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MADISON GROUP®

Madison Holdings Group Limited

麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

THE ENTERING INTO OF NON-LEGALLY BINDING MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED TRANSACTION

The Board announces that on 19 April 2018 (after trading hours), the Potential Purchaser and the Potential Vendors entered into the non-legally binding MOU in relation to the Proposed Transaction. The consideration for the Proposed Transaction will be subject to further negotiation between the parties to the MOU. If completion of the Proposed Transaction takes place, it is expected that the consideration will be not less than HK\$1,100 million which will be satisfied by the Potential Purchaser by cash or procuring the Company to allot and issue the Consideration Shares at the issue price of not more than HK\$1.8, or a combination of both, and, in any event, not more than 20% of the consideration will be satisfied in cash.

As the MOU is not legally binding, the terms of the MOU are subject to further negotiation between the parties to the MOU, the Proposed Transaction may or may not materialise. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

If the Proposed Transaction materialises, it will constitute a notifiable transaction on the part of the Company pursuant to the GEM Listing Rules. The Company will comply with the relevant requirements of the GEM Listing Rules when the Formal Agreement is entered into.

The Board announces that on 19 April 2018 (after trading hours), the Potential Purchaser and the Potential Vendors entered into the non-legally binding MOU in relation to the Proposed Transaction. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Potential Vendors are Independent Third Parties.

Set out below are the principal terms of the MOU:

ASSET TO BE ACQUIRED

Pursuant to the terms of the MOU, the Potential Purchaser intends to acquire and the Potential Vendors intend to sell the entire issued share capital of the Target Company, upon completion of the Reorganisation (as defined below).

CONSIDERATION

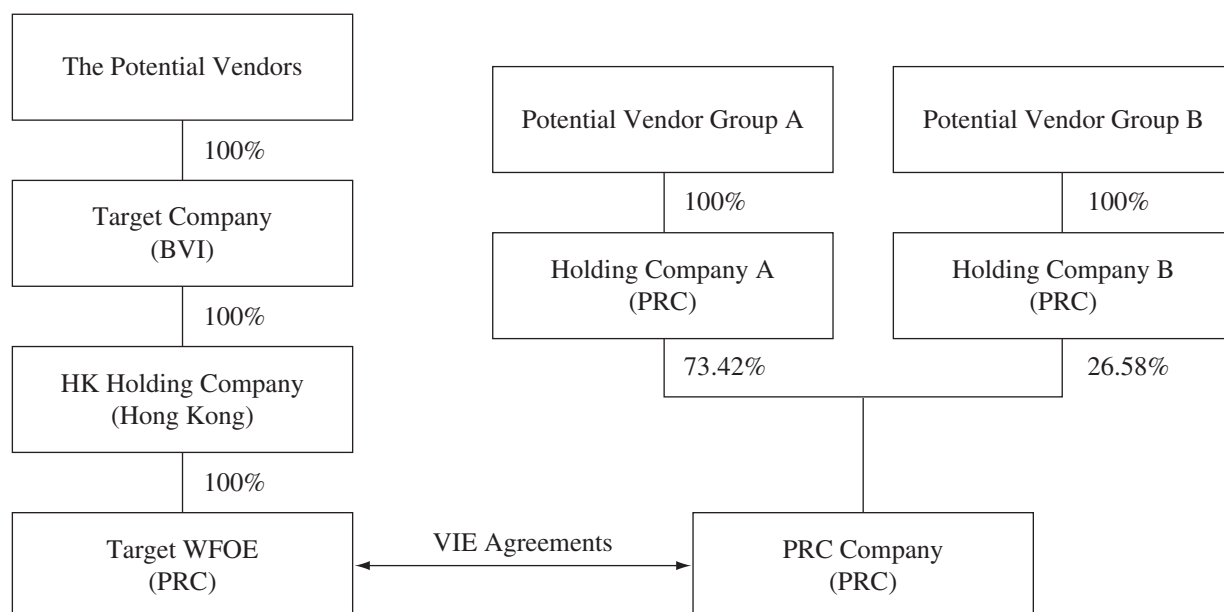
The consideration for the Proposed Transaction is expected to be not less than HK\$1,100 million and will be subject to further negotiation between the parties to the MOU. If completion of the Proposed Transaction takes place, it is expected that the consideration will be satisfied by the Potential Purchaser by cash or procuring the Company to allot and issue the Consideration Shares at the issue price of not more than HK\$1.8, or a combination of both, and, in any event, not more than 20% of the consideration will be satisfied in cash.

REORGANISATION OF THE TARGET GROUP

As at the date of this announcement, the PRC Company is owned as to 73.42% by Holding Company A, which, in turn, is wholly-owned by Potential Vendor Group A, and as to 26.58% by Holding Company B, which, in turn, is wholly-owned by Potential Vendor Group B.

Pursuant to a reorganisation (the “**Reorganisation**”), the Target Company will incorporate a wholly-owned subsidiary in Hong Kong which will, in turn, establish the Target WFOE. Prior to the completion of the Proposed Transaction, the Target WFOE should acquire all the control of and economic interests in the PRC Company by entering into the VIE Agreements with the PRC Company and its shareholders. It is expected that, upon completion of the Reorganisation, the PRC Company will be accounted as a subsidiary of the Target Company, by virtue of variable interest entity arrangement under the VIE Agreement.

Set out below is the shareholding structure of the Target Group after the Reorganisation:



FORMAL AGREEMENT

The parties to the MOU shall negotiate in good faith to enter into the Formal Agreement within 90 days from the date of the MOU (or such later date as the parties to the MOU may agree), after which, all obligations of each of the parties under the MOU shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the MOU except for any antecedent breach of any obligation under the MOU.

DUE DILIGENCE

The Potential Purchaser shall be entitled to conduct the due diligence on the assets, liabilities, operations and affairs of the Target Group after entering into of the MOU. The Potential Vendors shall use their best endeavours to provide and procure their representatives to assist the Potential Purchaser in connection with the due diligence review on the Target Group.

CONDITIONS PRECEDENT

It is expected that completion of the Proposed Transaction shall be conditional upon, inter alia:

- (1) the passing by the Shareholders at the extraordinary general meeting of the Company of the ordinary resolutions to approve the Formal Agreement and the transactions contemplated thereunder, including but not limited to, the issue of the Consideration Shares;

- (2) if necessary, the Listing Committee of the Stock Exchange having granted the approval for the listing of and permission to deal in, the Consideration Shares;
- (3) completion of a due diligence exercise over the assets, liabilities, operation and business of the Target Group, in terms satisfactory to the Company;
- (4) a legal opinion having been issued by the PRC legal adviser appointed by the Company in the form and substance to the satisfaction of the Company, on the matters relating to the Formal Agreement and the transactions contemplated thereunder, including the Reorganisation and the VIE Agreements;
- (5) all necessary approvals, consents, authorisation, registration and filings in connection with the transactions contemplated under the Formal Agreement having been obtained from the PRC government and regulator(s);
- (6) the VIE Agreements and the relevant documents in connection to the Reorganisation having been signed correctly and the Reorganisation having been completed in accordance with the consent and approval of the Potential Purchaser;
- (7) all necessary consents and approvals required to be obtained on the part of the Potential Vendors in respect of the Formal Agreement and the transactions contemplated thereunder having been obtained;
- (8) all necessary consents and approvals required to be obtained on the part of the Potential Purchaser in respect of the Formal Agreement and the transactions contemplated thereunder having been obtained;
- (9) the warranties to be given by the Potential Vendors under the Formal Agreement remaining true, accurate and not misleading in all material respects, and there being no situations, facts or circumstances that would or might render such warranties being breached;
- (10) the warranties to be given by the Potential Purchaser under the Formal Agreement remaining true, accurate and not misleading in all material respects, and there being no situations, facts or circumstances that would or might render such warranties being breached; and
- (11) any other conditions which may be agreed by the parties to the MOU and included in the Formal Agreement.

PROFIT GUARANTEE

Pursuant to the MOU, the Potential Vendors shall undertake to the Potential Purchaser and the Company that the Target Group shall achieve certain level of financial performance in 2018, the actual amount of the guaranteed profit and the compensation shall be determined in the Formal Agreement.

To ensure that the Target Group would achieve the guaranteed profit to be agreed, the Potential Vendors agreed to procure the management team of the PRC Company to enter into a service agreement (in the form and substance as agreed by the Potential Purchaser) of not less 3 years.

EXCLUSIVITY

In consideration of the Potential Purchaser incurring the costs of engaging advisers and spending time and incurring expenses in considering the Proposed Transaction and in conducting the due diligence review, the Potential Vendors grant the Potential Purchaser an exclusivity period of 90 days from the date of the MOU (or such later date as the parties to the MOU may agree in writing), during which none of the Potential Vendors will negotiate or discuss or enter into any agreement or statement of intent or understanding with any third party other than the Potential Purchaser, its advisers and agents with respect to the selling of the equity interests or assets of the Target Company and/or its subsidiaries.

NON-LEGALLY BINDING EFFECT

Other than the provisions relating to exclusivity, confidentiality, notice, the applicable law and counterparts, the MOU is non-legally binding in respect of the Proposed Transaction.

INFORMATION REGARDING THE POTENTIAL VENDORS, THE TARGET COMPANY AND THE PRC COMPANY

The Potential Vendors are five individuals who are the ultimate beneficial owners of the PRC Company and the Target Company, respectively, as at the date of this announcement.

The PRC Company is a company established in the PRC in 2015, principally engaged in the sale and development of mobile applications and software products based on mobile internet technology and blockchain technology. The PRC Company commenced its business by developing and offering various kinds of mobile internet games as the major application products. With a portfolio of products and significant number of registered members, the PRC Company has been migrating its business to a proprietary platform based on blockchain technology, of which the functionality of different mobile application products is compatible to each other. In addition, a virtual community is formed as the registered members can share information and interact with each other and even trade virtual products developed by the PRC Company by using a unified virtual currency on the blockchain platform.

According to the unaudited management account of the PRC company, it shows a substantial growth with the revenue increased from approximately RMB18 million to approximately RMB109 million and the net profit increased from approximately RMB5.8 million to approximately RMB70 million for the year ended 31 December 2016 and 2017 respectively.

REASONS FOR THE PROPOSED TRANSACTION

The Group is principally engaged in (i) the retail sales and wholesales of wine products and other alcoholic beverages; and (ii) the provision of financial services including corporate financial advisory services and asset management services.

Blockchain offers a new approach to data management and sharing, which has potential to change the financial services industry. Many financial institutions and stock exchanges are exploring small-scale applications as a “proof-of-concept”. For instance, Australian Securities Exchange has announced plans in December 2017 to replace the current clearing and settlement system with blockchain technology to enhance the efficiency of post-trade services ranging from securities clearing, settlement, trade order matching to ownership registration. The Directors are of the view that Blockchain technology has a potential to become the major underlying technology applicable to financial services industry in the future.

In this regard, the Company intends to explore different opportunities for the commercial application of blockchain technology on financial services business. It is the vision of the Group to build a complete ecosystem with various financial intermediary services, ranging from virtual asset trading, custodian, payment and settlement.

The Directors consider that the Proposed Transaction as contemplated by and outlined in the MOU is intended to benefit the Company and the Shareholders as a whole as the acquisition of the entire equity interest of Target Company will not only benefit from the prospect of potential synergy between financial services and blockchain technology and the profit contributed by the PRC Company, but also enable the Group to expeditiously expose to blockchain technology and its related commercial application and a team of technical experts readily reserved for developing blockchain financial applications.

As the MOU is not legally binding, the terms of the MOU are subject to further negotiation between the parties to the MOU, the Proposed Transaction may or may not materialise. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

If the Proposed Transaction materialises, it will constitute a notifiable transaction on the part of the Company pursuant to the GEM Listing Rules. The Company will comply with the relevant requirements of the GEM Listing Rules when the Formal Agreement is entered into.

DEFINITIONS

Unless the context requires otherwise, capitalised terms in this announcement shall have the following meanings:

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| “Board” | the board of Directors |
| “Company” | Madison Holdings Group Limited, a company incorporated in the Cayman Islands, whose Shares are listed on GEM (Stock code: 8057) |
| “Consideration Shares” | the new Shares which may be allotted and issued by the Company in accordance with the Formal Agreement |
| “Directors” | directors of the Company |
| “Formal Agreement” | the legally binding formal sale and purchase agreement which may or may not be entered into between the parties to the MOU in relation to the Proposed Transaction |
| “GEM” | GEM operated by the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM of the Stock Exchange |
| “Group” | the Company and its subsidiaries |
| “Holding Company A” | 永新縣音絡科技研發中心(有限合夥)(transliterated in English as Yongxin Yinluo Technology Development Centre (Limited Partnership)), a company established in the PRC, holding 73.42% equity interests in the PRC Company |
| “Holding Company B” | 永新縣創力科技研發中心(有限合夥)(transliterated in English as Yongxin Chuangli Technology Development Centre (Limited Partnership)), a company established in the PRC, holding 26.58% equity interests in the PRC Company |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |

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| “HK Holding Company” | a company to be incorporated in Hong Kong, and the sole shareholder of Target WFOE |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party” | an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates |
| “MOU” | the non-legally binding MOU entered into between the Potential Purchaser and the Potential Vendors dated 19 April 2018 in relation to the Proposed Transaction |
| “Potential Purchaser” | Madison Future Games Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |
| “Potential Vendor Group A” | Four individuals who are the ultimate beneficial owners of Holding Company A |
| “Potential Vendor Group B” | Two individuals who are the ultimate beneficial owners of Holding Company B |
| “Potential Vendors” | collectively, Potential Vendor Group A and Potential Vendor Group B |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “PRC Company” | 深圳市三只小熊科技有限公司 (transliterated in English as Shenzhen Sanzhi Xiaoxiong Technology Limited), a company established in the PRC, which, by virtue of the VIE Agreements, shall be accounted for as a subsidiary of the Target Company upon completion of the Proposed Transaction |

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| “Proposed Transaction” | the proposed acquisition by the Potential Purchaser of the entire issued share capital of the Target Company from the Potential Vendors |
| “Purchaser” | Madison Software Technology Limited, an indirect wholly-owned subsidiary of the Company |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | the issued ordinary share in the share capital of the Company |
| “Shareholders” | holders of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Perfect Elite Holdings Limited, a company incorporated in the British Virgin Islands, which will indirectly control the PRC Company through variable interest entity arrangement upon Reorganisation |
| “Target Group” | collectively, the Target Company, all its subsidiaries and the PRC Company |
| “Target WFOE” | an indirect subsidiary of the Target Company and a wholly foreign-owned enterprise established in the PRC |
| “VIE Agreements” | a series of agreements to be executed between the Target WFOE on one hand and the PRC Company and its shareholders on the other hand, for the purpose of establishing the variable interest entity arrangement between the PRC Company and the Target Company |
| “%” | per cent. |

By order of the Board
Madison Holdings Group Limited
Ting Pang Wan Raymond
Chairman & Executive Director

Hong Kong, 19 April 2018

As at the date of this announcement, the executive Directors are Mr. Ting Pang Wan Raymond, Mr. Zhu Qin, Mr. Zhou, Francis Bingrong, Mr. Teoh Ronnie Chee Keong and Ms. Kuo Kwan; and the independent non-executive Directors are Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, J.P.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the website of the Company at www.madison-wine.com.