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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 ACQUISITION OF  
49% EQUITY INTEREST IN  
UP SAIL VENTURES LIMITED  
INVOLVING THE ISSUE OF CONSIDERATION SHARES  
UNDER GENERAL MANDATE**

## **THE ACQUISITION**

The Board is pleased to announce that on 28 June 2021 (after trading hours of the Stock Exchange), the Company, as purchaser, entered into the Sale and Purchase Agreement with the Vendor, as vendor, pursuant to which the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 49% of the entire issued share capital of the Target Company at the Consideration of HK\$133,672,000, subject to the terms and conditions of the Sale and Purchase Agreement.

The Consideration shall be satisfied by way of set off against the Promissory Note in the principal amount of HK\$90,000,000 and the allotment and issue of 295,081,081 Consideration Shares at the Issue Price, credited as fully paid, by the Company to the Vendor.

As at the date of this announcement, the Target Company is wholly-owned by the Vendor. Upon Completion, the Target Company will be owned as to 51% by the Vendor and 49% by the Company. As such, the Target Company will become an associate company of the Company.

## **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 Acquisition exceed(s) 5% but less than 25%, the Acquisition 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.

The Consideration Shares will be allotted and issued by the Company under the General Mandate granted to the Directors at the EGM held on 23 February 2021. The allotment and issue of the Consideration Shares is not subject to the approval of the Shareholders.

**Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 17 June 2021, in relation to, among other things, the Disposal and the MOU regarding the possible acquisition of 49% equity interests in the holding company of two PRC subsidiaries, namely Shenzhen Jingfan and Shenzhen Jinhui, which are principally engaged in the provision of education management services in the PRC, from the Vendor.

The Board is pleased to announce that on 28 June 2021 (after trading hours of the Stock Exchange), the Company, as purchaser, entered into the Sale and Purchase Agreement with the Vendor, as vendor, pursuant to which the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 49% of the entire issued share capital of the Target Company at the Consideration of HK\$133,672,000, 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:** 28 June 2021

**Parties:** (i) The Company, as purchaser; and  
(ii) Ms. Li Li, as the Vendor

On 17 June 2021, Madison Blockchain, a direct wholly-owned subsidiary of the Company, as vendor, entered into the Disposal Agreement with Ms. Li Li as purchaser, pursuant to which Madison Blockchain agreed to sell and the Vendor agreed to purchase the entire issued share capital of Madison Lab, and the sale loan due from Madison Lab and its subsidiaries. Completion of the Disposal took place on 17 June 2021, upon which the Vendor had issued the Promissory Note in the principal amount of HK\$90,000,000 to Madison Blockchain to satisfy the consideration for the Disposal pursuant to the terms of the Disposal Agreement.

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

### **Asset to be acquired**

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares comprising 49 issued shares of the Target Company, representing 49% of the entire issued share capital of the Target Company as at the date of this announcement.

### **Consideration**

The Consideration for the Acquisition is HK\$133,672,000, which shall be satisfied in the following manner upon Completion:

- (i) as to HK\$90,000,000 by way of set off against the total principal amount of HK\$90,000,000 of the Promissory Note due by the Vendor to Madison Blockchain; and
- (ii) the remaining balance of HK\$43,672,000, by way of allotment and issue of 295,081,081 Consideration Shares, credited as fully paid, at the Issue Price, by the Company to the Vendor.

### **Basis of Consideration**

The Consideration was determined after arm's length negotiation between the Vendor and the Company on normal commercial terms, with reference to, among others, (i) the profit guarantee provided by the Vendor in respect of the Guaranteed Profit of HK\$12,000,000 for the Guaranteed Period; (ii) the compensation mechanism in favour of the Group in cash by the compensation factor of 22.73 in the event that the Target Group fails to achieve the agreed Guaranteed Profit; (iii) the Valuation (defined as below); and (iv) other factors as set out in the section headed "Reasons for and the benefits of the Acquisition" in this announcement.

In order to assess the fairness and reasonableness of the Consideration, the Company engaged Baker Tilly Hong Kong Valuation Advisory Limited, an independent valuer (the “**Valuer**”), to conduct the valuation (the “**Valuation**”) on the market value of the 49% equity interest of Hong Kong IKingfan, being a direct wholly-owned subsidiary of the Target Company, and the holding company of Shenzhen Jingfan and Shenzhen Jinhui.

Further details of the Valuation are set out in the section headed “Valuation” below.

### **Consideration Shares**

Subject to the fulfillment or waiver (as the case may be) of the conditions precedent as set out in the paragraph headed “Conditions precedent” below, the Company shall allot and issue 295,081,081 Consideration Shares to the Vendor at the Issue Price to satisfy as to HK\$43,672,000 of the Consideration on Completion.

The Issue Price of HK\$0.148 per Consideration Share represents:

- (i) the closing price of HK\$0.148 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and
- (ii) the average of the closing price of HK\$0.148 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Sale and Purchase Agreement.

The 295,081,081 Consideration Shares represents (i) approximately 4.74% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.52% 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 will be allotted and issued by the Company under the General Mandate granted to the Directors at the EGM held on 23 February 2021. The allotment and issue of the Consideration Shares is not subject to the approval of the Shareholders. The General Mandate entitles the Directors to issue, allot and deal with up to 1,246,254,455 Shares, representing 20% of the issued share capital of the Company as at the date of the EGM. Since the date of the EGM and up to and including the date of this announcement, no Shares have been allotted and issued under the General Mandate. 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 Vendor and the Company 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 is subject to the following conditions having been fulfilled or waived (as the case may be):

- (i) the Company being reasonably satisfied with the results of the due diligence review to be conducted pursuant to the terms and conditions of the Sale and Purchase Agreement;
- (ii) all necessary consents, licences and approvals required to be obtained on the part of the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iii) all necessary consents, licences and approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iv) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares; and
- (v) no matter, fact or circumstance constitutes or may constitute a breach of the warranties provided by the Vendor or the terms of the Sale and Purchase Agreement on the part of the Vendor.

The Company may at its absolute discretion at any time waive in writing any of the conditions precedent as set out in (i) and (v) above and such waiver may be made subject to such terms and conditions as are determined by the Company. All other conditions precedent are incapable of being waived by any parties to the Sale and Purchase Agreement.

If the above conditions have not been satisfied (or as the case may be, waived) at or before 4:00 p.m. on 31 August 2021, or such later date as the Company and the Vendor may agree, the Sale and Purchase Agreement shall cease and terminate, and thereafter none of the parties to the Sale and Purchase Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

## **Profit guarantee**

Pursuant to the Sale and Purchase Agreement, the Vendor irrevocably and unconditionally warrants and guarantees to the Company that the audited consolidated profits after tax of the Target Company calculated in accordance with the HKFRS as shown in its audited consolidated financial statements for the first complete financial year commencing after the Completion Date (the “**Guaranteed Period**”) issued by the Auditors shall not be less than HK\$12,000,000 (the “**Guaranteed Profit**”).

If the actual audited consolidated profits after tax of the Target Company calculated in accordance with HKFRS for the Guaranteed Period (the “**Actual Profit**”) as shown in the Guarantee Certificate is less than the Guaranteed Profit, then the Vendor undertakes to irrevocably and unconditionally pay to the Company an amount (A) (the “**Guaranteed Profit Compensation**”) calculated as follows:

$$A = (\text{Guaranteed Profit} - \text{Actual Profit}) \times 22.73$$

In such event, the Vendor shall be obliged to pay the Company and/or its nominee(s) within seven (7) Business Days upon the receipt of the Guarantee Certificate an amount equivalent to the Guaranteed Profit Compensation in cash.

For the avoidance of doubt, should the Target Company record a loss in its audited consolidated financial statements for the Guaranteed Period, the Actual Profit for such Guaranteed Period shall be deemed as zero. The Vendor and the Company both agree and acknowledge that the Guaranteed Profit Compensation shall in no event exceed the total Consideration of HK\$133,672,000.

## **Completion**

Completion shall take place within three Business Days after the fulfillment (or waiver) of all the conditions precedent of the Sale and Purchase Agreement, or such other date as the Company and the Vendor may agree.

Upon Completion, the Company will be interested in 49% of the entire issued share capital of the Target Company. As such, the Target Company will become an associate company of the Company.

## **The Shareholders' Agreement**

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Company (or its nominee), the Vendor and the Target Company shall upon Completion execute the Shareholders' Agreement setting out the terms and conditions in relation to the structure of the Target Company and the manner in which the day-to-day business operations and affairs of the Target Company are to be regulated after Completion. Set out below is the summary of some of the proposed principal terms of the Shareholders' Agreement:

### **(i) Board composition and board resolutions**

Unless otherwise agreed in writing by all the shareholders of the Target Company, the board of directors of the Target Company shall comprise three directors, of whom two directors shall be appointed or removed at the request of the Vendor and one director shall be appointed or removed at the request of the Company (or its nominee). The quorum for a board meeting shall be two directors, in which one of them must be a director nominated by the Vendor or his/her alternate for the time being and one of them must be a director nominated by the Company (or its nominee) or his/her alternate for the time being. Save for matters requiring unanimous consent (including but not limited to, the creation or issue of shares or grant of options of the Target Company; the capitalisation, repayment or other form of distribution; participating in or agreeing to propose in any action of closure, termination or dissolution of the Target Company; and the material change in the nature or the scope of business of the Target Company), resolutions are to be decided by a majority of votes. In the event of an equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote. The chairman of the board of the Target Company shall be nominated by the Vendor.

### **(ii) Restriction on transfer**

If any shareholder of the Target Company proposes to transfer any shares of the Target Company to a third party, the other shareholder(s) of the Target Company shall have the right of first refusal to purchase such shares. Notwithstanding the aforementioned, the shareholders of the Target Company shall be permitted at any time to make a transfer of all (but not part) of the shares of the Target Company held by them to their associates.

### **(iii) Pre-emption on issue of shares**

Unless unanimous consent has been reached by the shareholders of the Target Company, no new shares of the Target Company shall be allotted or issued to any person. The Target Company grants to each of its shareholders a right to purchase up to a pro rata share of any new shares that the Target Company may, from time to time, propose to sell or issue. In the event that none of its shareholders has exercised its pre-emptive right, the Target Company may sell any new shares at a price and upon terms no more favourable to the purchasers thereof than that offered to its existing shareholders.

## 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 Completion, set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion.

Name of Shareholders	As at the date of this announcement		Immediately after Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Royal Spectrum Holding Company Limited ( <b>“Royal Spectrum”</b> ) <i>(Notes 1 and 2)</i>	1,968,000,000	31.58%	1,968,000,000	30.15%
CVP Financial Group Limited ( <b>“CVP Financial”</b> ) <i>(Note 2)</i>	504,872,727	8.10%	504,872,727	7.74%
Kaiser Capital Holdings Limited ( <b>“Kaiser Capital”</b> ) <i>(Note 2)</i>	12,172,000	0.20%	12,172,000	0.19%
Highgrade Holding Limited ( <b>“Highgrade Holding”</b> ) <i>(Note 2)</i>	1,872,000	0.03%	1,872,000	0.03%
<i>Directors:</i>				
Mr. Zhang Li ( <b>“Mr. Zhang”</b> )	4,420,000	0.07%	4,420,000	0.07%
Mr. Ji Zuguang ( <b>“Mr. Ji”</b> )	2,089,786 <i>(Note 3)</i>	0.03%	2,089,786 <i>(Note 3)</i>	0.03%
<i>Public Shareholders:</i>				
Ms. Li Li	–	–	295,081,081	4.52%
Other public Shareholders	3,737,845,764	59.99%	3,737,845,764	57.27%
Total:	<u>6,231,272,277</u>	<u>100.00%</u>	<u>6,526,353,358</u>	<u>100.00%</u>



*Notes:*

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global Holdings Limited (“**Devoss Global**”) and 3.37% by Montrachet Holdings Limited. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum.
2. Each of Devoss Global, CVP Financial, CVP Holdings, Kaiser Capital and Highgrade Holding is wholly-owned by Mr. Ting Pang Wan Raymond (“**Mr. Ting**”). Mr. Ting is deemed to be interested in 2,486,916,727 Shares, representing approximately 39.91% of the issued share capital of the Company as at the date of this announcement, held by CVP Financial, Kaiser Capital and Highgrade Holding under Part XV of the SFO.
3. Plan Marvel Investment Limited (“**Plan Marvel**”), being a company incorporated in the British Virgin Islands with limited liability, is wholly-owned by Mr. Ji. Mr. Ji is deemed to be interested in 2,089,786 Shares held by Plan Marvel by virtue of the SFO.
4. Certain percentage figures included in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

## **INFORMATION OF THE TARGET GROUP**

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Target Company is direct wholly-owned by the Vendor.

Hong Kong IKingfan is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company. It is principally engaged in investment holding and has no business save for being the immediate holding company of Shenzhen Jingfan and Shenzhen Jinhui.

Each of Shenzhen Jingfan and Shenzhen Jinhui is a company established in the PRC and is a direct wholly-owned subsidiary of Hong Kong IKingfan. Both Shenzhen Jingfan and Shenzhen Jinhui are principally engaged in the provision of education management services in the PRC.

## Financial Information of the Target Group

Set out below is the financial information of the Target Group based on its unaudited combined financial statements for the two years ended 31 December 2020 which are prepared under the HKFRS:

	<b>For the year ended 31 December 2019 (unaudited) HK\$'000</b>	<b>For the year ended 31 December 2020 (unaudited) HK\$'000</b>
Revenue	11,090	12,923
Profit/(loss) before taxation	6,231	4
Profit/(loss) after taxation	6,231	4

The total assets, total liabilities and net liabilities of the Target Group as at 31 December 2020 based on its unaudited combined financial statements were approximately HK\$1,196,000, HK\$10,615,000 and HK\$9,419,000, respectively.

## VALUATION

According to the Valuation, the market value of 49% equity interest of Hong Kong IKingfan, being a direct wholly-owned subsidiary of the Target Company, and the holding company of Shenzhen Jingfan and Shenzhen Jinhui, as at 31 March 2021 amounted to HK\$134,000,000 which was assessed using the income approach based on discounted cash flow method. Accordingly, such valuation of the Target Group based on discounted cash flow method constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules, and Rules 19.60A and 19.62 of the GEM Listing Rules are applicable.

Pursuant to Rule 19.62(1) of the GEM Listing Rules, the principal assumptions, including commercial assumptions, upon which the Valuation was based are as follows:

- (i) there will be no major changes in the existing political, legal, and economic conditions in the subject country which Hong Kong IKingfan and its subsidiaries will carry on their business;
- (ii) there will be no major changes in the taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (iii) there will be no material changes in the industry and its sub-industry in which Hong Kong IKingfan and its subsidiaries involved that would materially affect the revenues, profits and cash flows attributable to Hong Kong IKingfan;

- (iv) the labour market conditions in the subject country will not differ materially from those presently prevailing;
- (v) the availability of finance will not be a constraint on operation of Hong Kong IKingfan;
- (vi) exchange rates and interest rates will not differ materially from those presently prevailing;
- (vii) industry trends and market conditions for related industries in the subject country will not deviate significantly from the results projected in the financial forecasts of the comprehensive income and balance sheet of Hong Kong IKingfan and its subsidiaries (the “**Financial Projection**”);
- (viii) the Financial Projection has been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the management of the Company;
- (ix) Hong Kong IKingfan and its subsidiaries have obtained all necessary permits, license, certificates and approvals to carry out the business; those permits, license, certificates, and approvals will be renewed upon expiry; and
- (x) Hong Kong IKingfan and its subsidiaries will recruit and have competent management, key personnel, and technical staff to implement their operating plans and the Financial Projection.

The reporting accountants of the Company, ST Lo & Co. (the “**Reporting Accountants**”), has examined the arithmetical accuracy and calculations of the discounted future cash flows of Hong Kong IKingfan and its subsidiaries in which the Valuation was based.

Jun Hui International Finance Limited (the “**Financial Adviser**”), acting as the Company’s financial adviser for the purpose of the profit forecast as required under Rule 19.62(3) of the GEM Listing Rules, has confirmed that it is satisfied that the profit forecast of Hong Kong IKingfan and its subsidiaries has been made by the Directors after due and careful enquiry.

Pursuant to Rule 19.60A of the GEM Listing Rules, a report from the Reporting Accountants dated 28 June 2021 in compliance with Rule 19.62(2) of the GEM Listing Rules and a letter from the Financial Adviser dated 28 June 2021 in compliance with Rule 19.62(3) of the GEM Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

The followings are the qualifications of each expert who has provided its conclusion or advice, which is contained in this announcement:

<b>Name</b>	<b>Qualification</b>
Baker Tilly Hong Kong Valuation Advisory Limited	An independent professional valuer
ST Lo & Co.	Certified Public Accountants
Jun Hui International Finance Limited	A licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the date of this announcement, (i) each of the Valuer, the Reporting Accountants and the Financial Adviser did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) each of the Valuer, the Reporting Accountants and the Financial Adviser did not have any direct or indirect interest in any assets acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Company were made up.

Each of the Valuer, the Reporting Accountants and the Financial Adviser has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report or advice and all references to its name in the form and context in which it respectively appears in this announcement.

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

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.

In November 2020, the Ministry of Education, the PRC published an article (the “**2020 Article**”) proposing that (i) local governments should enjoy greater autonomy in the administration of private educational services, and that they could set the registration time and taxes for for-profit and non-profit schools according to the actual situation, instead of taking the centralized administration mode; (ii) legal connected transactions are permitted; and (iii) private education is actively encouraged and tax concessions and other supports are provided for profit-earning private schools.

Having considered, among others, (i) the satisfactory financial performance of the Target Group as set out in the paragraph headed “Financial information of the Target Group” under the section headed “Information of the Target Group” above; (ii) favourable policies to facilitate the development of private education as disclosed in the 2020 Article; and (iii) the Outline of the 14th Five-Year Plan for National Economic and Social Development of the PRC and the Vision 2035 issued by the National People’s Congress in March 2021, which clearly states that a high quality education system should be built, the Directors are of the view that the Acquisition is an opportunity for the Group to tap into the business of education management services in the PRC and it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and in view of broadening the Group’s source of income. In addition, the Consideration is satisfied by way of set off against the principal amount of the Promissory Note and the allotment and issue of the Consideration Shares and therefore does not create any cashflow burden on the Group.

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 are on normal commercial terms, fair and reasonable and the Acquisition 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 Acquisition exceed(s) 5% but less than 25%, the Acquisition 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.

The Consideration Shares will be allotted and issued by the Company under the General Mandate granted to the Directors at the EGM held on 23 February 2021. The allotment and issue of the Consideration Shares is not subject to the approval of the Shareholders.

**Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“2020 Articles”	has the meaning ascribed thereto in the section headed “Reasons for and benefits of the Acquisition” in this announcement
“Acquisition”	the acquisition of the Sale Shares, by the Company from the Vendor subject to the terms and conditions of the Sale and Purchase Agreement
“Actual Profit”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Auditors”	an independent firm of auditors practicing in Hong Kong whose appointment shall be approved by the Company
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong 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 Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	within three Business Days after the date of fulfillment (or waiver) of the conditions precedent under the Sale and Purchase Agreement or such other date as the Vendor and the Company shall agree in writing
“Consideration”	HK\$133,672,000, being the consideration payable for the sale and purchase of the Sale Shares

“Consideration Shares”	295,081,081 new Shares to be allotted and issued to the Vendor, subject to the terms and conditions under the Sale and Purchase Agreement, at the Issue Price as part of the Consideration
“Directors”	directors of the Company
“Disposal”	the disposal of the 30,000,100 issued shares of Madison Lab and the sale loan due from Madison Lab and its subsidiaries, by the Madison Blockchain to Ms. Li Li pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 17 June 2021 and entered into between Madison Blockchain as vendor and Ms. Li Li as purchaser in relation to the Disposal
“EGM”	the extraordinary general meeting of the Company held on 23 February 2021
“Financial Adviser”	Jun Hui International Finance Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
“Financial Projection”	has the meaning ascribed thereto in the section headed “Valuation” in this announcement
“General Mandate”	the general mandate granted to the Directors at the EGM to allot, issue and deal with new Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of the EGM
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“Guarantee Certificate”	a certificate to be issued by the Auditors certifying the amount of the audited consolidated profits after tax of the Target Company for the Guaranteed Period
“Guaranteed Period”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“Guaranteed Profit”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“Guaranteed Profit Compensation”	has the meaning ascribed thereto in the paragraph headed “Profit guarantee” under the section “The Sale and Purchase Agreement” in this announcement
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong IKingfan”	Hong Kong IKingfan Education Group Limited (formerly known as Hong Kong Kamfai Education Group Limited), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company
“Independent Third Party(ies)”	any persons or company(ies) and their respective ultimate beneficial owners, 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
“Issue Price”	HK\$0.148 per Consideration Share
“Madison Blockchain”	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



“Madison Lab”	Madison Lab Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Ms. Li Li after completion of the Disposal as at the date of this announcement
“MOU”	the non-legally binding memorandum of understanding dated 4 June 2021 entered into between the Company and the Vendor setting out the preliminary understanding in relation to the Acquisition
“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 Ms. Li Li on 17 June 2021 in the principal amount of HK\$90,000,000 for a period of six months at the interest rate of 2% per annum
“Reporting Accountants”	ST Lo & Co., certified public accountants
“Sale and Purchase Agreement”	the sale and purchase agreement dated 28 June 2021 and entered into between the Company and the Vendor in relation to the Acquisition
“Sale Shares”	49 shares of the Target Company, representing 49% of the entire issued share capital of the Target Company as at the date of this announcement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	the issued ordinary share(s) in the share capital of the Company
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be made among the Vendor, the Company (or its nominee) and the Target Company setting out the terms and conditions in relation to the structure of the Target Company and the manner in which the day-to-day business operations and affairs of the Target Company are to be regulated after Completion

“Shenzhen Jingfan”	深圳市鯨帆教育管理有限公司 (for transliteration purpose only, Shenzhen Jingfan Education Management Limited <sup>#</sup> ), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Hong Kong IKingfan
“Shenzhen Jinhui”	深圳市金輝教育管理有限公司 (for transliteration purpose only, Shenzhen Jinhui Education Management Limited <sup>#</sup> ), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Hong Kong IKingfan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Up Sail Ventures Limited, a company incorporated in the British Virgin Islands with limited liability, and wholly-owned by the Vendor as at the date of this announcement
“Target Group”	collectively, the Target Company, Hong Kong IKingfan, Shenzhen Jingfan and Shenzhen Jinhui
“Valuer”	Baker Tilly Hong Kong Valuation Advisory Limited, independent professional valuer
“Vendor”	Ms. Li Li, as vendor to the Sale and Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

<sup>#</sup> *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, 28 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>.*

## APPENDIX I – LETTER FROM THE REPORTING ACCOUNTANTS

The Board of Directors  
Madison Holdings Group Limited  
Units 26-28, 8/F., One Island South  
2 Heung Yip Road  
Wong Chuk Hang  
Hong Kong

28 June 2021

Dear Sirs,

In connection with the proposed acquisition of 49% of the equity interest in Up Sail Ventures Limited, being an investment holding company holding the entire equity interest in Hong Kong IKingfan as at the date hereof, by Madison Holdings Group Limited (the “**Company**”) as disclosed in the announcement of the Company dated 28 June 2021 (the “**Announcement**”), we have examined the calculations of the discounted future estimated cash flows (the “**Forecast**”) on which the business valuation (the “**Valuation**”) prepared by Baker Tilly Hong Kong Valuation Advisory Limited in respect of the Valuation on 49% equity interest of Hong Kong IKingfan and its subsidiaries (collectively the “**Hong Kong IKingfan Group**”) as at 31 March 2021, was based. Unless defined otherwise, all capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Valuation which is determined based on the discounted cash flows is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules.

### **Directors’ responsibilities for the Forecast**

The Directors are responsible for the preparation of the Forecast in accordance with the bases and assumptions determined by the Directors (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. The Forecast does not involve the adoption of accounting policies.

### **Our independence and quality control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountants' responsibilities**

Our responsibility is to express an opinion, based on our work on the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 19.62(2) of the GEM Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. We examined the arithmetical accuracy of the discounted future estimated cash flows. We comply with ethical requirements and have planned and performed the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of Hong Kong IKingfan Group.

The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

### **OPINION**

Based on the foregoing, in our opinion, so far as the calculations are concerned, the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions adopted by the Directors as set out in the Announcement.

Yours faithfully,

**ST Lo & Co.**

*Certified Public Accountants (Practising)*

Hong Kong

## APPENDIX II – LETTER FROM JUN HUI INTERNATIONAL FINANCE LIMITED

The Board of Directors  
Madison Holdings Group Limited  
Unit 26-28, 8/F, One Island South  
2 Heung Yip Road  
Wong Chuk Hang, Hong Kong

28 June 2021

Dear Sirs,

We refer to the valuation report prepared by Baker Tilly Hong Kong Valuation Advisory Limited, an independent valuer (the “**Valuer**”) in relation to the market value of the 49% equity interest in Hong Kong IKingfan as of 31 March 2021 (the “**Valuation**”) in connection with the proposed acquisition of 49% equity interest in Up Sail Ventures Limited, being an investment holding company holding the entire equity interests in Hong Kong IKingfan as at the date hereof, by the Company. Unless defined otherwise, all capitalised terms used herein shall have the same meanings as those defined in the announcement of Madison Holdings Group Limited (the “**Company**”) dated 28 June 2021 (the “**Announcement**”).

The Valuation has been prepared using discounted cash flow method and is regarded as a profit forecast (the “**Profit Forecast**”) under Rule 19.61 of the GEM Listing Rules. We, as the financial adviser to the Company in relation to the Profit Forecast, have reviewed the Profit Forecast upon which the Valuation has been made, for which you as the Directors are solely responsible, and have discussed with the management of the Company and the Valuer regarding the bases and assumptions of the Profit Forecast to arrive at the Valuation. We have also considered the letter from ST Lo & Co. dated 28 June 2021 as set out in Appendix I to the Announcement regarding the arithmetical accuracy and calculations of the Profit Forecast.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation method, bases and assumptions adopted by the Valuer and the Company, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made by you after due and careful enquiry. Our opinion, and related work undertaken by us, has been given for the purpose of Rule 19.62(3) of the GEM Listing Rules only and for no other purpose.

We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,  
For and on behalf of  
**Jun Hui International Finance Limited**  
**Tina Tian**  
*Managing Director*