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APEX ACE

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 PROPOSED ACQUISITION

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 Board is pleased to announce that the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the non-legally binding Memorandum of Understanding with the Vendor, the Guarantors, the Target Company and the Target Business Company in relation to the Proposed Acquisition on 7 November 2019.

The Board wishes to emphasis that no binding agreement in relation to the Proposed Acquisition has been entered into as at the date of this announcement. Shareholders and potential investors of the Company should note that the Proposed Acquisition may or may not proceed and are advised to exercise caution when dealing in the Shares. If the Proposed Acquisition materialises, it may constitute a notifiable transaction on the part of the Company. Further announcement in respect of the Proposed Acquisition will be made by the Company in the event that any Formal Agreement has been signed.

THE MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that on 7 November 2019, the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the non-legally binding Memorandum of Understanding with the Vendor, the Guarantors, the Target Company and the Target Business Company in relation to the Proposed Acquisition. The principal terms of the Memorandum of Understanding are as follows:

Date

7 November 2019

Parties

- (i) the Vendor;
- (ii) the Purchaser;
- (iii) the Target Company;
- (iv) the Target Business Company; and
- (v) the Guarantors.

As at the date of this announcement, the Target Company is beneficially wholly-owned by the Vendor through trust arrangements between the Vendor and the Trustees, i.e. the entire equity interest in the Target Company is held by the Trustees on trust for the Vendor, hence the Vendor is the ultimate beneficial owner of the entire equity interest in the Target Company. The Vendor and an Independent Third Party, being two of the Guarantors, are the ultimate beneficial owners of the Target Business Company as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor, the Trustees, the Guarantors, the Target Company and the Target Business Company is not a connected person of the Company and is an Independent Third Party.

Pursuant to the Memorandum of Understanding, each of the Vendor, the Guarantors, the Target Company and the Target Business Company undertakes to complete the Reorganisation within a specified period.

Assets to be acquired

Subject to the Parties entering into the Formal Agreement, it is proposed that the Purchaser will acquire 51% of equity interest in the Target Company from the Vendor.

Refundable Deposit

Upon execution of the Memorandum of Understanding, the Purchaser shall pay the Vendor within three (3) business days the Refundable Deposit in the amount of RMB10 million (or the equivalent in another currency) (equivalent to approximately HK\$11 million). The payment of the Refundable Deposit will be financed by the internal resources of the Group.

In the event that the Formal Agreement is entered into between the Parties, the Refundable Deposit shall be applied as part of the consideration for the Proposed Acquisition in accordance with the terms and conditions of the Formal Agreement.

Consideration

The exact amount of the consideration for the Proposed Acquisition will be further negotiated between the Parties based on the results of the due diligence review subject to the terms and conditions of the Formal Agreement, which is estimated to be less than RMB110 million (equivalent to approximately HK\$123 million).

Due diligence review

The Purchaser will conduct a due diligence review for a period of 90 days from the date of the Memorandum of Understanding on the Vendor, the Target Company and the Target Business Company upon execution of the Memorandum of Understanding.

Exclusivity period

The Purchaser shall enjoy an exclusive right to negotiate with the Vendor in relation to the Proposed Acquisition during the Exclusivity Period. The Vendor shall not, during the Exclusivity Period, (i) negotiate, discuss or enter into any legal documents in relation to the acquisition, transfer, assignment, pledge or increase of the equity interest of the Target Company and/or the Target Business Company with any third parties; (ii) deal with any material assets of the Target Company and/or the Target Business Company; (iii) purchase any assets which is irrelevant to the ordinary course of business of the Target Company and/or the Target Business Company; and (iv) solicit any offers from and/or review any proposals from and/or attend any meetings with third parties in relation to the Proposed Acquisition, except for fulfillment of its obligations under the Proposed Acquisition.

Guarantee

The Guarantors agree to guarantee the performance by the Vendor of her obligation to refund the Refundable Deposit and any part of the consideration for the Proposed Acquisition which has been paid by the Purchaser to the Vendor.

Termination

The Memorandum of Understanding will be terminated and the Parties will not enter into the Formal Agreement if:

- (i) the Parties mutually agree not to proceed with the Proposed Acquisition;
- (ii) the Vendor, the Target Company and/or the Target Business Company fail to coordinate with the Purchaser to complete the due diligence review;
- (iii) the Purchaser is not satisfied with the results of the due diligence review and decides, at its absolute discretion, not to proceed with the Proposed Acquisition;
- (iv) the Vendor, the Guarantors, the Target Company and the Target Business Company fail to complete the Reorganisation upon the execution of the Memorandum of Understanding; and/or
- (v) the Parties fail to enter into the Formal Agreement as a result of the default of the Vendor, the Target Company and/or the Target Business Company.

In the event that the Memorandum of Understanding is terminated, the Vendor shall refund the Refundable Deposit to the Purchaser within ten (10) business days upon receiving a written notification from the Purchaser plus, as the case may be, a penalty fee payable to the Purchaser. The Vendor shall pay an interest to the Purchaser for any late refund in accordance with the interest rate as specified in the Memorandum of Understanding.

Non-legally binding effect

Save for the provisions in relation to the Refundable Deposit, due diligence review, exclusivity, confidentiality, binding effect and dispute resolution, the Memorandum of Understanding does not have any legal binding effect on the Parties.

INFORMATION ON THE TARGET COMPANY AND THE TARGET BUSINESS COMPANY

The Target Company is a company established in the PRC with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Target Company is beneficially wholly-owned by the Vendor through trust arrangements between the Vendor and the Trustees, i.e. the entire equity interest in the Target Company is held by the Trustees on trust for the Vendor, hence the Vendor is the ultimate beneficial owner of the entire equity interest in the Target Company.

The Target Business Company is a company established in the PRC with limited liability and is principally engaged in electronic components distribution for segments including industrial automation, electricity system and metering, automotive, new energy and consumer electronics in the PRC. As at the date of this announcement, the Target Business Company is beneficially jointly-owned by the Vendor and an Independent Third Party, being two of the Guarantors.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION AGREEMENT

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange. 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 upstream manufacturers. The Board believes that the Proposed Acquisition allows the Group to widen its product portfolio to satisfy the requirements of its existing customers and widen its customer base in the rapidly changing and advancing electronic component distribution market, so that in turn the Group's business and financial performance may be enhanced.

The terms of the Memorandum of Understanding were arrived at after arm's length negotiations among the Parties. The Directors (including the independent non-executive Directors) consider that the Proposed Acquisition and the terms of the Memorandum of Understanding and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

The Board wishes to emphasize that no binding agreement in relation to the Proposed Acquisition has been entered into as at the date of this announcement. Shareholders and potential investors of the Company should note that the Proposed Acquisition may or may not proceed and are advised to exercise caution when dealing in the Shares. If the Proposed Acquisition materialises, it may constitute a notifiable transaction on the part of the Company. Further announcement in respect of the Proposed Acquisition will be made by the Company in the event that any Formal Agreement has been signed.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Apex Ace Holding Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 6036)
“Director(s)”	the director(s) of the Company
“Exclusivity Period”	a period of 180 days from the date of the Memorandum of Understanding during which the Vendor shall not negotiate with any other parties relating to the Proposed Acquisition
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into by the Purchaser and the Vendor in relation to the Proposed Acquisition
“Group”	the Company and its subsidiaries
“Guarantors”	two individuals, being the Vendor and an Independent Third Party, who are the ultimate beneficial owners of the Target Business Company, together with the Target Business Company, who provide guarantee on certain obligations of the Vendor under the Memorandum of Understanding
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	a person(s) or company(ies) which is/are independent of and not connected with any of our Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of its respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time

“Memorandum of Understanding”	the non-legally binding memorandum of understanding dated 7 November 2019 entered into among the Purchaser, the Vendor, the Target Company, the Target Business Company and the Guarantors in relation to the Proposed Acquisition
“Party(ies)”	party(ies) to the Memorandum of Understanding
“Proposed Acquisition”	the proposed acquisition of 51% of equity interest in the Target Company by the Purchaser from the Vendor as contemplated under the Memorandum of Understanding
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Jumbo Fame Investments Limited (巨名投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Refundable Deposit”	the deposit in the amount of RMB10 million (or the equivalent in another currency) to be paid by the Purchaser to the Vendor as refundable deposit in relation to the Proposed Acquisition under the Memorandum of Understanding
“Reorganisation”	a reorganisation to be conducted by the Vendor, the Trustees, the Guarantors, the Target Company and the Target Business Company by (i) transferring the legal title of 51% of equity interest in the Target Company from the Trustees to the Vendor within 45 days from the date of the Memorandum of Understanding; and (ii) transferring the entire business of the Target Business Company and its subsidiaries, including but not limited to their assets, their customers base and suppliers base, and their responsibilities, rights and interests in all the transactions with their existing and new customers and suppliers, to the Target Company within 90 days from the date of the Memorandum of Understanding
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Business Company”	a company established in the PRC with limited liability which is beneficially jointly-owned by the Vendor and an Independent Third Party, being two of the Guarantors
“Target Company”	a company established in the PRC with limited liability which is beneficially wholly-owned by the Vendor
“Trustees”	two individuals who hold 80% and 20% of equity interest in the Target Company on trust for the Vendor, respectively, as at the date of this announcement
“Vendor”	an individual who is the beneficial owner as to the entire equity interest in the Target Company as at the date of this announcement
“%”	per cent.

By order of the Board of
Apex Ace Holding Limited
Lee Bing Kwong
*Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 7 November 2019

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

For the purpose of this announcement, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB0.892 = HK\$1.00. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.

* *For identification purpose only*