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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)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION

Reference is made to the announcement of Madison Holdings Group Limited (the “**Company**”) dated 22 January 2020 (the “**Announcement**”) in relation to, among other things, the Disposal. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Board wishes to provide the Shareholders and potential investors of the Company with additional information in relation to the Disposal as follows:

Assets to be disposed of

As at the date of the Sale and Purchase Agreement, the total outstanding amount of the Sale Loan due from the Disposal Group to the Vendor was approximately HK\$24,543,000.

Financial effect of the Disposal

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 derived from the aggregate sum of the Consideration of HK\$1.00 and the unaudited consolidated net liabilities of the Disposal Group of approximately HK\$218,083,000 as at 31 December 2019, less the unaudited book value of the non-controlling interest of approximately HK\$104,363,000 and the Sale Loan of approximately HK\$24,543,000 as at 31 December 2019. 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

Immediately after the expiry of the 12-month period (the “**12-month Period**”) from the date of the 2018 Completion (i.e. 31 July 2019) in respect of the Undertaking, the Company had obtained the relevant information from the management of Diginex HPC in order to ascertain the performance of Diginex HPC. In or around August 2019, after ascertaining there was a shortfall of approximately 9,250 Ethers (the “**Shortfall**”), the Group had been having internal discussions in determining the most appropriate action to be taken and at the same time seeking legal advice as to the possible legal actions that could be taken against Diginex Global in relation to the Shortfall.

According to the data published by CoinMarketCap, the Ether price is approximately US\$281.94 as at 18 February 2020; as such, the value of the shortfall of 9,250 Ethers is approximately US\$2,607,945 (equivalent to approximately HK\$20,237,653) based on the latest available Ether price. The Shortfall represents approximately 1.75% and 2.04% of unaudited consolidated total assets of the Group as at 30 September 2019 and the market capitalisation of the Group as at the date of this announcement, respectively. In light of the above, the Directors consider the Shortfall would have no material impact on the business operations and /or financial position of the Group.

Concurrently in September 2019, as disclosed in the Sep 2019 Announcement, the Group had filed a writ 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 (the management company of Diginex HPC in the PRC) in relation to the Unauthorised Disposal. Taking into account that (i) Diginex Global undertook to the Disposal Company that Diginex HPC shall produce 45,000 Ethers during the 12-month Period; (ii) the Unauthorised Disposal took place in or around May 2019, which was within the 12-month Period; and (iii) despite the operation of the cryptocurrency mining rigs in the PRC Site was on halt since January 2019, if the Unauthorised Disposal had not taken place, the operation could have been resumed so that the Undertaking might be fulfilled or that the Shortfall might be reduced, the Directors considered that both the suspension of operation of the PRC Site and the Unauthorised Disposal were contributing factors to the Shortfall, and hence, the Unauthorised Disposal and the Shortfall were interrelated. Since July 2019, extensive time and resources have been deployed in relation to the preparation for the PRC Legal Proceedings against Diginex Global and 深圳市欣誠捷碩科技有限公司. Given the PRC Legal Proceedings against Diginex Global in relation to Unauthorised Disposal being in place, the antagonistic relationship between the Group and Diginex Global has also hindered the effective communication between them. As such, the Group was in the view that negotiation with Diginex Global in relation to compensation of the Shortfall prior to the settlement on the dispute over the Unauthorised Disposal, being one of the contributing factors to the Shortfall, would have been complicated and unproductive. In light of the above, the Group considered the possibility to have a constructive negotiation with Diginex Global in relation to the compensation of the Shortfall was remote and therefore the Group did not involve in further negotiation with Diginex Global at the material time.

From October 2019 to December 2019, several parties had expressed their interest in acquiring the mining rigs of Diginex HPC in Sweden and/or the equity interest in Diginex HPC held by the Vendor. In or around December 2019, the Group commenced negotiations with the Purchaser regarding the Disposal. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser is an Independent Third Party and does not have any relationship (business or otherwise) with Diginex Global and its ultimate beneficial owners. After arm's length negotiations between the Vendor and the Purchaser, and taking into account the time limit to claim the Shortfall pursuant to the 2018 Acquisition Agreement and that the 2018 Acquisition is not subject to any change of control clause that may impact the rights of the Disposal Company in enforcing the Undertaking, the Vendor has entered into the Sale and Purchase Agreement with the Purchaser, who has unconditionally and irrevocably undertaken and agreed to the Vendor that (a) he shall procure the Disposal Company to pursue, file or otherwise take the Ether Action before 31 July 2020 and continue to pursue the PRC Legal Proceedings; and (b) 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 "**Action Undertaking**").

As at the date of this announcement, the Disposal Company has not received any compensation for the Shortfall (the "**Compensation**") from Diginex Global. Having regard to (i) the cost, time and diversion of resources involved to initiate the Ether Action alongside the on-going PRC Legal Proceedings; (ii) the uncertainty of the outcome of the Ether Action; and (iii) the additional time involved to obtain and enforce the subsequent judgment for the Ether Action, the Directors consider that it is unlikely that the Compensation will be fully repaid by Diginex Global on or before 31 July 2020.

Taking into account (i) the Action Undertaking given by the Purchaser in favour of the Vendor; (ii) the Group will save litigation costs to be incurred in and the resources to be deployed on the Ether Action; (iii) the Group will be reimbursed of any amounts recovered from Diginex Global arising out of the Ether Action and/or the PRC Legal Proceedings; and (iv) other factors as set out in the section headed "Reasons for and the benefits of the Disposal" of the Announcement, the Directors are of the view that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the interests of the Company and the Shareholders are properly and reasonably safeguarded.

The Company would also like to clarify an inadvertent mistake within the third paragraph under the section headed “Reasons for and the benefits of the Disposal” in the Announcement, that it should read “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, which together with the Unauthorised Disposal contributed to Diginex Global’s failure to meet the Undertaking.” Save for the aforesaid, all other information in the Announcement shall remain unchanged.

By order of the Board
Madison Holdings Group Limited
Chen Ying-chieh
Chairman and executive Director

Hong Kong, 19 February 2020

For the purpose of this announcement, unless the context otherwise requires, conversion of US\$ into Hong Kong dollars is based on the approximate exchange rate of US\$1.00 to HK\$7.76. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

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>.