and Mr. Lai Yat Hung Edmund.