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MADISON

— G R O U P —

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

THE DISPOSAL

The Board wishes to announce that on 22 January 2020 (after trading hours of the Stock Exchange), the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase from the Vendor the Sale Share and the Sale Loan at the cash Consideration of HK\$1.00.

Completion took place on 22 January 2020, upon which the Disposal Group has ceased to be subsidiaries of the Group and their financial results shall no longer be consolidated into the financial statements of the Group. As at the date of this announcement, the Disposal Group is mainly engaged in the Cryptocurrency Mining Business. Upon Completion, the Group has also ceased its operation in the Cryptocurrency Mining Business.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratio(s) (as defined in the GEM Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

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THE SALE AND PURCHASE AGREEMENT

Summarised below are the principal terms of the Sale and Purchase Agreement:

Date: 22 January 2020

Parties: (i) Victory Heights International Limited, as Vendor;
(ii) Mr. Zhang Shurong, as Purchaser.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser is an Independent Third Party.

Asset to be disposed of: The Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase (i) the Sale Share comprising one (1) issued share in the share capital of the Disposal Company, representing the entire issued share capital of the Disposal Company; and (ii) the Sale Loan.

Consideration: The Consideration for the Disposal is HK\$1.00 and shall be paid by the Purchaser to the Vendor (or its nominee(s) as the Vendor may direct in writing) in cash upon Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, after taking into account, (i) the unaudited consolidated total liabilities and net liabilities of the Disposal Company as at 31 December 2019 of approximately HK\$287,789,000 and HK\$218,083,000 respectively; (ii) the current financial status of the Disposal Group; and (iii) other factors as set out in the section headed "Reasons for and the benefits of the Disposal" below.

Completion:

The Sale and Purchase Agreement and the transactions contemplated thereunder shall not be subject to any conditions precedent. Completion shall take place on the date of the Sale and Purchase Agreement, or such later date as the parties may agree in writing.

Completion took place on 22 January 2020, upon which the Disposal Group has ceased to be subsidiaries of the Group and their financial results shall no longer be consolidated into the financial statements of the Group. As at the date of this announcement, the Disposal Group is mainly engaged in the Cryptocurrency Mining Business. Upon Completion, the Group has also ceased its operation in the Cryptocurrency Mining Business.

INFORMATION OF THE GROUP

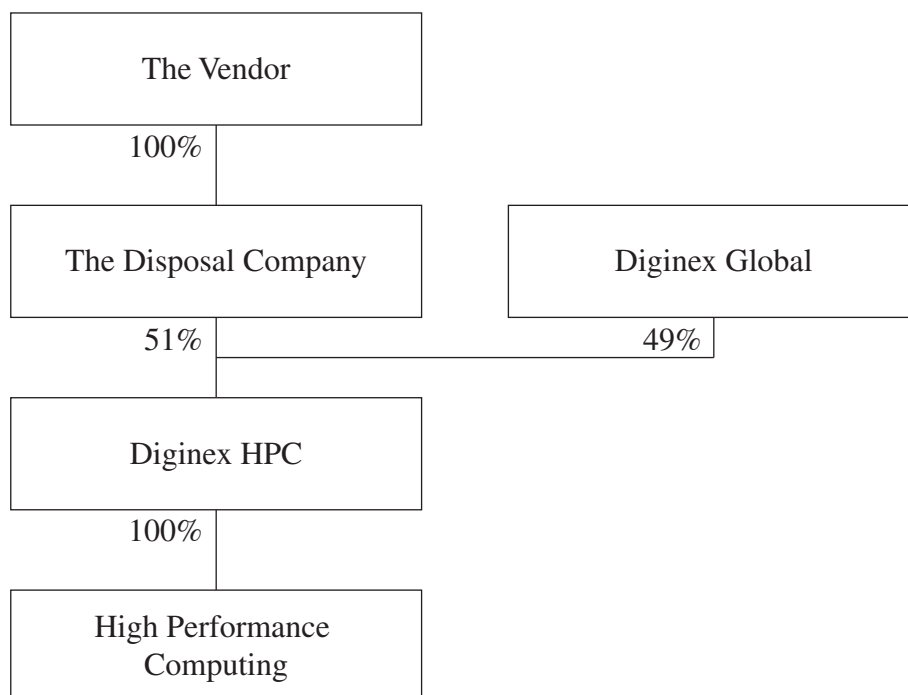
As at the date of this announcement, the Group is principally engaged in (i) retail sales and wholesales of wine products and other alcoholic beverages; (ii) auction of alcoholic beverages; (iii) provision of financial services including securities advisory and asset management; (iv) provision of cryptocurrency exchange business in Japan; and (v) the provision of loan financing and consultancy services.

INFORMATION OF THE DISPOSAL GROUP

The Disposal Company is a company incorporated in Hong Kong with limited liability on 4 April 2018. It is principally engaged in investment holding and has no business save for being the immediate holding company of Diginex HPC. Immediately prior to Completion, the Disposal Company is held as to 100% by the Vendor. After Completion, the Purchaser shall be interested in the entire issued share capital of the Disposal Company and the Vendor shall cease to have any interests in the Disposal Company.

Diginex HPC is a company incorporated in Gibraltar with limited liability and is owned as to 51% by the Disposal Company and as to 49% by Diginex Global as at the date of this announcement. Diginex HPC in turn holds the entire equity interest in High Performance Computing, being a company incorporated in Sweden with limited liability. The Disposal Group is principally engaged in Cryptocurrency Mining Business.

The following diagram illustrates the simplified shareholding structure of the Disposal Group as at the date of this announcement:



Set out below is the financial information of the Disposal Group based on the unaudited consolidated financial statements of the Disposal Group for the period from the date of incorporation of the Disposal Company to 31 March 2019 and for the period from 1 April 2019 to 31 December 2019 which are prepared under the Hong Kong Financial Reporting Standards:

	For the period from 4 April 2018 (date of incorporation) to 31 March 2019	For the period from 1 April 2019 to 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Turnover	29,384	30,008
Loss before taxation	343,539	304,850
Loss after taxation	343,539	304,850

The total assets, total liabilities and net liabilities of the Disposal Group as at 31 December 2019 based on its unaudited consolidated financial statements were approximately HK\$69,706,000, HK\$287,789,000 and HK\$218,083,000, respectively.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Disposal Group will cease to be subsidiaries of the Group and their financial results will no longer be consolidated into the consolidated financial statements of the Group. As at the date of this announcement, the Disposal Group is mainly engaged in the Cryptocurrency Mining Business. Upon Completion, the Group will also cease its operation in the Cryptocurrency Mining Business.

Subject to further audit procedures to be performed by the auditors of the Company, the Group is expected to record a gain of approximately HK\$89,000,000 which is calculated with reference to the amount of Consideration and the unaudited consolidated net liability value of the Disposal Group attributable to the Sale Share as at 31 December 2019 of approximately HK\$218,083,000. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to the review and final audit by the auditors of the Company.

REASONS FOR AND THE BENEFITS OF THE DISPOSAL

According to the data published by CoinMarketCap, the Ether price has decreased by approximately 61% from US\$433.87 as at 31 July 2018 (being the date of completion of the 2018 Acquisition) to US\$169.70 as at 21 January 2020. In light of the persistent depression and poor market sentiment of the cryptocurrency market, the Company considers that the Disposal represents an opportunity to divest in the Disposal Company to allow it to reallocate the Group's resources. After due consideration of the current financial position of the Disposal Group, the future uncertainty on the prospects of the Disposal Group and potential capital commitments in the Disposal Group thereof, the Company considers that the Disposal represents an opportunity to realise its investments in the Disposal Group.

References are also made to the announcements of the Company dated 26 April 2018 and 31 July 2018 as well as the Circular in relation to, among other things, the 2018 Acquisition, and the Sep 2019 Announcement in relation to the unauthorised disposal of all the cryptocurrency mining rigs (the “**Unauthorised Disposal**”) in the operation site in the PRC (the “**PRC Site**”) owned by Diginex HPC.

The 2018 Acquisition was completed on 31 July 2018. As disclosed in the Circular, Diginex Global undertook to the Disposal Company that Diginex HPC shall produce 45,000 Ether during the 12-month period commencing from the date of the 2018 Completion (the “**Undertaking**”). If Diginex HPC fails to deliver 45,000 Ether undertaken by Diginex Global, the Disposal Company is entitled to claim Diginex Global for a compensation of the shortfall number of Ether within 24 months from the date of the 2018 Completion. As further disclosed in the Sep 2019 Announcement, the operation of the cryptocurrency mining rigs in the PRC Site has been on halt since January 2019 due to the Unauthorised Disposal, which consequentially contributed to Diginex Global’s failure to meet the Undertaking. The shortfall was approximately 9,250 Ether. The Disposal Company has not received any compensation from Diginex Global as at the date of this announcement and reserves the right to claim for the shortfall. As disclosed in the Sep 2019 Announcement, a writ had been filed with the Shenzhen Qianhai Cooperation Zone People’s Court against Diginex Global and 深圳市欣誠捷碩科技有限公司 (transliterated in English as Shenzhen Xincheng Jieshuo Technology Limited), the management company of Diginex HPC, in relation to the Unauthorised Disposal (the “**PRC Legal Proceedings**”). As at the date of this announcement, the first arraignment was held on 14 November 2019 and the PRC Legal Proceedings is only expected to be completed in around 18 months from the date of the first arraignment. The Directors believe that the prospect of the Cryptocurrency Mining Business carried out by the Disposal Group is subject to grave uncertainty, and taking into account the time, resources and legal costs that will be incurred in connection with the PRC Legal Proceedings and the uncertainty of the outcome of the PRC Legal Proceedings, the Directors consider that the Disposal provides an exit opportunity for the Group and minimises the potential impact of the PRC Legal Proceedings on the Group.

In addition, pursuant to the Sale and Purchase Agreement, the Purchaser unconditionally and irrevocably undertakes and agrees to the Vendor that (i) he shall procure the Disposal Company to pursue, file or otherwise take all necessary claim(s), action(s) and/or legal proceeding(s) against Diginex Global in respect of the breach of the Undertaking (the “**Ether Action**”) before 31 July 2020 and continue to pursue the PRC Legal Proceedings; and (ii) he shall pay the Vendor the amounts recovered or paid to the Disposal Company in relation to or arises out of the Actions after deducting all costs and expenses (including legal fees) properly and reasonably incurred by the Disposal Company in relation to or arises out of the Actions actually paid by the Purchaser (on behalf and for the benefit of the Disposal Company).

The Directors expect that there will not be any net proceeds from the Disposal after deducting the expenses directly attributable thereto. Given that the total liabilities of the Disposal Group in the amount of approximately HK\$287,789,000 as at 31 December 2019 was significant, the Directors consider that the Disposal represents an opportunity for the Group to reduce indebtedness and strengthen its financial position. Taking into consideration of the net losses recorded by the Disposal Group in the past two financial years, the net liability position and the potential operating loss of the Disposal Group, the Directors consider that the Disposal represents an opportunity for the Group to reduce its liabilities and improve its financial position.

In light of the aforementioned reasons, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratio(s) (as defined in the GEM Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“2018 Acquisition”	the acquisition of 51% equity interest in Diginex HPC by the Disposal Company from Diginex Global pursuant to the terms and conditions of the 2018 Acquisition Agreement
“2018 Acquisition Agreement”	the acquisition agreement dated 26 April 2018 entered into among Diginex Global, Diginex Global's Nominee, the Disposal Company and the Company in relation to the 2018 Acquisition
“2018 Completion”	the completion of the 2018 Acquisition pursuant to the terms and conditions of the 2018 Acquisition Agreement
“Actions”	collectively, the Ether Action and the PRC Legal Proceedings
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors from time to time
“Circular”	the circular of the Company dated 13 July 2018 in relation to, among other things, the 2018 Acquisition
“Company”	Madison Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange (stock code: 8057)

“Completion”	completion of the Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement
“Consideration”	the consideration of HK\$1.00, being the consideration payable for the sale and purchase of the Sale Share and the Sale Loan
“Cryptocurrency Mining Business”	the cryptocurrency mining business operated in Europe by the Disposal Group as at the date of this announcement
“Diginex Global”	Diginex Global Limited, a company incorporated in Hong Kong with limited liability, being the vendor to the 2018 Acquisition Agreement, and the holder of 49% equity interest in Diginex HPC as at the date of this announcement
“Diginex Global’s Nominee”	Mr. Miles Pelham, the nominee of Diginex Global holding all the issued shares of Diginex HPC as at the date of the 2018 Acquisition Agreement
“Diginex HPC”	Diginex High Performance Computing Limited, a company incorporated in Gibraltar with limited liability
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Share and the Sale Loan by the Vendor to the Purchaser subject to the terms and conditions of the Sale and Purchase Agreement
“Disposal Company”	Madison Future Games Limited, a company incorporated in Hong Kong with limited liability, and a direct wholly-owned subsidiary of the Company as at the date of this announcement
“Disposal Group”	collectively, the Disposal Company, Diginex HPC and High Performance Computing
“Ether”	a cryptocurrency for operating the Ethereum platform, and as a form of payment adopted by the users of the Ethereum platform
“Ether Action”	has the meaning ascribed thereto in the section headed “Reasons for and the benefits of the Disposal” in this announcement

“Ethereum”	an open-source, public, Blockchain-based distributed computing platform and operating system featuring smart contract (scripting) functionality
“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
“High Performance Computing”	High Performance Computing Nordic AB, a company incorporated in Sweden with limited liability, and a direct wholly-owned subsidiary of Diginex HPC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	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
“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 Legal Proceedings”	has the meaning ascribed thereto in the section headed “Reasons for and the benefits of the Disposal” in this announcement
“PRC Site”	has the meaning ascribed thereto in the section headed “Reasons for and the benefits of the Disposal” in this announcement
“Purchaser”	Mr. Zhang Shurong, purchaser to the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 22 January 2020 and entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Share and the Sale Loan

“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Disposal Group to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion
“Sale Share”	one share in the issued share capital of the Disposal Company, representing the entire issued share capital of the Disposal Company
“Sep 2019 Announcement”	the announcement of the Company dated 13 September 2019 in relation to, among other things, the Unauthorised Disposal
“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
“Unauthorised Disposal”	has the meaning ascribed thereto in the section headed “Reasons for and the benefits of the Disposal” in this announcement
“Undertaking”	has the meaning ascribed thereto in the section headed “Reasons for and the benefits of the Disposal” in this announcement
“Vendor”	Victory Heights International Limited, a company incorporated in the British Virgin Islands with limited liability, and a direct wholly-owned subsidiary of the Company
“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
Chen Ying-chieh
Chairman and executive Director

Hong Kong, 22 January 2020

As at the date of this announcement, the executive Directors are Mr. Chen Ying-chieh, Mr. Hankoo Kim, Ms. Kuo Kwan and Mr. Zhang Li; the non-executive Directors are Mr. Ip Cho Yin J.P. and Mr. Ji Zuguang; and the independent non-executive Directors are Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Dr. Lau Reimer, Mary Jean.

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 herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at <http://www.madison-group.com.hk>.