

Appendix 1 - Summary of major irregularities discovered

- 1) For acquisition of a Chinese subsidiary Dalian Huicheng Aluminium Co., Ltd (“**DLHC**”) in 2016, a total of RMB 450m pre-acquisition bank loan and RMB 50m of pre-acquisition guarantee for Chongqing Huicheng Aluminium Company., Ltd.(“**CQHC**”) (an initial subsidiary of DLHC and later sold to the former Chairman’s nephew, Mr. Chen Chen) were undisclosed. The former Chairman (Mr. Chen Wei Ping – a naturalized Singaporean) was the largest vendor of DLHC. The legal representative (Mr. Yang Xiao Guang – a naturalized Singaporean), who was also one of the vendors, failed to disclose these to the board. Due diligence had also failed to detect the non-disclosures. After the acquisition, the legal representative entered into an undisclosed loan of RMB 256M to restructure the previously undisclosed loan and unknown bank accounts were also not reported to the Board. (See announcement dated 20 June 2018 for details).

Midas had acquired DLHC with shares. Based on the latest shareholding statistics, many of the vendors no longer hold the shares which was issued at S\$0.36 on 29 April 2016.

- 2) Furthermore, there were undisclosed loans of RMB 379m from Jilin Provincial Micro Refinancing Corporation (“**JPMRC**”) entered by Jilin Midas Aluminium Industries Co., Ltd (“Jilin Midas”). Shareholdings in a subsidiary and an associate are pledged for these loans. As a guarantee for JPMRC, there was a board resolution passed by Midas for providing a guarantee of up to RMB 400m should its subsidiaries fail to repay the JPMRC loan. This resolution was allegedly signed by 2 executive directors (the former Chairman and the former CEO) in China who purportedly claimed to JPMRC that the other 2 independent directors based in Singapore have abstained from the resolution. Separately, the independent director in China had signed the board resolution on the basis that the board resolution will be circulated to the independent directors in Singapore. (See announcement dated 4 July 2018)

Although the former CEO has denied signing the resolution as well as the alleged photographs of him signing the resolution, the former Chairman has admitted signing the resolution and claimed the resolution was signed by the CEO and that the photograph of the former CEO was “self-explanatory”.

However, the Jilin High People’s Court noted that the former CEO had not backed his denials with other evidences and ruled that he had signed the board resolutions. (See announcement dated 4 January 2019)

- 3) A RMB 4m guarantee was made by a subsidiary called Luoyang Midas Aluminium Industries Co., Ltd (“**Luoyang Midas**”) for the benefit of CQHC which is owned by a nephew of former Chairman. The former CEO and the legal representative of Luoyang Midas did not inform Midas of the guarantee and litigation. (See Announcement dated 22 March 2018)
- 4) The former CEO claimed ignorance of undisclosed loans and guarantees and the use of his stamp and resigned in March 2018 citing health reasons. On 4 July 2018, Midas announced and showed photographs provided by JPMRC of the former CEO and former Chairman had allegedly entered into numerous loans and guarantees on behalf of the companies without the full board’s approval.

We noted that despite claiming ignorance of the use of his stamp, the former CEO (holding about 121.7m Midas shares or about 6.41%) did not inform Midas who are the person(s)

responsible for the wrongful use of his stamps or forward any PRC police reports that was made on the wrongful use of his stamps.

- 5) Huge discrepancies were found in bank balances recorded in the financial statements over the years at subsidiaries namely JMLA and Shanxi Wanshida, compared to actual balances printed upon a visit to the banks in April 2018 and June 2018 respectively. The inflated bank balances stated in the accounting records were presented to the Board of Midas by Mazars LLP, the auditor of Midas, when it conducted the cash validations in June and year end audit for years. Therefore, the failure by the auditors to detect discrepancies in the China bank accounts needs to be considered. There was a cash transfer out of bank accounts with loan repayment cited as the reason, but no such loan was disclosed to the board. When the discrepancies of bank balances were reported to the Chinese police in Changchun, they accepted but did not acknowledge the report. (See announcement dated 16 April 2018 and 14 June 2018)

Midas had reported the discovery to ACRA on 2 separate occasions. On 4 May 2018 on the cash balance discrepancies at the China Merchant Bank, Changchun, Jilin Province and 18 June 2018 on the cash balance discrepancies at the ICBC, Ruicheng, Shanxi Province. We are still awaiting the outcome of the findings from ACRA.

- 6) Unknown bank accounts in China are discovered to have been used to receive unauthorized loan proceeds from various lenders and these bank accounts subsequently made disbursements to unknown recipients for unknown reasons. (See announcement dated 22 March 2018)
- 7) The legal representative of Wanshida, Mr. Ma Min Zhang (a PRC national) has:
 - 1) falsified cash balances;
 - 2) covered up the falsification of the cash balance by creating a loan to another subsidiary; and
 - 3) drawn down a RMB 14m loan after he was supposed to hand over the appointment of legal representative to others for which the purposes were unknown; and
 - 4) Entered into undisclosed guarantees.

(See announcement 14 June 2018)

- 8) The enormity, spread and length of time that irregularities remained undetected stemmed from omission of certain verification while preparing the financial statements by the financial professionals based in Singapore. We reported to the Institute of Singapore Chartered Accountants (“ISCA”) to review if such alternate practices are in line with the industry practice on November 2018. To date, ISCA has not reverted its findings to Midas.