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Apex Ace Holding Limited
光麗科技控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6036)

**MEMORANDUM OF UNDERSTANDING
IN RELATION TO FORMATION OF JOINT VENTURE COMPANY**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

THE MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that on 28 November 2018, AVT International, a wholly-owned subsidiary of the Company, entered into a non-legally binding Memorandum of Understanding with the JV Partner and the Guarantors. The principal terms of the Memorandum of Understanding are as follows:

- Date : 28 November 2018
- Parties : (1) AVT International
(2) the JV Partner
(3) the Guarantors
- Subject matter : Subject to the entering into of a formal joint venture agreement, in consideration of the payment of an amount not more than US\$5.0 million by AVT International to the JV Partner, AVT International and the JV Partner shall establish the JV Company and the JV Partner shall transfer the Distributorship Rights to the JV Company.
- Shareholding interests in the JV Company : If the formation of the JV Company materialises, the JV Company will be owned as to 60% by AVT International (or such other nominee as directed by AVT International) and 40% by the JV Partner.

Earnest deposit : AVT International shall pay an Earnest Deposit of US\$1.0 million within five business days from the date of the Memorandum of Understanding. The Earnest Deposit shall be utilised as part of the payment of the consideration if a formal joint venture agreement is entered into.

The Earnest Deposit shall be refunded to AVT International without interest within five business days from the date of termination of the Memorandum of Understanding, being the earlier of (i) 60 days from the date of the Memorandum of Understanding (or such other date as agreed by the Parties in writing) if a formal joint venture agreement or similar legal document is not then entered into; and (ii) the date the JV Partner receiving a written notice from AVT International stating that it is not satisfied with the result of the due diligence review on the Distributorship Rights.

In the event that the Earnest Deposit is not refunded to AVT International within five days from the date of termination of the Memorandum of Understanding, the JV Partner shall pay interest (i) at a monthly rate of 1% from the date of payment of the Earnest Deposit by AVT International to the sixtieth (60th) day from the date of termination of the Memorandum of Understanding; and (ii) at a monthly rate of 2% thereafter.

The Guarantors shall guarantee the repayment of the Earnest Deposit and interest thereof by the JV Partner.

Due diligence review : AVT International shall commence due diligence review on the Distributorship Rights upon the entering into of the Memorandum of Understanding and the JV Partner shall use its best endeavor to cooperate with AVT International in such due diligence review.

AVT International has the absolute discretion in determining whether it is satisfied with the result of the due diligence review and whether to proceed with the formation of the JV Company.

- Exclusivity : From the date of the Memorandum of Understanding to 30 June 2019 (or such later date as agreed by the JV Partner and AVT International in writing), AVT International shall have the exclusive right to negotiate with the JV Partner on the formation of joint venture and the JV Partner shall not (i) negotiate, agree or undertake with any third party or granting a right to any third party to negotiate the sale or creation of any charge over the Distributorship Rights; and (ii) procure for or peruse any proposal or attending any event in relation to the foregoing.
- Binding effect : Save for the provisions in relation to the Earnest Deposit, exclusivity, confidentiality, binding effect and governing law and jurisdiction, the Memorandum of Understanding does not have any legal binding effect on the Parties.

INFORMATION ON THE JV PARTNER AND THE GUARANTORS

The JV Partner is a semiconductor and other electronic components distributor incorporated in the PRC and, together with its associated company, the holders of the Distributorship Rights and the Guarantors are individuals who are the ultimate beneficial owners of the JV Partner. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the JV Partner, its associated company and their ultimate beneficial owners (i.e. the Guarantors) are Independent Third Parties.

SETTLEMENT OF THE EARNEST DEPOSIT AND CONSIDERATION OF THE FORMATION OF THE JV COMPANY

The Earnest Deposit will be satisfied by internal financial resources of the Group and it is expected that the consideration to be paid by AVT International to the JV Partner under the formal joint venture agreement, if entered into, will also be satisfied by internal financial resources and banking facilities of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MEMORANDUM OF UNDERSTANDING

The Group is a semiconductor and other electronic components distributor and its customers are primarily market players in the technology, media and telecommunications sector in the PRC and Hong Kong. Since the commencement of business, the Group has been focusing on identifying, sourcing, selling and distributing quality electronic components produced by manufacturers.

The Board believes that the formation of the JV Company, if materialised, allows the Group to widen its product portfolio to satisfy the requirements of its existing customers and widen its customer base in the rapid changing and advancing electronic component distribution market which in turn may enhance the Group’s business and financial performance. By entering into of the Memorandum of Understanding, the Group will be able to further evaluate the business and financial feasibility of and benefits in proceeding with the formation of the JV Company with the option of demanding full refund of the Earnest Deposit if the Group is not satisfied with the result of the due diligence review.

The Directors are of the view that the terms of the Memorandum of Understanding, including the payment of Earnest Deposit, are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

Based on currently available information, the Board estimates that the formation of the JV Company, if materialised, may constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Company will publish further announcement(s) in relation to the formation of the JV Company and comply with all other applicable requirements under the Listing Rules as and when necessary.

GENERAL

The Board would like to emphasise that as at the date of this announcement, the structure of the formation of the JV Company and the terms and conditions of the formal joint venture agreement are still being negotiated between the Parties and there is no legally binding agreement in relation to the formation of the JV Company being entered into. Further details of the formation of the JV Company will be announced as and when appropriate.

As no legally binding agreement in relation to the formation of the JV Company has been entered into as at the date of this announcement, the formation of the JV Company may or may not proceed. Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

- “AVT International” AVT International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
- “Board” the board of Directors

“Company”	Apex Ace Holding Limited (光麗科技控股有限公司*), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Distributorship Rights”	the rights to distribute a range of products granted by various electronic component manufacturers
“Earnest Deposit”	the earnest deposit to be paid by AVT International under the Memorandum of Understanding
“Group”	the Company and its subsidiaries
“Guarantors”	two individuals who are the ultimate beneficial owners of the JV Partner and provide guarantee on certain obligations of the JV Partner under the Memorandum of Understanding
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“JV Company”	a company proposed to be formed and owned as to 60% by AVT International (or such other nominee as directed by AVT International) and 40% by the JV Partner
“JV Partner”	the holder of certain Distributorship Rights
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Understanding”	the memorandum of understanding in relation to the formation of the JV Company dated 28 November 2018 entered into by the Parties
“Parties”	AVT International, the JV Partner and the Guarantors, and each a “Party”

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
Apex Ace Holding Limited
Lee Bing Kwong
Chairman

Hong Kong, 28 November 2018

As at the date of this announcement, the executive Directors are Mr. Lee Bing Kwong (Chairman and Chief Executive Officer) and Mr. Lo Yuen Kin; and the independent non-executive Directors are Mr. Cheung Siu Kui, Mr. Yim Kwok Man and Dr. Chow Terence.

* *For identification purpose only*