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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 IN RELATION TO THE DISPOSAL OF MADISON LAB LIMITED**

### **THE DISPOSAL**

The Board wishes to announce that on 17 June 2021 (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, the Sale Shares, representing the entire issued share capital of the Disposal Company, and the Sale Loan at the Consideration of HK\$90,000,000, subject to the terms and conditions of the Sale and Purchase Agreement.

Completion took place on 17 June 2021, upon which the Disposal Group has ceased to be subsidiaries of the Company 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 principally engaged in the Cryptocurrency Exchange Business. Upon Completion, the Group has also ceased its operation in the Cryptocurrency Exchange Business.

### **GEM LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) with respect to the Disposal exceed(s) 5% but 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 the GEM Listing Rules.

In addition, as the principal amount of the Promissory Note issued by the Purchaser to the Vendor at Completion exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules, it constitutes an advance to an entity under Rule 17.15 of the GEM Listing Rules and the details of which are disclosed herein in compliance with the general disclosure obligations under Rules 17.15 and 17.17 of the GEM Listing Rules. The Company will also comply with the continuing disclosure obligation under Rule 17.22 of the GEM Listing Rules.

## INTRODUCTION

The Board wishes to announce that on 17 June 2021 (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, the Sale Shares, representing the entire issued share capital of the Disposal Company, and the Sale Loan at the Consideration of HK\$90,000,000, subject to the terms and conditions of the Sale and Purchase Agreement.

## THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date: 17 June 2021

Parties: (i) Madison Blockchain Holdings Company Limited, as the Vendor; and  
(ii) Ms. Li Li, as the Purchaser

On 4 June 2021, Ms. Li Li (as the potential vendor) entered into a MOU with the Company. Under the MOU, it is proposed that the Company (either by itself or through its wholly-owned subsidiary) will acquire 49% of the entire equity interests in the holding company of two PRC subsidiaries, namely Shenzhen Jing Fan and Shenzhen Jinhui, which are principally engaged in the provision of education management services in the PRC, from Ms. Li Li (the “**Possible Acquisition**”). As at the date of this announcement, no legally binding agreement in relation to the Possible Acquisition has been entered into by the Company and Ms. Li Li. The Possible Acquisition, if materialises, may constitute a notifiable transaction of the Company under Chapter 19 of the GEM Listing Rules. Further announcement will be made in that regard in compliance with the GEM Listing Rules as and when appropriate.

Save as disclosed above and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party.

## **Asset to be disposed of**

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, (i) the Sale Shares comprising 30,000,100 issued shares of the Disposal Company, representing the entire issued share capital of the Disposal Company, and (ii) the Sale Loan.

As at the date of this announcement, the total outstanding amount of the Sale Loan due from the Disposal Group to the Vendor was approximately HK\$111,813,000.

## **Consideration**

The Consideration for the Disposal is HK\$90,000,000 and shall be and has been satisfied by way of issue of the Promissory Note in the principal amount of HK\$90,000,000 by the Purchaser to the Vendor upon Completion.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser and on normal commercial terms, with reference to (i) the unaudited consolidated total liabilities and net assets of the Disposal Company as at 31 March 2021 of approximately HK\$112,550,000 and HK\$34,609,000 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 in this announcement.

## **Completion**

The Sale and Purchase Agreement and the transactions contemplated thereunder shall not be subject to any conditions precedent. Completion shall take place simultaneously upon signing of the Sale and Purchase Agreement.

Completion took place on 17 June 2021, upon which the Disposal Group has ceased to be subsidiaries of the Company 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 Exchange Business. Upon Completion, the Group has also ceased its operation in the Cryptocurrency Exchange Business.

## **Principal terms of the Promissory Note**

The principal terms of the Promissory Note are set out as follows:

Issuer	:	The Purchaser
Principal amount	:	HK\$90,000,000

Issue date	:	Completion Date
Maturity date	:	16 December 2021, being six months from the date of issue of the Promissory Note
Interest rate	:	2% per annum
Security	:	As security for payment of all moneys, obligations and liabilities due, owing or incurred to the Vendor under the Promissory Note, the Purchaser has executed the Share Charge in favour of the Vendor
Early redemption	:	The Purchaser may redeem all or part of the outstanding principal amount of the Promissory Note at any time from the issue date up to the day immediately prior to the maturity date by serving not less than five (5) Business Days' prior written notice to the holder of the Promissory Note, provided that each redemption shall be made in the principal amount of not less than HK\$1,000,000 (or the entire outstanding principal amount if the outstanding principal amount of the Promissory Note is less than HK\$1,000,000)
Transferability	:	The Promissory Note may, with five (5) Business Days' prior notice in writing to the Purchaser of the Vendor's intention to transfer or assign the Promissory Note, be freely transferable and assignable by the Vendor to any other person

## **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) provision of financial services including securities advisory and asset management; and (iii) provision of loan financing and consultancy services.

## **INFORMATION OF THE DISPOSAL GROUP**

As at the date of this announcement, the Disposal Group consists of the Disposal Company and Bitoccean.

The Disposal Company is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company immediately prior to Completion. It is principally engaged in investment holding and has no business save for being the immediate holding company of Bitoccean. Immediately prior to Completion, the Disposal Company is a direct wholly-owned subsidiary of 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.

Bitoccean is a company incorporated in Japan and is owned as to approximately 59.3% by the Disposal Company, approximately 29.3% by Flying Bridge and approximately 11.4% by Comfort Homes, respectively, as at the date of this announcement. The Disposal Group is principally engaged in the Cryptocurrency Exchange Business.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Flying Bridge, Comfort Homes and their respective ultimate beneficial owner(s) is an Independent Third Party.

### **Financial Information of the Disposal Group**

Set out below is the financial information of the Disposal Group based on its unaudited consolidated financial statements for the two years ended 31 March 2021 which are prepared under Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 March 2020 (unaudited) HK\$'000</b>	<b>For the year ended 31 March 2021 (unaudited) HK\$'000</b>
Revenue	–	–
Profit/(loss) before taxation	(16,987)	(33,849)
Profit/(loss) after taxation	(16,987)	(33,849)

The total assets, total liabilities and net assets of the Disposal Group as at 31 March 2021 based on its unaudited consolidated financial statements were approximately HK\$147,159,000, HK\$112,550,000 and HK\$34,609,000, respectively.

### **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

Upon Completion, the Disposal Group will cease to be subsidiaries of the Company 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 principally engaged in the Cryptocurrency Exchange Business. Upon Completion, the Group will also cease its operation in the Cryptocurrency Exchange Business.

Subject to further audit procedures to be performed by the auditors of the Company, based on the net asset value of the Disposal Group as at 31 May 2021 of approximately HK\$34,438,000 and Sale Loan of approximately HK\$111,813,000 as at Completion Date, it is estimated that the gain attributable to the Disposal as at the Completion Date is approximately HK\$109,000 after deducting expenses of approximately HK\$200,000. 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.

The net proceeds from the Disposal, after deducting the expenses directly attributable thereto, will amount to approximately HK\$89,800,000 and is intended to be used for the purpose of general working capital of the Group.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The ongoing outbreak of the novel coronavirus disease 2019 has adversely impacted the economy of Japan, resulting in significant pressure on the Group's Cryptocurrency Exchange Business in Japan.

Moreover, the regulatory regimes for virtual currency trading are becoming more and more stringent. The recent reports on the U.S Department of Treasury's plan to tackle money laundering carried out through digital assets in financial institutions may affect the public confidence in cryptocurrency in the coming years. Since the release of such reports in or around mid-April 2021, the price of Bitcoin, which is one of the cryptocurrencies traded on the virtual currency trading platform of Bitoccean, dropped from approximately US\$64,000 as at 14 April 2021 to approximately US\$39,000 as at the date of this announcement.

The Japan Virtual Currency Exchange Association (a self-regulatory body to promote stable development of virtual currency exchange industry and safeguard users' interests in Japan, of which Bitoccean is a member to) announced its collaboration with the Financial Services Agency of Japan on 15 April 2021 to implement capital sufficiency requirements to safeguard the interest of investors. It is expected that such requirements will become effective in the second half of 2021. The capital sufficiency requirements pose great difficulties to the operations of small-to-mid size virtual currency trading platform operators, including Bitoccean, to seek additional funding to fulfill the upcoming regulatory requirements. In addition, professional staff may need to be recruited to ensure compliance with the capital sufficiency requirements.

As a result of the foregoing, the Directors are pessimistic with the prospect of the virtual currency trading industry in Japan, and hence the Vendor had been identifying potential investors to dispose of the Disposal Group.

Having considered, among others, (i) the unsatisfactory financial performance of the Disposal Group as set out in the paragraph headed “Financial information of the Disposal Group” under the section headed “Information of the Disposal Group” above; (ii) the uncertainty on the future prospects of the Disposal Group; and (iii) the Group would recognise a gain on Disposal, the Directors are of the view that the Disposal is an opportunity for the Group to realise from its investment and reallocate the Group’s resources to focus on other profit making segments.

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

## **GEM LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) with respect to the Disposal exceed(s) 5% but 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 the GEM Listing Rules.

In addition, as the principal amount of the Promissory Note issued by the Purchaser to the Vendor at Completion exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules, it constitutes an advance to an entity under Rule 17.15 of the GEM Listing Rules and the details of which are disclosed herein in compliance with the general disclosure obligations under Rules 17.15 and 17.17 of the GEM Listing Rules. The Company will also comply with the continuing disclosure obligation under Rule 17.22 of the GEM Listing Rules.

## **DEFINITIONS**

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

“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Bitocean”	株式會社 BITOCEAN (BITOCEAN Co., Ltd.), a company incorporated in Japan, which is owned as to approximately 59.3% by the Disposal Company, approximately 29.3% by Flying Bridge and approximately 11.4% by Comfort Homes, respectively, as at the date of this announcement

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Madison Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued 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
“Completion Date”	date of Completion
“Comfort Homes”	Comfort Homes and Strategies Limited, a company incorporated in Hong Kong with limited liability, which is interested in approximately 11.4% equity interests in Bitocan
“Consideration”	HK\$90,000,000, being the consideration payable for the sale and purchase of the Sale Shares and the Sale Loan
“Cryptocurrency Exchange Business”	the cryptocurrency exchange business operated in Japan by the Disposal Group as at the date of this announcement
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Company”	Madison Lab Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company immediately prior to Completion as at the date of this announcement



“Disposal Group”	collectively, the Disposal Company and Bitoccean
“Flying Bridge”	Flying Bridge Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is interested in approximately 29.3% equity interests in Bitoccean
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“MOU”	the non-legally binding memorandum of understanding dated 4 June 2021 and entered into between the Company and Ms. Li Li setting out the preliminary understanding in relation to the Possible Acquisition
“Possible Acquisition”	has the meaning ascribed thereto in the section headed “The Sale and Purchase Agreement” in this announcement
“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
“Promissory Note”	the promissory note issued by the Purchaser on Completion in the principal amount of HK\$90,000,000 for a period of six months at the interest rate of 2% per annum

“Purchaser”/“Ms. Li Li”	Ms. Li Li, being the purchaser to the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 June 2021 and entered into between the Vendor and the Purchaser in relation to the Disposal
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Disposal Group to the Vendor on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion
“Sale Shares”	30,000,100 issued shares of the Disposal Company, representing the entire issued share capital of the Disposal Company as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Share Charge”	a share charge dated 17 June 2021 and executed by the Purchaser in favour of the Vendor over the Sale Shares
“Shareholders”	holders of the Shares
“Shenzhen Jing Fan”	深圳市鯨帆教育管理有限公司 (for transliteration purpose only, Shenzhen Jing Fan Education Management Limited#), a company established in the PRC with limited liability and is indirectly owned as to 100% by Ms. Li Li as at the date of this announcement
“Shenzhen Jinhui”	深圳市金輝教育管理有限公司 (for transliteration purpose only, Shenzhen Jinhui Education Management Limited#), a company established in the PRC with limited liability and is indirectly owned as to 100% by Ms. Li Li as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Madison Blockchain Holdings Company Limited, a company incorporated in the Republic of Seychelles with limited liability and a direct wholly-owned subsidiary of the Company

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

# *the English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

By order of the Board  
**Madison Holdings Group Limited**  
**Ji Zuguang**  
*Chairman and non-executive Director*

Hong Kong, 17 June 2021

*As at the date of this announcement, the executive Directors are 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](http://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>.*