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Midas Holdings Limited

麥達斯控股有限公司

*(Singapore Registration No.: 200009758W)
(Incorporated in Singapore with limited liability)*

(Hong Kong Stock Code: 1021)

(Singapore Stock Code: 5EN)

**INSIDE INFORMATION
FIRST DELISTING STAGE**

This announcement is made pursuant to Rule 13.09 and 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Please refer to the attached fax on the next page which has been received by Midas Holdings Limited (the “**Company**”) on 25 May 2018.

On behalf of the
Midas Holdings Limited
Tong Din Eu
Executive Director

Hong Kong, 25 May 2018

As at the date of this announcement, the executive directors of the Company are Mr. Tong Din Eu and Dr. Xu Wei Dong; and the independent non-executive director of the Company is Mr. Chan Soo Sen.

HKEX**香港交易所**

香港聯合交易所有限公司
(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

PRIVATE & CONFIDENTIAL

Our Ref: *L2018008261*

25 May 2018

Midas Holdings Limited
36/F., Tower 2, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

**BY FAX (65 6438 3053)
& BY MAIL**

Attn: Mr. Liaw Kok Feng / Mr. Tong Din Eu / Mr. Chan Soo Sen
Authorised Representatives

Dear Sirs

Company : Midas Holdings Limited (the "Company")
Case Number : 20180308-F01021-0003
Transaction Type : Delisting Procedures
Subject : First Delisting Stage

We refer to the Company's trading suspension on 8 February 2018 and its subsequent announcements and submissions.

We are writing to inform you that we have decided to place the Company in the first delisting stage under Practice Note 17 to the Listing Rules, and imposed conditions for trading resumption on the Company as set out in paragraph 10 below.

Background

1. Trading of the Company's shares has been suspended since 8 February 2018 as the Company's auditors, Mazars LLP, identified certain undisclosed liabilities, litigation, enforcement orders and group companies during the course of the 2017 audit. Subsequently, the Company uncovered additional undisclosed loans, guarantees and bank discrepancies (collectively, the "**Identified Issues**").
2. To date, the Company has uncovered 7 legal cases with a total claim of RMB520 million. It also uncovered bank balances shortfall of over RMB330 million in each of 2016 and 2017, and certain undisclosed bank accounts and transactions. In addition, the Company has uncovered other debts and liabilities amounting to RMB696 million. It also defaulted the interest payment of USD1.1 million of its medium term note due on 23 May 2018.

.../2

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- 2 -

3. Three of the Company's principal subsidiaries¹ are currently under judicial management. As a result, the Company's access to the financial accounts or premises of two of these subsidiaries was denied by the judicial manager. The Company submitted that while it still retains "nominal" control over two other principal subsidiaries², both of them are under litigations and envisaged to come under judicial management inevitably. In addition, some of the shares held by the Company in two principal subsidiaries and an associate³ were frozen by the PRC Court. The Company submitted that the board is awaiting the regulators and law enforcement agencies to act.
4. All of the then executive directors of the Company (i.e. Mr. Chew Patrick Hwa Kwang and Mr. Chen Wei Ping) had resigned on 22 March and 2 April 2018 respectively. Two independent non-executive directors of the Company (i.e. Mr. Tong Din Eu and Mr. Xu Wei Dong) have been re-designated as executive directors since 3 April 2018.
5. The auditors advised the Company on 26 April 2018 that based on the findings and recent development of the Company, the auditors' reports for the financial years ended 31 December 2012 to 2016 may no longer be relied upon.
6. The Company announced on 4 May 2018 that the board opined that the Company cannot operate as a going concern after assessing the current situation.

First delisting stage and our concerns

7. Rule 13.24 requires the issuer to carry out a sufficient level of operations or have tangible assets of sufficient value or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the issuer's securities on the Exchange. Issuers failing to demonstrate its compliance with Rule 13.24 will be placed into a three-stage delisting procedures under Practice Note 17. According to Practice Note 17, characteristics of issuers which are unable to comply with rule 13.24 include (i) financial difficulties to an extent which seriously impairs an issuer's ability to continue its business or which has led to the suspension of some or all of its operations; and/or (ii) issuers which have net liabilities as at their balance sheet date (i.e. issuers whose liabilities exceed their assets).
8. Based on the Company's recent development and circumstances as disclosed and submitted, we concluded that the Company has failed to maintain a sufficient level of operation or assets required under Rule 13.24 to warrant its continued listing. Accordingly, we have decided to place the Company in the first delisting stage under Practice Note 17 to the Listing Rules. We have considered the following:-

.../3

¹ Jilin Midas Aluminium Industries Co., Ltd., Jilin Midas Light Alloy Co., Ltd., and Jilin Midas Investments Co., Ltd.

² Dalian Huicheng Aluminium Co., Ltd. and Luoyang Midas Aluminium Industries Co., Ltd.

³ Luoyang Midas Aluminium Industries Co., Ltd., Dalian Huicheng Aluminium Co., Ltd. and CRRC Nanjing Puzhen Rail Transport Co., Ltd.

- (i) The Company appears to have lost control over most of its principal subsidiaries which are currently under judicial management, and has been denied access by the judicial manager to premises or financial accounts of some of these subsidiaries. It envisaged that the other principal subsidiaries will come under judicial management in light of the litigations. The Company is currently awaiting actions by regulators and law enforcement agencies;
 - (ii) The Company appears to be in serious financial difficulties and has defaulted the interest obligation of its medium term note. It is currently faced with substantial legal claims and other liabilities and has identified material shortfall in its bank accounts as compared to its financial statements. In this regard, the Company's board has taken the view that the Company cannot operate as a going concern; and
 - (iii) All the executive directors of the Company at the time of suspension had resigned. The current executive directors were formerly independent non-executive directors who were not involved in the management and daily operation of the Group's business.
9. Moreover, the Identified Issues called into question about the reliability of the Company's books and records and the accuracy of its financial statements. In this regard, the Company's auditors have advised that the auditors' reports for 2012 to 2016 may no longer be relied upon. In addition, the Identified Issues raise serious concerns about the adequacy of the Company's internal controls to safeguard its assets and protect the interests of shareholders. They also cast doubt on the integrity of the Group's management, in particular whether there were any misconducts by the directors.

Resumption conditions

10. In light of the Company's circumstances, we consider it appropriate to impose on the Company the following resumption conditions:
- (i) demonstrate that the Company has a sufficient level of operations or assets required under Rule 13.24;
 - (ii) conduct forensic investigations on the Identified Issues, disclose the findings and take appropriate rectification actions;
 - (iii) publish outstanding results and address any audit qualifications;
 - (iv) conduct an independent internal control review and demonstrate that the Company has put in place adequate internal control systems;
 - (v) demonstrate that there is no reasonable regulatory concern about the management integrity; and
 - (vi) inform the market of all material information.

We may modify the above and/or impose further conditions if the situation changes.



- 4 -

11. The Company must also comply with the Listing Rules and all applicable laws and regulations in Hong Kong, its place of primary listing and its place of incorporation before resumption.

Delisting procedures

12. The first delisting stage will expire on 24 November 2018. The Company must submit a viable resumption proposal at least 10 business days before the expiry of the first delisting stage (i.e. 12 November 2018). The proposal must be clear, plausible and coherent, and contain sufficient details (including forecasts and clear plan for future business development) for our assessment. The Company must demonstrate that it has a business of substance and the business model is viable and sustainable. The proposal should also comply with the Listing Rules and all applicable laws and regulations.
13. Please refer to our guidance letter (GL66-13) available on the Exchange's website (http://en-rules.hkex.com.hk/net_file_store/new_rulebooks/q/l/gl6613.pdf) for the standards and administrative requirements for resumption proposals. At the end of the period, we will determine whether to place the Company in the second delisting stage.
14. The Company should make periodic announcements to advise shareholders of developments under Rule 13.24A. In particular, it should announce the commencement of the first delisting stage and the resumption conditions as soon as possible. We will also release this information through the "Prolonged Suspension Status Report" available on the HKEx website.

Notice

15. For any submission (the "**Submission**") to be given by the Company in support of its resumption application, we will request each of the Company's directors, at a later stage, to confirm in writing that all information in the Submission is true, complete and accurate to the best of his/her knowledge, information and belief.
16. We will rely on the Submission and/or the directors' confirmation under section 384 of the Securities and Futures Ordinance such that the Company and its directors will be liable for criminal prosecution if any of the Submission is knowingly or recklessly false or misleading in a material particular.

Your right to review

17. Under Rule 2B.06(1), the Company has the right to have this ruling reviewed by the Listing Committee.
18. Please bring this letter to the directors' attention.

.../5

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- 5 -

If you have any questions, please contact Patrick Yu at 2840-3215, Terry Or at 2840-3235 or Joshua Yu at 2840-3658. Please quote the case number in future correspondence.

Yours faithfully
For and on behalf of
The Stock Exchange of Hong Kong Limited



Patrick Yu
Vice President
Listing Department