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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE ENTERING INTO OF THE ACQUISITION AGREEMENT
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE**

The Board announces that on 26 April 2018 (after trading hours), the Purchaser and the Company entered into the Acquisition Agreement with the Vendor and the Vendor's Nominee, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing 51% of the entire issued share capital of the Target Company, for the total consideration of US\$60,000,000 (equivalent to approximately HK\$470,862,000), which will be settled in the following manner:

- (i) as to US\$10,000,000 (equivalent to approximately HK\$78,477,000) shall be paid in cash to Vendor (or its nominee(s)) as the Refundable Deposit on the date of the Acquisition Agreement; and
- (ii) the balance of US\$50,000,000 (equivalent to approximately HK\$392,385,000) shall be satisfied by the Company allotting and issuing 213,252,717 Consideration Shares at the Issue Price, credited as fully paid, to the Vendor (or its nominee(s)) on the Completion Date.

GEM LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company, and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Consideration Shares will be allotted and issued pursuant to the specific mandate. The EGM will be convened for the Shareholders to consider and, if thought fit, approve the grant of the specific mandate for the allotment and issue of the Consideration Shares.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Acquisition Agreement (including the allotment and issue of Consideration Shares under the specific mandate). As such, no Shareholder will be required to abstain from voting on the resolution(s) to approve the grant of the specific mandate at the EGM.

A circular containing, among other things, details of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of Consideration Shares under the specific mandate), together with the notice convening the EGM will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

Shareholders and potential investors of the Company should be aware that the Acquisition and the transactions contemplated thereunder are subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.

The Board announces that on 26 April 2018 (after trading hours), the Purchaser and the Company entered into the Acquisition Agreement with the Vendor and the Vendor's Nominee, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing 51% of the entire issued share capital of the Target Company, for the total consideration of US\$60,000,000 (equivalent to approximately HK\$470,862,000).

Set out below are the principal terms of the Acquisition Agreement:

THE ACQUISITION AGREEMENT

Date: 26 April 2018

Parties: Diginex Global Limited, as the vendor;

Mr. Miles Pelham, as the vendor's nominee;

Madison Future Games Limited, as the purchaser; and

Madison Holdings Group Limited, as issuer of the Consideration Shares

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Vendor is a service provider for distributed ledger technologies (DLT) with offices in Hong Kong, Switzerland, Germany and Japan; (ii) the Vendor's Nominee is holding all the issued shares of the Target Company as at the date of this announcement for and on behalf of the Vendor; (iii) the Vendor's Nominee shall, under the direction of the Vendor, transfer all the issued shares of the Target Company to the Vendor immediately prior to the completion of the Acquisition; and (iv) the Vendor, its ultimate beneficial owner(s) and the Vendor's Nominee are third parties independent of and not connected with the Company and its connected persons.

Asset to be acquired

Pursuant to the terms of the Acquisition Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, representing 51% of the Target Company.

Consideration

The total consideration for the Sales Shares is US\$60,000,000 (equivalent to approximately HK\$470,862,000), and will be settled in the following manner:

- (i) as to US\$10,000,000 (equivalent to approximately HK\$78,477,000) shall be paid to Vendor (or its nominee(s)) in cash as a refundable deposit (the "**Refundable Deposit**") on the date of the Acquisition Agreement; and
- (ii) the balance of US\$50,000,000 (equivalent to approximately HK\$392,385,000) shall be satisfied by the Company allotting and issuing 213,252,717 Consideration Shares at the Issue Price, credited as fully paid, to the Vendor (or its nominee(s)) on the Completion Date.

If any of the conditions of the Acquisition Agreement has not been fulfilled on the Long Stop Date, either the Purchaser or the Vendor shall be entitled to rescind or terminate the Acquisition Agreement by giving written notice to the other party whereupon the Vendor shall return the Refundable Deposit (together with any interest earned thereon) in full within 180 days of the Long Stop Date (the “**Repayment Date**”) as a single bullet repayment.

The Vendor undertakes that, if any of the conditions of the Acquisition Agreement has not been fulfilled on the Long Stop Date and it fails to repay the Refundable Deposit by the Repayment Date, it shall procure that assets of the Target Company are transferred to the Purchaser to satisfy the Refundable Deposit or part thereof which was not paid on the Repayment Date.

The Consideration was determined after arm’s length negotiations between the Company and the Vendor on normal commercial terms having regard to (i) the expertise and developed infrastructure in transaction verification, also known as virtual currency mining, in Asia, Sweden and Switzerland; (ii) the future business prospectus of the Target Company; and (iii) the benefits to be derived by the Group from the Acquisition as described under the paragraph headed “Reasons for and benefits of the Acquisition” in this announcement.

In view of the above, the Directors consider that the consideration is fair and reasonable and the Acquisition Agreement is on normal commercial terms and is fair and reasonable, and the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

Consideration Shares

On the Completion Date, the Company shall issue a total of 213,252,717 Consideration Shares to the Vendor (or its nominee(s)) at the Issue Price to satisfy part of the consideration.

The Issue Price of HK\$1.84 per Consideration Share:

- (i) is equivalent to the closing price of HK\$1.84 per Share as quoted on the Stock Exchange on 26 April 2018, being the date of the Acquisition Agreement; and
- (ii) represents a discount of approximately 0.97% to the average of the closing price of HK\$1.858 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Acquisition Agreement.

The 213,252,717 Consideration Shares represents (i) approximately 5.24% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.98% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming no change in the number of issued Shares since the date of this announcement and up to the Completion Date).

The Consideration Shares are to be issued by the Company under specific mandate to be sought from the Shareholders at the EGM. The Consideration Shares, when allotted and issued, will rank pari passu in all respects with all the Shares then in issue.

The Issue Price was arrived at after arm's length negotiation between the parties to the Acquisition Agreement after taking into account the prevailing market price of the Shares. The Directors consider that the Issue Price is fair and reasonable.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion of the Acquisition shall be conditional upon, the satisfaction (or, as the case may be, waiver) of the following conditions by the Long Stop Date:

- (1) the Purchaser having received and being satisfied (acting reasonably) with a legal opinion and the due diligence report from qualified Gibraltar lawyer (engaged by the Purchaser) on the Target Company;
- (2) the Purchaser and the Company having received a valuation report of the Target Company issued by a professional valuer showing the value of Target Company of not less than US\$120,000,000 (equivalent to approximately HK\$941,724,000), and being satisfied with any forecasts, assumptions, qualifications and methodologies of such valuation report;
- (3) the Purchaser having received from the Vendor a valid, effective and legally binding lease agreement of the Target Company for a term of not less than 3 years in relation to the rental of a data center in Sweden (the "**Swedish Premises**") by the Target Company;
- (4) all outstanding shareholder loans in respect of the Target Company having been written off or cancelled such that the Target Company shall not owe any amount to any third party; and

- (5) all necessary consents and approvals required from the Stock Exchange, the Securities and Futures Commission, and/or the shareholders of the Company be obtained on the part of the Purchaser and the Company in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect.

Completion

Subject to the fulfillment of the conditions, completion of the Acquisition shall take place on the Completion Date.

Upon completion, the Target Company will become indirect non-wholly-owned subsidiary of the Company and therefore, the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group.

Shareholders' Agreement

Upon completion of the Acquisition, the shareholders of the Target Company, namely the Purchaser and the Vendor will enter into a shareholders' agreement with the Company, to record the respective rights and obligations as shareholders of the Target Company with respect to finance, management and operations of the Company.

Lock up undertaking

The Vendor agrees and undertakes that the Consideration Shares shall be subject to a 2-month lock-up period commencing from the date of issue of the Consideration Shares, during which the Vendor (or its nominee(s)) is/are restricted to transfer the legal and beneficial interests of the Consideration Shares whether for consideration or no consideration; and the Vendor shall not create any encumbrance over the Consideration Shares.

IRREVOCABLE UNDERTAKING

Based on the benefits to be brought to the Company from the Acquisition as disclosed in the paragraph headed "Reasons for and benefits from the Acquisition" below, Mr. Ting Pang Wan Raymond, an executive Director, executed an irrevocable undertaking in the capacity of a Shareholder, in favour of the Vendor, pursuant to which he has undertaken, among others, before the termination of the Acquisition Agreement, that (i) he will not sell, transfer or otherwise dispose of the Shares indirectly owned by him; (ii) he will vote in favour of any resolutions approving the Acquisition; and (iii) he will recommend other Shareholders to vote in favour of any resolutions approving the Acquisition.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other changes in the share capital of the Company from the date of this announcement up to the Completion, set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the completion of the Acquisition.

	As at the date of this announcement		Immediately upon completion of the Acquisition	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Shareholders				
Royal Spectrum Holding Company Limited (“ Royal Spectrum ”) (<i>note</i>)	1,968,000,000	48.35	1,968,000,000	45.94
Public Shareholders				
Vendor	–	–	213,252,717	4.98
Other public Shareholders	<u>2,102,056,000</u>	<u>51.65</u>	<u>2,102,056,000</u>	<u>49.08</u>
Total	<u><u>4,070,056,000</u></u>	<u><u>100.00</u></u>	<u><u>4,283,308,717</u></u>	<u><u>100.00</u></u>

Note: These shares were held by Royal Spectrum, which is legally and beneficially owned as to 96.63% by Devoss Global Holdings Limited, which, in turn, is legally and beneficially wholly-owned by Mr. Ting Pang Wan Raymond, an executive Director.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated on 21 December 2015 in Gibraltar with limited liability. The Target Company is principally engaged in virtual currency mining. The Target Company currently has 2.2 megawatts (“**MW**”) of datacenters under management located across Asia and Europe. The entity mines predominately Ethereum (ETH) using high performance graphics processing units (“**GPU**”) mining rigs.

Set out below is the financial information of the Target Company for the two years ended 31 March 2018) based on the unaudited financial statements for the same period and prepared in accordance with generally accepted accounting principles in Hong Kong, as provided by the Vendor:

	For the year ended 31 March 2017	For the year ended 31 March 2018
	<i>(note)</i>	
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)
	(approximately)	(approximately)
Turnover	not applicable	12,116,679
Loss before taxation	not applicable	1,248,324
Loss after taxation	not applicable	1,248,324

Note: As advised by the Target Company, the financial figures for the year ended 31 March 2017 is not applicable as the Target Company only commenced its operation from 1 June 2017.

The unaudited net liabilities of the Target Company as at 31 March 2018 was approximately HK\$1,248,324.

REASONS FOR AND BENEFITS FROM THE ACQUISITION

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.

As stated in the Company's interim report for the six months ended 30 September 2017, the acquisitions and subscription of shares in licensed corporations has diversified the Group's business and brought financial benefits to the Group. The Directors are optimistic with the future prospect of financial sectors and will keep looking for opportunities to diversify its business and strengthen its position in Hong Kong and overseas. Along with the Group's expansion plan in virtual currency and blockchain related area, virtual currency mining is an essential part to fill the upstream gap of the business chain and complete it as a whole.

Blockchain and virtual currency are growing massively and have raised public attention, regulations are likely to come along. By leveraging on the Group's resource and experience in compliance with the regulation, together with the expertise of the Target Company's team on highly regulated financial services industries, the Company aims to provide an industry standard and role modelling the peers. On top of that, the Directors are of the view that Blockchain technology has a potential to become the backbone of fintech services in the future.

At present virtual currencies with a proof of work consensus mechanism that requires mining represents more than 75% of the total market capitalization for virtual-assets. As interest in trading and the adoption of virtual currencies continues to grow, there will be increased demand for mining facilities to ensure more efficient transaction validation through their underlying blockchain networks. The Target Company will be adding more MW in their data centre in Europe which has low-cost and renewable energy sources.

The Target Company has also partnered with a best in class company well-known for optimizing, monitoring, and maintaining GPU performance. The Target Company's GPU chip supplier is also major manufacturer in the latest hybrid mining and high-performance computing (HPC) chips. These hybrid chips ensure sustainability of the data centres' profitability potential over the long term, as despite the migration of Ethereum's consensus mechanism from proof of work to proof of stake, which does not require mining, these chips can be used to drive advanced computing applications such as machine learning and artificial intelligence.

Having considered the factors set out above, the Directors (including the independent nonexecutive Directors) are of the view that the terms of the Acquisition Agreement (including the Issue Price) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE GEM LISTING RULES

As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company, and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Consideration Shares will be allotted and issued pursuant to the specific mandate. The EGM will be convened for the Shareholders to consider and, if thought fit, approve the grant of the specific mandate for the allotment and issue of the Consideration Shares.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Acquisition Agreement (including the allotment and issue of Consideration Shares under the specific mandate). As such, no Shareholder will be required to abstain from voting on the resolution(s) to approve the grant of the specific mandate at the EGM.

A circular containing, among other things, details of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of Consideration Shares under the specific mandate), together with the notice convening the EGM will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

Shareholders and potential investors of the Company should be aware that the Acquisition and the transactions contemplated thereunder are subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	the conditional acquisition agreement in relation to the Acquisition dated 26 April 2018 entered into among the Vendor, the Vendor’s Nominee, the Purchaser and the Company
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a black rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	Madison Holdings Group Limited, a company incorporated in the Cayman Islands, whose Shares are listed on GEM (Stock code: 8057)
“Completion Date”	two Business days after the fulfilment of all the conditions or such other date as the Purchaser and the Vendor may agree in writing on which completion of the Acquisition shall take place
“Consideration Shares”	the new Shares which shall be allotted and issued by the Company to satisfy part of the consideration in accordance with the Acquisition Agreement
“Directors”	directors of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the grant of the specific mandate for the allotment and issue of the Consideration Shares
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	the issue price of HK\$1.84 per Consideration Share
“Long Stop Date”	31 July 2018 or such later date as the parties to the Acquisition Agreement may agree in writing
“Purchaser”	Madison Future Games Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Sale Shares”	1,020 shares of the Target Company, representing 51% of the entire issued share capital of the Target Company as at the date of the Agreement
“Share(s)”	the issued ordinary share(s) in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Digitas Limited (to be renamed as Diginex High Performance Computing Limited), a company incorporated in Gibraltar with limited liability and the target under the Acquisition
“Vendor”	Diginex Global Limited, a company incorporated in Hong Kong with limited liability, the vendor to the Acquisition Agreement

“Vendor’s Nominee”	Mr. Miles Pelham, the nominee of the Vendor holding all the issued shares of the Target Company as at the date of this announcement for and on behalf of the Vendor
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

In this announcement, for reference only, the translation of United States dollars into Hong Kong dollars is based on the exchange rate of US\$1 = HK\$7.8477.

Hong Kong, 26 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 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 in this announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at <http://www.madison-wine.com>.