

Our Ref: REG/LC/2018MIDAS

2 April 2018

Board of Directors

Midas Holdings Limited
4 Shenton Way SGX Centre 2#18-03
Singapore 068807

Dear Sirs

**MIDAS HOLDINGS LIMITED (THE "COMPANY")
NOTICE OF COMPLIANCE (THE "NOTICE")**

1. The Singapore Exchange Regulation ("**SGX Regco**") refers to the following Company's SGXNet announcements:
 - (a) the Announcement dated 8 February 2018, titled "**ANNOUNCEMENT ("Announcement 1")**"
 - (b) the Announcement dated 22 March 2018, titled "**ANNOUNCEMENT ("Announcement 2")**"; and
 - (c) the Announcement dated 27 March 2018, titled "**UNAUTHORISED GUARANTEE TO THIRD PARTY BY DALIAN HUICHENG ALUMINIUM CO., LTD ("Announcement 3")**".

(collectively, the "**Announcements**")

Litigations and Enforcement Orders against the Group's PRC Subsidiaries

2. In Announcement 1, the Company disclosed that:
 - (a) During the course of audit and subsequent searches by the Company's counsel, the Company uncovered several litigations, enforcement orders and court documents involving companies within the Group. This includes a previously undisclosed enforcement order filed against Jilin Midas Aluminium Industries Co., Ltd ("**Jilin Midas**"), a wholly-owned PRC subsidiary of the Company, amounting to RMB30 million.
 - (b) Based on information available to the Company, about RMB12 million out of the Company's PRC subsidiaries' unaudited ledger balances (as at 31 December 2017) of RMB873 million were frozen by court orders.
 - (c) There were several freezing orders which froze certain shares owned by the Group, including the shares in Luoyang Midas Aluminium Industries Co., Ltd ("**Luoyang Midas**") and Dalian Huicheng Aluminium Co., Ltd ("**Dalian Huicheng**") (both wholly-owned subsidiaries of the Company) and in CRRC Nanjing Puzhen Rail Transport Co., Ltd ("**Nanjing Puzhen**") (an associated company of the Company).

- (d) There were a number of previously undisclosed corporations related to certain Group companies incorporated in the PRC.
- (e) The Board was actively taking steps to gather information on the court documents.
- 3. Following the release of Announcement 1, trading in the Company's securities was suspended with effect from 9 February 2018.
- 4. Subsequently, the Audit Committee (comprising the Company's 3 independent directors), through their independent inquiries, made certain discoveries regarding the Nanjing Puzhen share freeze and certain unauthorised guarantees by some of the Group's PRC subsidiaries to third parties. The Company disclosed details of these discoveries in Announcement 2.
- 5. In Announcement 2, the Company disclosed that:-

Unauthorised Loans Taken Out by its subsidiary Jilin Midas

- (a) On 14 March 2018, the Company's PRC legal counsel obtained documents from the Jilin High People's Court in relation to the frozen Nanjing Puzhen shares.
- (b) The court documents showed that loans amounting to RMB 379 million (the "**JM Loans**") were taken out by Jilin Midas.
- (c) The lender for the JM Loans, Jilin Provincial Micro Refinancing Corporation (the "**JM Lender**"), does not exist in the Group's accounts.
- (d) This was the first time the Audit Committee knew about the JM Loans.
- (e) The Company and certain wholly-owned PRC subsidiaries, namely Jilin Midas Light Alloy Co., Ltd ("**JM Light Alloy**"), Luoyang Midas, Huicheng Capital Limited ("**Huicheng Capital**") and Dailian Huicheng, provided corporate guarantees for the JM Loans (the "**JM Loans Guarantees**"). In this regard, the JM Loans Guarantees were executed on behalf of the PRC subsidiaries by Mr Sun Qi Xiang (legal representative of JM Light Alloy), Mr Ma Ming Zhang (legal representative of Luoyang Midas), Mr Chen Wei Ping (the Company's Executive Chairman who represented himself as the legal representative of Midas Holdings and Huicheng Capital) and Mr Yang Xiao Guang (legal representative of Dalian Huicheng).
- (f) The Company and Huicheng Capital had also agreed to pledge shares in Dalian Huicheng and Nanjing Puizhen for the JM Loans (the "**Share Pledges**").
- (g) Jilin Midas and the guarantors (which includes the Company's Executive Chairman, Mr Chen Wei Ping) were subsequently sued in PRC by the JM Lender (the "**JM Loans Lawsuits**").
- (h) The legal representatives of the PRC subsidiaries and the Company's Executive Chairman, Mr Chen Wei Ping, did not seek approval from the Company's Board of Directors (the "**BOD**") for the provision of the JM Loans Guarantees and Share

Pledges nor did they report the JM Loans Lawsuits to the BOD. The Company therefore did not make any announcement relating to the JM Loans Lawsuits.

- (i) The Audit Committee could not establish what happened to the proceeds of the JM Loans.

Unauthorised Loans Taken Out by Jilin Midas Light Alloy

- (j) There were four loans taken out by JM Light Alloy, for a total of RMB 30.5 million in September and October 2016 (collectively, the “**JMLA Loans**”). All of these loans were for a period of one month and at a daily interest rate of 0.15%.
- (k) The lender for the JMLA Loans, Ms Ning Xiao Fei (the “**JMLA Lender**”), does not exist in the Group’s accounts.
- (l) The JMLA Loans were guaranteed by amongst others, Jilin Midas, Executive Chairman Mr Chen Wei Ping, Mr Patrick Chew (former CEO) and Ms Li Hui (Financial Controller of JM Light Alloy). In this regard, the legal representative stamps of Mr Chen Wei Ping and Mr Patrick and Ms Li Hui’s signature were found on the loan agreements for the JMLA Loans.
- (m) JM Light Alloy and the guarantors were subsequently sued by the JMLA Lender for repayment of the JMLA Loans (the “**JMLA Loans Lawsuits**”). However, the relevant parties did not report the JMLA Loans Lawsuits to the BOD. The Company therefore did not make any announcement in relation to the JMLA Loans Lawsuits and the JMLA Loans were omitted from the Group’s financial statements of the Group beginning from the third quarter of 2016.

6. In Announcements 2 and 3, the Company disclosed that:

Unauthorised Corporate Guarantees

- (a) Luoyang Midas and Dalian Huicheng had separately provided an unauthorised corporate guarantee to third parties to guarantee all debts owed to these third parties by a company named Chongqing Huicheng Aluminum Co., Ltd (“**Chongqing Huicheng**”) (collectively, the “**Unauthorised Guarantees**”).
- (b) The legal representative stamps of Mr Patrick Chew (as the legal representative of Luoyang Midas) and Mr Yang Xiao Guang (as the legal representative of Dalian Huicheng) were affixed to the guarantee agreements for the Unauthorised Guarantees. The Unauthorised Guarantees were not reported to the BOD and the Audit Committee only became aware of the Unauthorised Guarantees after reviewing the court documents retrieved by the Company’s PRC counsel.
- (c) The Company therefore did not disclose the Unauthorised Guarantees during the relevant accounting periods (i.e. 2nd quarter of 2015 for the Luoyang Midas Unauthorised Guarantee and 2nd quarter of 2017 for the Dalian Huicheng Unauthorised Guarantee).

- (d) Chongqing Huicheng is not related to the Group and is controlled by LakeForest Capital Limited (previously known as Lesen Capital Limited), whose sole shareholder is Mr Chen Wei Ping's nephew, Mr Chen Chen.
- (e) The Audit Committee noted that the Unauthorised Guarantees did not benefit the Group.
- (f) Luoyang Midas and Dalian Huicheng were subsequently sued by the aforesaid third parties over the Unauthorized Guarantees (the "**Unauthorized Guarantees Lawsuits**").
- (g) Mr Ma Ming Zhang was the Legal Representative of Luoyang Midas at the time of the Unauthorized Guarantees Lawsuits and he did not report the Unauthorized Guarantees Lawsuits relating to Luoyang Midas to the BOD. The Company therefore did not make any provision for the judgment in the Luoyang Midas Unauthorised Guarantees Lawsuit in the Group's unaudited accounts for the third quarter of 2017.

Suitability of Mr Chen Wei Ping and Mr Ma Min Zhang

- 7. In light of these developments, SGX Regco is of the view that the Company's disclosures (as set out in paragraphs 2 to 6 hereinabove) and the circumstances surrounding the unauthorised loans and corporate guarantees and the undisclosed lawsuits relating to these unauthorised loans and corporate guarantees, raise immediate and serious concerns about the suitability of Mr Chen Wei Ping and Mr Ma Ming Zhang to continue as a director and executive officer of the Group respectively, having regard to the character and integrity required of the directors and executive officers of the Group under Listing Rule 210(5) read with Listing Rule 720.
- 8. Listing Rule 210(5) provides, *inter alia*, that "*the directors and executive officers should have appropriate experience and expertise to manage the group's business*" and that "*the character and integrity (emphasis added) of the directors, management and controlling shareholders of the issuer will be a relevant factor for consideration*".
- 9. Listing Rule 720(1) provides that "*an issuer must comply with Rule 210(5), Rule 221 (if applicable) and Rule 210(9)(e) (if applicable) on a continuing basis*" (emphasis added).
- 10. In the circumstances and pending the resolution of the matters raised hereinabove, SGX Regco is hereby notifying the Company of the exercise of its administrative powers under Listing Rule 1405(1)(e) to object to:
 - (a) Mr Chen Wei Ping's continuing appointment as a director and/or executive officer in any issuer for a period of three years from the date of this letter; and
 - (b) Mr Ma Ming Zhang's continuing appointment as an executive officer in any issuer for a period of three years from the date of this letter.

(the "**Notice**")

11. The Notice is an official notification to the Company with immediate effect.
12. SGX Regco notes that Mr Patrick Chew, Mr Sun Qi Xiang (then legal representative of JM Light Alloy) and Mr Yang Xiao Guang (then legal representative of Dalian Huicheng) were also named in the Announcements. In this regard, we note that Mr Patrick Chew has resigned as the Company's CEO and executive director and that legal representatives of JM Light Alloy and Dalian Huicheng have been replaced.
13. Pursuant to Listing Rule 1405(4), failure to comply with the Notice shall be deemed to be a contravention of the Listing Rules.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "June Sim", with a long, sweeping horizontal stroke extending to the right.

June Sim
Senior Vice President
Head, Listing Compliance
Regulation