

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

KINGOLD JEWELRY, INC.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2015

Or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: to

KINGOLD JEWELRY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

001-15819
(Commission
File Number)

13-3883101
(I.R.S. Employer
Identification No.)

15 Huangpu Science and Technology Park
Jiang'an District
Wuhan, Hubei Province, PRC 430023
(Address of Principal Executive Office) (Zip Code)

(011) 86 27 65694977
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.001 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant was approximately \$44,782,477 as of June 30, 2015, the

last business day of the registrant's most recently completed second fiscal quarter.

The number of shares of the registrant's common stock outstanding as of March 25, 2016 was 65,963,502.

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CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements in this report that are not historical facts or information are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “estimate, ” “project, ” “forecast,” “plan, ” “believe, ” “may, ” “expect, ” “anticipate, ” “intend, ” “planned, ” “potential, ” “can, ” “expectation” and similar expressions, or the negative of those expressions, may identify forward-looking statements. Such forward-looking statements are based on management’s reasonable current assumptions and expectations. Such forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, levels of activity, performance or achievement to be materially different from any future results expressed or implied by such forward-looking statements, and there can be no assurance that actual results will not differ materially from management’s expectations. Such factors include, among others, the following:

- changes in the market price of gold;
- our ability to implement the key initiatives of, and realize the gross and operating margins and projected benefits (in the amounts and time schedules we expect) from, our business strategy;
- non-performance of suppliers on their sale commitments and customers on their purchase commitments;
- non-performance of third-party service providers;
- adverse conditions in the industries in which our customers operate, including a general economic downturn, a recession globally, or sudden disruption in business conditions, and our ability to withstand an economic downturn, recession, cost inflation, competitive or other market pressures, or conditions;
- the effect of political, economic, legal, tax and regulatory risks imposed on us, including foreign exchange or other restrictions, adoption, interpretation and enforcement of foreign laws including any changes thereto, as well as reviews and investigations by government regulators that have occurred or may occur from time to time, including, for example, local regulatory scrutiny in China;
- our ability to manage growth;
- our ability to successfully identify new business opportunities and identify and analyze acquisition candidates, secure financing on favorable terms and negotiate and consummate acquisitions as well as to successfully integrate or manage any acquired business;
- our ability to integrate acquired businesses;
- the effect of economic factors, including inflation and fluctuations in interest rates and currency exchange rates, foreign exchange restrictions and the potential effect of such factors on our business, results of operations and financial condition;
- our ability to retain and attract senior management and other key employees;
- any internal investigations and compliance reviews of Foreign Corrupt Practices Act and related U.S. and foreign law matters in China and additional countries, as well as any disruption or adverse consequences resulting from such investigations, reviews, related actions or litigation;
- changes in the People’s Republic of China or U.S. tax laws;
- increased levels of competition, and competitive uncertainties in our markets, including competition from companies in the gold jewelry industry in the PRC, some of which are larger than we are and have greater resources;
- the impact of the seasonal nature of our business, adverse effect of rising energy, commodity and raw material prices, changes in market trends, purchasing habits of our consumers and changes in consumer preferences;

- our ability to protect our intellectual property rights;
- the risk of an adverse outcome in any material pending and future litigations;
- our ratings, our access to cash and financing and ability to secure financing at attractive rates;
- our ability to comply with environmental laws and regulations;
- our continuing relationship with major banks in China with whom we have certain gold lease agreements and working capital loans;
- our ability to understand China's commercial real estate market as we build out the Kingold Jewelry Cultural Industry Park and manage the relationships with the planned tenants in the Kingold Jewelry Cultural Industry Park;
- our knowledge of and marketing capabilities in markets outside of China, as we begin to expand our business outside of China; and
- other risks. We undertake no obligation to update any such forward-looking statements, except as required by law.

PART I

ITEM 1. BUSINESS

Our Business

Through a variable interest entity (“VIE”) relationship with Wuhan Kingold Jewelry Company Limited (“Wuhan Kingold”), a corporation incorporated in the People’s Republic of China (“PRC”), we believe that we are one of the leading professional designers and manufacturers of high quality 24-karat gold jewelry and Chinese ornaments. We develop, promote and sell a broad range of products to the rapidly expanding jewelry market across the People’s Republic of China, or the PRC. We offer a wide range of in-house designed products including, but not limited to, gold necklaces, rings, earrings, bracelets, and pendants. We have built a partnership with the Jewelry Institute of China University of Geosciences to help us design new products.

We have historically sold our products directly to distributors, retailers and other wholesalers, who then sell our products to consumers through retail counters located in both department stores and other traditional stand-alone jewelry stores. We sell our products to our customers at a price that reflects the market price of the base material, plus a mark-up reflecting our design fees and processing fees. Typically this mark-up is approximately ranges from 3% – 6% of the price of the base material. During 2015, we established a new subsidiary Wuhan Kingold Internet Co., Ltd. and started the online sales of our jewelry products to customers. However, the online sales were immaterial for 2015.

We aim to become an increasingly important participant in the PRC’s gold jewelry design and manufacturing sector. In addition to expanding our design and manufacturing capabilities, our goal is to provide a large variety of gold products in unique styles and superior quality under our brand, Kingold.

We have signed agreements with various leading banks in China such as the Bank of Communication and China Merchant Bank to sell gold bars and coins and other products through bank branches. The sales of the investment gold accounted for approximately 0.4% and 1.7 % of our total revenue in 2015 and 2014, respectively. Investment gold business in China has suffered a sharp decline in general since 2014 mainly due to declined demand resulting from the slowdown of China’s economy.

To broaden our business lines and strengthen our processing capacity, in October 2013, we entered into an agreement to acquire the operating rights for 66,667 square meters (approximately 717,598 square feet, or 16.5 acres) of land in Wuhan for an aggregate purchase price of RMB 1 billion (approximately US \$154 million at the spot rate). The \$154 million include the land use right costs and the construction costs of the Jewelry Park as mentioned below. We financed the installment payments paid to date through bank loans, and may finance the remaining payments through either additional bank loans or other sources of financing. We may also finance part of the remaining payments through proceeds derived from the presale of some of the units. We have successfully obtained pre-sale permits for five of the seven buildings. The land use rights are held in the Shanghai Creative Industry Park, which we intend to rename the Kingold Jewelry Cultural Industry Park (the “Jewelry Park”). We intend to develop the land and to utilize the completed Jewelry Park as our new operation center and show center. We also plan to rent spaces within the Jewelry Park to other jewelry manufacturers and retailers in China, and may sell developed commercial and residential properties to individual and corporate buyers. The acquisition was structured as an equity purchase of the company holding the land use rights, with Wuhan Wansheng House Purchasing Limited (“Wuhan Wansheng”) (i) initially granting us a portion of ownership of Wuhan Huayuan Science and Technology Development Limited Company (“Wuhan Huayuan”), (ii) granting us the right to appoint the chief financial officer for the project to supervise and manage the use of funds, and (iii) naming Wuhan Wansheng as agent for the completion of the construction. Accordingly, we now own 60% of the Jewelry Park. Upon our payment of the final installment payment in April or May 2016, we will become the 100% owner of Wuhan Huayuan, which owns the land use rights of the Jewelry Park. However, because no other assets or liabilities have been transferred with the acquisition of Wuhan Huayuan, we are treating the Jewelry Park acquisition as an asset purchase for accounting purposes. In October 2015, Wuhan Kingold signed a supplemental agreement with the construction company Wuhan Wansheng to amend the original acquisition agreement dated October 23, 2013. Pursuant to this supplemental agreement, Wuhan Wansheng agreed to fully complete the construction and deliver the completed real estate property to the company before January 15, 2016. However, due to the cold weather condition and construction worker leave during the holiday season, the construction work on the Jewelry Park has been further delayed. In January 2016, based on the actual construction progress, both parties reached to a further amendment to extend the construction completion time to April 2016. Wuhan Kingold agreed to pay the balance of construction payments within ten days after Wuhan Wansheng fully completes the construction and delivers the completed real estate property to the Company with anticipate of occupancy. As of December 31, 2015, the Company was still committed to pay the remaining amount of approximately \$75 million (approximately RMB 480 million) to the construction company. From late January to early March 2016, the Company subsequently paid RMB 79 million (approximately \$12.2 million) to the construction company to settle the outstanding construction payable and plans to pay the remaining amount when the construction work is fully completed in late April 2016. For a discussion of the installment payment schedule, see Note 5 to our audited consolidated financial statements appearing elsewhere in this report, as well as “Management’s Discussion and Analysis of Results of Operations and Financial Condition – Liquidity and Capital Resources.”

We are located in Wuhan, which is one of the largest cities in China. We expect to grow in fiscal year 2016 because management plans to increase customized production as our customers tend to give more gold to us to process when their investment confidence increased as market gold price bounced back since late 2015.

Industry and Market Overview

The Global Market

Global consumer demand for gold in 2015 was 4,212.2 tons with total market size of US \$157.1 billion, according to the World Gold Council's Gold Demand Trends Full Year 2015. In terms of tonnage, jewelry accounted for 57.3% of total demand in 2015, while investments (mainly bars and coins) accounted for 24.0%.

According to the World Gold Council, China and India continue to consume the most jewelry of any market in the world, and in 2015 together generated 62.0% of total annual jewelry demand globally. China consumed a total of 841.9 tons of gold in 2015, while India consumed 654.3 tons.

The PRC Market

China's market for jewelry and other luxury goods is expanding rapidly over the decade, in large part due to China's rapid economic growth.. According to the State Bureau of Statistics of China, China's real gross domestic product, or GDP, grew by approximately 6.9% and 7.4% in 2015 and 2014, respectively. Economic growth in China has led to greater levels of personal disposable income and increased spending among China's expanding consumer base. According to the Economist Intelligence Unit, private consumption has grown at a 9.0% compound annual growth rate over the last decade.

According to the World Gold Council, over the last ten years, Chinese gold consumers have displayed a remarkably consistent attitude towards gold. Chinese demand is primarily driven by: (i) the continued urbanization of the Chinese population; (ii) the dominance of 24-karat gold and its role as a savings proxy; and (iii) increasing availability of gold investment products to a populace with a growing awareness of gold's investment properties, particularly in light of its role as an inflation hedge.

In volume terms, Chinese consumer demand for gold increased in 2015. Chinese total consumer demand for gold reached 813.6 tons in 2014 and 1,050.8 tons in 2015 representing a growth rate of 29.1%. Investment gold (bars and coins) demand has slowly recovered from 2014, particularly in China, from 190.1 tons in 2014 to 208.9 tons in 2015.

We believe that China's gold jewelry market will continue to grow as China's economy continues to develop. Since gold has long been a symbol of wealth and prosperity in China, demand for gold jewelry, particularly 24-karat gold jewelry, is firmly embedded in the country's culture. Gold has long been viewed as both a secure and accessible savings vehicle, and as a symbol of wealth and prosperity in Chinese culture. In addition, gold jewelry plays an important role in marriage ceremonies, child birth, and other major life events in China. Gold ornaments, often in the shapes of dragons, horses and other cultural icons, have long been a customary gift for newly married couples and newborn children in China. As China's population becomes more urban, more westernized, and more affluent, gold, platinum and other precious metal jewelry are becoming increasingly popular and affordable fashion accessories. The gold jewelry market is currently benefiting from rising consumer spending and rapid urbanization of the Chinese population. We believe that jewelry companies like us, with a developed distribution network, attractive designs, and reliable product quality, are well-positioned to build up our brands and capture an increasing share of China's growing gold jewelry market.

Our Strengths

We believe the following strengths contribute to our competitive advantages and differentiate us from our competitors:

We have a proven manufacturing capability.

We have developed seven proprietary processes that we believe are well integrated and are crucial to gold jewelry manufacturing, namely the processes for 99.9% gold hardening, rubber mold opening efficiency, solder-less welding, pattern carving, chain weaving, dewaxing casting, and our coloring methods.

We have a proven design capability.

We have a large and experienced in-house design team with a track record of developing products that are fashionable and well received in the jewelry market. We have built up an exclusive partnership with the leading jewelry school in China, the Jewelry Institute of China University of Geosciences (Wuhan), to help us design and launch new products. We are committed to further strengthening our design team and continuing to improve the quality and novelty of our products so as to capture increased market share in the high-end gold jewelry market.

We believe that we have superior brand awareness in China.

We have established the Kingold brand through our focused sales and marketing efforts, and we believe that it is well known in China. We continue to devote significant efforts towards brand development and marketing in an attempt to enhance the market recognition of our products, such as our Mgold jewelry line of products. Our brand awareness was demonstrated in part by "Kingold" being named a "Famous Brand in Hubei Province," "Famous Brand in China," and "Famous Jewelry Brand" by the General Administration of Quality Supervision and China Top Brand Strategy Promotion Committee in 2007. We believe these awards have added credibility to and strengthened customers' confidence in our products. We have also participated in various exhibitions and trade fairs to promote our products and brands.

We have a well-established distribution network throughout China.

We have been actively operating in this industry for more than ten years since the gold jewelry industry became open to the private sector in 2002. In the jewelry industry, a well-established and well-maintained distribution network is critical to success. We have established stable and mutually beneficial business relationships with a range of business partners, including large distributors, wholesalers, and retailers. These relationships are essential to our company, and provide us with a key competitive advantage. We have distributors in most provinces, municipalities and autonomous regions in PRC.

We believe that we have significant advantages in the areas of capacity, technology and talent when compared to our competitors.

We have expanded our capacity significantly in recent years. In 2014, we processed 24-karat gold jewelry and Chinese ornaments with a total weight of approximately 60.1 tons, substantially exceeding prior year production of approximately 51.1 tons in 2013. In fiscal 2015, our actual production was 56.5 tons, slightly decreased as compared to the production in 2014. We attach great importance to the continuous improvement of our technology. Our gold processing systems dramatically reduce waste during the manufacturing process to approximately just one gram per kilogram of gold.

We have been awarded 26 patents granted by the State Intellectual Property Office of the PRC, 2 of which will expire in 2017, 21 of which will expire in 2019, and 3 of which will expire in 2029. We have made significant investments in training and retaining our own in-house design and manufacturing team. We have an exclusive agreement with the China University of Geosciences School of Jewelry in Wuhan, or the School of Jewelry in Wuhan, which provides us with new, unique and innovative designs through students majoring in jewelry design and jewelry processing technology. These designs are proprietary to us, so our competitors do not have access to these designs. We also provide internships to talented students at the School of Jewelry, which provides us with access to the designs that we believe are best suited for strong consumer sales.

We are a member of the Shanghai Gold Exchange, which has very limited membership and which affords the right to purchase gold directly from the Shanghai Gold Exchange.

We have been a member of the Shanghai Gold Exchange, or the Exchange, since 2003. Although the Chinese government eliminated the absolute restriction on trading gold in general, the right to purchase gold directly from the Exchange is limited. The Exchange possesses a membership system and only members can buy gold through its trading system. As of March 21, 2016, there were approximately 211 members of the Exchange throughout China. Non-members who want to purchase gold must deal with members of the Exchange at a higher purchase price compared to the price afforded to members of the Exchange.

We have an experienced management team in the Chinese gold industry.

We have a strong and stable management team with valuable experience in the PRC jewelry industry. Our Chairman and Chief Executive Officer, Zhihong Jia, has been working in this industry for close to 20 years. Our general manager, Mr. Jun Wang, also has worked in the industry for more than a decade. Other members of our senior management team all have significant experience in key aspects of our operations, including product design, manufacturing, and sales and marketing.

Our Strategy

Our goal is to be the leading designer and manufacturer of 24-karat gold jewelry products and to become a sizable supplier of investment gold products in China. We intend to achieve our goal by implementing the following strategies:

We intend to increase production capacity and marketing abilities through both existing channels and the planned Jewelry Park.

We intend to continue to expand the production capacity with our self-generated cash flow as well as bank loans.

We also intend to consider sub-contracting opportunities in order to further expand capacity. Given the fragmentation of the PRC gold jewelry and design industry, we believe there may be attractive consolidation opportunities for us to acquire other jewelers, which would allow us to further increase our market share and achieve economies of scale.

We also intend to increase our production capacity and marketing abilities through forming relationships with other jewelry manufacturers in China, to whom we plan to lease space in our planned Jewelry Park.

We plan to continue to specialize in the manufacture of 24-karat gold jewelry.

We intend to leverage our experience in jewelry design to introduce new fashionable products with strong market recognition, such as our Mgold jewelry line of products, to target niche markets such as the fast growing wedding market. We plan to design new product lines of 24-karat gold jewelry to address the specific needs of our target customers. By staying on top of market trends, and expanding our design team and capabilities, we plan to continue to increase our revenues and market share.

We intend to further promote and improve the use of our brand recognition.

We intend to make continuous efforts in growing the brand recognition of our Kingold brand and increasing our market share. Through marketing and the promotion of our high-end product lines such as Mgold, we believe the credentials and reputation of our brand will be further enhanced.

We will increase the automation in our production line.

Our production lines use modern technologies and production techniques that we continuously strive to improve. We plan to increase the level of automation in our production lines, which will lower our average costs and expand our production capacity. With our entrance into the investment gold market, we intend to rely more on automated production processes.

We intend to enlarge our PRC customer base.

We intend to strive to expand our PRC customer base by strengthening current relationships with distributors, retailers and other wholesalers in our existing markets. We also plan to expand upon our customer base by developing new relationships with strategic distributors and retailers in markets we have not yet penetrated and adding customers in the PRC.

Products

We currently offer a wide range of 24-karat gold products, including 99.9% and 99% pure gold necklaces, rings, earrings, bracelets, pendants and gold bars.

Design and Manufacturing

We have adopted a systematic approach to product design and manufacturing that we believe is rigorous. We employ a senior design team with members educated by top art schools or colleges in China, including an exclusive agreement with the School of Jewelry in Wuhan, who have an average of three to five years of experience. In May 2015, we also formed a new subsidiary Wuhan Yuhuang Jewelry Design Co., Ltd. in order to better design the jewelry products to meet customers' demand and expectation. Our design team develops and generates new ideas from a variety of sources, including direct customer feedback, trade shows, and industry conferences. We generally test the market potential and customer appeal of our new products and services through a wide outreach program in specific regions prior to a full commercial launch. We have a large-scale production base that includes a 74,933 square foot factory, a dedicated design, sales and marketing team, and more than 400 company-trained employees. Our production lines include automated jewelry processing equipment and procedures that we can rapidly modify to accommodate new designs and styles.

We are currently working with Wuhan Wansheng to build the Jewelry Park, with total floor space expected to be approximately 193,000 square meters (approximately 2,068,275 square feet). We expect that the Jewelry Park will become the new jewelry hub for Wuhan and central China in general. Upon its completion, we plan to transfer our headquarters to the Jewelry Park and to make it a state-of-art design center and additional location for manufacturing facilities.

Supply of Raw Materials

We purchase gold, our major raw material, directly from the Shanghai Gold Exchange. Our membership grants us the right to purchase gold from the Exchange, a right that is not available to non-members. Beginning in 2013, we also started to lease gold from certain leading Chinese commercial banks to provide an additional supply of raw materials under certain gold lease arrangements which we renewed in 2014 and 2015, and we may renew in 2016.

Security Measures

We believe that we implement the best of breed security measures to protect our assets, including our 24-karat gold, and we believe these measures are well beyond those of our competitors. Our comprehensive security measures at our Wuhan facility include (i) a 24-hour onsite police station with direct deployment of police officers and instant access to the Wuhan city police department and (ii) security guards at each point of entry. Security guards roam our facilities, and monitor security cameras (with video surveillance by both random and fixed cameras) and alarm systems in our warehouse. Our gold is stored in a state of the art vault with encryption and authentication technology, which requires several designated management employees to open the vault, all of whom have different access codes known only to a limited number of officers. Therefore, no one individual can open our vault without the access codes of the others. In addition, every employee or visitor is required to pass through a security check (to include a metal detector) when he or she enters and leaves the jewelry production area. We review our security measures on an annual basis and regularly look to upgrade our systems after such review.

Quality Control

We consider quality control an important factor for the success of our business. We have a strict quality control system that is implemented by a well-trained team to ensure effective quality control over every step of our business operations, from design and manufacturing to marketing and sales. We have received ISO 9001 accreditation from the International Organization for Standardization attesting to our quality control systems. In 2004, we were named an "Honest and Trustworthy Enterprise" by the Hubei Bureau of Quality and Technical Supervision.

Sales and Marketing

Currently we have approximately 300 major customers covering 25 provinces in China. We have very stable relationships with our major customers who have generally increased order volume year by year. In 2013, we renovated our showroom in Wuhan where we are based. In 2015, we launched an online business. These new sales channels are still in the development stage and have not yet generated meaningful business for 2015.

We plan to build up the Jewelry Park to allow us to work closely with other leading jewelers and jewelry manufacturers in China, thereby creating opportunities for us to cross-sell and up-sell. We expect that our Jewelry Park will become a driving force for our sales and marketing efforts in China.

Major Customers

During the years ended December 31, 2014, approximately 27.4% of our net sales were generated from our five largest customers. King Mei Fook Jewelry became our largest customer in 2014 (5.8% of our total net sales in 2014). During the year ended December 31, 2015, approximately 18.8% of our net sales generated from our five largest customers. Shenzhen Yuehao Jewelry Co., Ltd was our largest customer in 2015 (4.3% of our total net sales in 2015). None of our customers accounted for more than 10% of our net sales in either 2014 or 2015.

Competition

The jewelry industry in China is highly fragmented and very competitive. No single competitor has a significant percentage of the overall market. We believe that the market may become even more competitive as the industry grows and/or consolidates.

We produce high-quality jewelry for which the demand has grown year by year as income levels in China have risen and customers continue to appreciate the high quality of our products. We believe the Kingold brand is well-recognized within the industry across China, which has substantially differentiated us from most of our competitors.

We compete with local jewelry manufacturers and large foreign multinational companies that offer products similar to ours. Examples of our competitors include, but are not limited to, Zhejiang Sun & Moon Jewelry Group Co., Ltd. (listed on the Shanghai Stock Exchange), Shenzhen Bo Fook Jewelry Co., Ltd., Shenzhen Ganlu Jewelry Co., Ltd., Magfrey Jewelry Co., Ltd., and Guangdong Chaohongji Co., Ltd.

Intellectual Property

We rely on a combination of patent, trademark and trade secret protection and other unpatented proprietary information to protect our intellectual property rights and to maintain and enhance our competitiveness in the jewelry industry.

We currently have 26 patents granted by the State Intellectual Property Office of the PRC, 2 of which expire in 2017, 21 in 2019 and 3 in 2029.

We have 17 registered trademarks in China, 3 of which expire in 2017, 1 in 2019, 6 in 2020 and 7 in 2021. In particular, "Kingold" has been named as a "Famous Brand in Hubei Province," "Famous Brand in China," and "Famous Jewelry Brand" by the General Administration of Quality Supervision and China Top Brand Strategy Promotion Committee.

We have implemented and enhanced intellectual property management procedures in an effort to protect our intellectual property rights. However, there can be no assurance that our intellectual property rights will not be challenged, invalidated, or circumvented, that others will not assert intellectual property rights to technologies that are relevant to us, or that our rights will give us a competitive advantage. In addition, the laws of China may not protect our proprietary rights to the same extent as the laws in other jurisdictions.

PRC Government Regulations

We are subject to various PRC laws and regulations that are relevant to our business. Our business license permits us to design, manufacture, sell and market jewelry products to department stores throughout China, and allows us to engage in the retail distribution of our products. Any further amendment to the scope of our business will require additional government approvals. We cannot assure you that we will be able to obtain the necessary government approval for any change or expansion of our business.

Under applicable PRC laws, the supply of precious metals such as platinum, gold and silver is highly regulated by certain government agencies, such as the People's Bank of China, or the PBOC. The Shanghai Gold Exchange is the only PBOC authorized supplier of precious metal materials and is our primary source of supply for our raw materials, which substantially consist of precious metals. We are required to obtain and hold several memberships and approval certificates from these government agencies in order to continue to conduct our business. We may be required to renew such memberships and to obtain approval certificates periodically. If we are unable to renew these periodic memberships or approval certificates, it would materially affect our business operations. We are currently in good standing with these agencies.

We have also been granted independent import and export rights. These rights permit us to import and export jewelry into and out of China. With the relatively lower cost of production in China, we intend to expand into overseas markets after the launch of our China-based retail plan. We do not currently have plans to import jewelry into China.

Environmental Protection

Our production facilities in Wuhan are subject to environmental regulation by both the central government of the PRC and by local government agencies. We have obtained all necessary operating permits as required from the Environmental Protection Bureau, and believe that we are in compliance with local regulations governing waste production and disposal, and that our production facilities have met the public safety requirements regarding refuse, emissions, lights, noise and radiation. Since commencement of our operations, we have not been cited for any environmental violations. Because our production process creates almost no waste water or pollution, our costs for environmental compliance have been minimal and immaterial.

Tax

Wuhan Kingold was incorporated in the PRC and is subject to PRC income tax, which is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25.0%.

Pursuant to the Provisional Regulation of China on Value-Added Tax, or VAT, and its implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay VAT at a rate of 17.0% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer.

Foreign Currency Exchange

Under applicable PRC foreign currency exchange regulations, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loan, security investment and repatriation of investment, however, is still subject to the approval of the PRC State Administration of Foreign Exchange, or SAFE. Foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by the Ministry of Commerce, the SAFE and the State Reform and Development Commission.

Dividend Distributions

Under applicable PRC regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a foreign-invested enterprise in China is required to set aside at least 10.0% of its after-tax profits each year to its general reserves until the cumulative amount of such reserves has reached 50.0% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

Employees

As of December 31, 2015, we had approximately 568 full-time employees, all of whom were located in PRC except for our Chief Financial Officer. There are no collective bargaining contracts covering any of our employees. We believe our relationship with our employees is satisfactory. Our full-time employees are entitled to employee benefits including medical care, work related injury insurance, maternity insurance, unemployment insurance and pension benefits through a Chinese government mandated multi-employer defined contribution plan. We are required to accrue those benefits based on certain percentages of the employees' salaries and make contributions to the plans out of the amounts accrued for medical and pension benefits. The Chinese government is responsible for the medical benefits and the pension liability paid to these employees.

Effective from January 1, 2008, the PRC has introduced a labor contract law that enhances rights for the nation's workers, including open-ended work contracts and severance payments, and requires employers to enter into labor contracts with their workers in writing, restricts the use of temporary laborers and makes it harder to lay off employees. It also requires that employees with a fixed-term contract be entitled to an indefinite-term contract after the fixed-term contract has been renewed twice. Although the labor contract law could increase our labor costs, we do not anticipate there will be any significant effects on our overall profitability in the near future because such amount was historically not material to our operating cost. Management anticipates this may be a step toward improving candidate retention for skilled workers.

Company History

Since December 2009, we have been engaged in the design, manufacturing and sale of gold jewelry in the PRC via a VIE relationship with Wuhan Kingold, a PRC company.

We were initially incorporated in 1995 in Delaware as Vanguard Enterprises, Inc. In 1999, we changed our corporate name to Activeworlds.com, Inc. (and subsequently to Activeworlds Corp.), and through a wholly-owned subsidiary we provided internet software products and services that enabled the delivery of three-dimensional content over the internet. We operated that business until September 11, 2002, when we sold that business to our former management and we became a shell company with no significant business operations. As a result of the consummation of a reverse acquisition transaction as described below, on December 23, 2009, we ceased to be a shell company and became an indirect holding company for Wuhan Vogue-Show Jewelry Co., Limited, or Vogue-Show, through Dragon Lead Group Limited, or Dragon Lead.

Acquisition of Kingold and Name Change

In December 2009, we acquired 100% of Dragon Lead from the shareholders of Dragon Lead in a share exchange transaction pursuant to which the shareholders of Dragon Lead exchanged 100% ownership in Dragon Lead for 33,104,234 shares of our common stock. As a result, Dragon Lead became our wholly owned subsidiary. Dragon Lead owns 100% of Vogue-Show and Vogue-Show controls Wuhan Kingold through a series of variable interest entity agreements. We currently operate through Dragon Lead and Vogue-Show.

In February 2010, we changed our name to Kingold Jewelry, Inc. to better reflect our business.

Organizational History of Dragon Lead and its Subsidiaries

Dragon Lead, a British Virgin Islands, or BVI corporation, was incorporated in the BVI on July 1, 2008 as an investment holding company. Dragon Lead owns 100% of the ownership interest in Vogue-Show.

Vogue-Show was incorporated in the PRC as a wholly foreign owned enterprise, or WFOE, on February 16, 2009. Wuhan Kingold was incorporated in the PRC as a limited liability company on August 2, 2002 by Zhihong Jia, as the major shareholder, and Xue Su Yue who sold her shares in Wuhan Kingold to Zhihong Jia and Chen Wei in 2003. On October 26, 2007, Wuhan Kingold was restructured as a joint stock company limited by shares. Its business activities are principally the design and manufacture of gold ornaments in the PRC. Wuhan Kingold's business license will expire on March 4, 2021 and is renewable upon expiration. The registered and paid-in capital of Wuhan Kingold is RMB 120 million.

The Vogue-Show/Wuhan Kingold VIE Relationship

On June 30, 2009, Vogue-Show entered into a series of agreements with Wuhan Kingold and shareholders holding 95.83% of the outstanding equity of Wuhan Kingold under which Wuhan Kingold agreed to pay 95.83% of its after-tax profits to Vogue-Show and shareholders owning 95.83% of Wuhan Kingold's shares have pledged their and delegated their voting power in Wuhan Kingold to Vogue-Show. Such share pledge is registered with the PRC Administration for Industry and Commerce. These agreements were subsequently amended on October 20, 2011, when the minority stockholder holding 4.17% of the equity of Wuhan Kingold became a party to the applicable VIE agreements. Following execution of the amendments, shareholders holding 100% of the outstanding equity of Wuhan Kingold were parties to the agreements such that Wuhan Kingold has agreed to pay 100% of its after-tax profits to Vogue-Show and shareholders owning 100% of Wuhan Kingold's shares have pledged and delegated their voting power in Wuhan Kingold to Vogue-Show.

The VIE agreements, which are described below, currently cover 100% of the equity interest in Wuhan Kingold, and were initially created so that upon the closing of the reverse acquisition, as described below, we would be able to acquire control of Wuhan Kingold, as explained below.

These contractual arrangements enable us to:

- exercise effective control over our variable interest entity, Wuhan Kingold;
- receive substantially all of the economic benefits from variable interest entity, Wuhan Kingold; and
- have an exclusive option to purchase 100% of the equity interest in our variable interest entity, Wuhan Kingold, when and to the extent permitted by PRC law.

Through such arrangement, Wuhan Kingold has become Vogue-Show's contractually controlled affiliate. In addition, Wuhan Kingold shareholders agreed to grant Vogue-Show a ten-year option to purchase a 100% equity interest in Wuhan Kingold at a price based on an appraisal provided by an asset evaluation institution that will be jointly appointed by Vogue-Show and the Wuhan Kingold shareholders. Concurrently, Wuhan Kingold agreed to grant Vogue-Show a ten-year option to purchase all of Wuhan Kingold's assets at a price based on an appraisal provided by an asset evaluation institution that will be jointly appointed by Vogue-Show and Wuhan Kingold.

The VIE Agreements

Our relationship with Wuhan Kingold and its shareholders is governed by a series of contractual arrangements, which agreements provide as follows:

Exclusive Management Consulting and Technical Support Agreement. On June 30, 2009, Vogue-Show initially entered into an Exclusive Management Consulting and Technical Support Agreement with Wuhan Kingold, as subsequently amended, which provided that Vogue-Show will be the exclusive provider of management consulting services to Wuhan Kingold, and obligated Vogue-Show to provide services to fully manage and control all internal operations of Wuhan Kingold, in exchange for receiving 95.83% of Wuhan Kingold's profits. On October 20, 2011, Wuhan Kingold and Vogue-Show amended this agreement such that Wuhan Kingold is now obligated to pay 100% of its after-tax profits to Vogue-Show. Payments will be made on a monthly basis. The term of this agreement will continue until it is either terminated by mutual agreement of the parties or until such time as Vogue-Show shall acquire 100% of the equity or assets of Wuhan Kingold.

Shareholders' Voting Proxy Agreement. On June 30, 2009, shareholders holding 95.83% of the equity interest in Wuhan Kingold entered into a Shareholders' Voting Proxy Agreement authorizing Vogue-Show to exercise any and all shareholder rights associated with their ownership in Wuhan Kingold, including the right to attend and vote their shares at shareholders' meetings, the right to call shareholders' meetings and the right to exercise all other shareholder voting rights as stipulated in the Articles of Association of Wuhan Kingold. Following the October 20, 2011 amendment to this agreement, shareholders holding 100% of the equity interest in Wuhan Kingold have now entered into the Shareholders' Voting Proxy Agreement. The term of this agreement will continue until it is either terminated by mutual agreement of the parties or until such time as Vogue-Show shall acquire 100% of the equity or assets of Wuhan Kingold.

Purchase Option Agreement. On June 30, 2009, shareholders holding 95.83% of the equity interest in Wuhan Kingold entered into a Purchase Option Agreement with Vogue-Show, which provided that Vogue-Show will be entitled to acquire such Shareholders' shares in Wuhan Kingold upon certain terms and conditions, if such a purchase is or becomes allowable under PRC laws and regulations. The Purchase Option Agreement also grants to Vogue-Show an option to purchase all of the assets of Wuhan Kingold. Following the October 20, 2011 amendment to this agreement, shareholders holding 100% of the equity interest in Wuhan Kingold have now entered into the Purchase Option Agreement. The exercise price for either the shares or the assets is to be as determined by a qualified third party appraiser. The term of this agreement is ten years from the date thereof.

Pledge of Equity Agreement. On June 30, 2009, shareholders holding 95.83% of the equity interest in Wuhan Kingold entered into a Pledge of Equity Agreement, pursuant to which each such shareholder pledges all of his shares of Wuhan Kingold to Vogue-Show in order to guarantee performance under the Exclusive Management Consulting and Technical Support Agreement, Shareholders' Voting Proxy Agreement and the Purchase Option Agreement. Following the October 20, 2011 amendment to this agreement, shareholders holding 100% of the equity interest in Wuhan Kingold have now entered into the Pledge of Equity Agreement. If Wuhan Kingold or any of its respective shareholders breaches its respective contractual obligations, Vogue-Show, as pledgee, will be entitled to certain rights, including the right to foreclose on the pledged equity interests.

Reverse Acquisition and Private Placement

On September 29, 2009, we entered into an Agreement and Plan of Reverse Acquisition with Vogue-Show, Dragon Lead, and the stockholders of Dragon Lead, or the Dragon Lead Stockholders. Pursuant to the acquisition agreement, we agreed to acquire 100% of the issued and outstanding capital stock of Dragon Lead in exchange for the issuance of 33,104,234 newly issued shares of our common stock. The acquisition agreement closed on or about December 23, 2009. Following the closing, Dragon Lead became our wholly-owned subsidiary.

The purpose of the reverse acquisition was to acquire control over Wuhan Kingold. We did not acquire Wuhan Kingold directly through the issuance of stock to Wuhan Kingold's stockholders because under PRC law it is uncertain whether a share exchange would be legal. We instead chose to acquire control of Wuhan Kingold through the acquisition of Vogue-Show and the VIE arrangements previously described in this Annual Report on Form 10-K. Certain rules and regulations in the PRC restrict the ability of non-PRC companies that are controlled by PRC residents to acquire PRC companies. There is significant uncertainty as to whether these rules and regulations require transactions of the type contemplated by our VIE arrangements, or of the type contemplated by the Call Option described below, to be approved by the PRC Ministry of Commerce, the China Securities and Regulatory Commission, or other agencies.

On December 23, 2009, immediately prior to the closing of the reverse acquisition, we completed a private placement with 14 investors. Pursuant to a securities purchase agreement entered into with the investors, we sold an aggregate of 5,120,483 newly issued shares of our common stock at \$0.996 per share, for aggregate gross proceeds of approximately \$5.1 million. The investors in the private placement also received five-year warrants to purchase up to 1,024,096 shares of common stock at the price of \$0.996 per share. After commissions and expenses, we received net proceeds of approximately \$4.55 million in the private placement. In addition, five-year warrants to purchase up to 1,536,145 shares of common stock at the price of \$0.996 per share were issued to various consultants who assisted in the transaction.

All share and per share information for dates prior to August 10, 2010 concerning our common stock in the above discussion reflects a 1-for-2 reverse stock split.

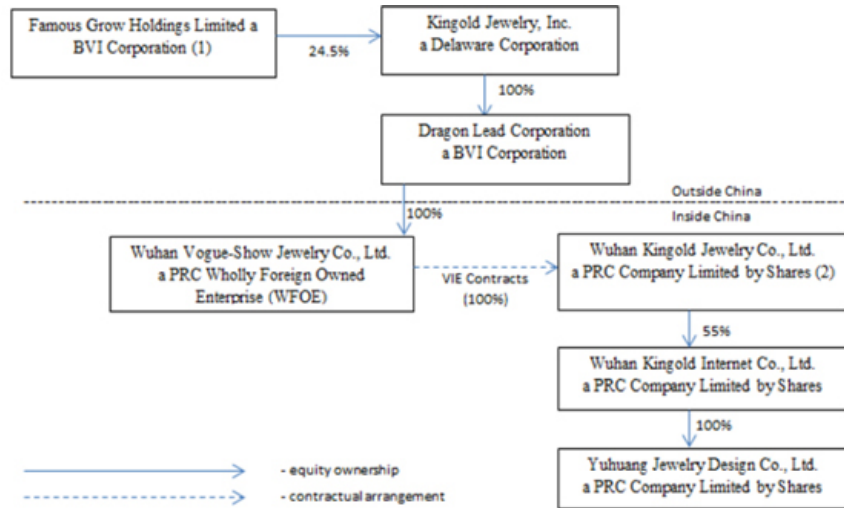
As a result of the above transactions, we ceased being a "shell company" as defined in Rule 12b-2 under the Securities Act.

Also, on December 17, 2014, Fok Wing Lam Winnie (whose Mandarin name is Huo Yong Lin), the sole shareholder of Famous Grow and the majority shareholder of Dragon Lead prior to the closing of the reverse acquisition, entered into an Amended and Restated Call Option Agreement, as amended and restated, or call option, with Zhihong Jia and Bin Zhao to comply with PRC regulations that restrict PRC residents from owning offshore entities like us in direct exchange for their shares in the PRC operating company and as an inducement to encourage them to provide services to Wuhan Kingold and our company. The call option does not include a vesting schedule and continued employment is not a condition to the call option. The Amended and Restated Call Option Agreement was further amended on March 26, 2016. Under the call option, as amended and restated, Fok Wing Lam Winnie granted to Zhihong Jia the right to acquire up to 100% of the shares of Famous Grow at an exercise price of \$1.00, which is par value per share, or \$0.001 per Famous Grow share, subject to any exercise notice at any time for a period of ten years, which was determined in an arm's length negotiation with the parties. While it is the case that our PRC counsel believes that this arrangement is lawful under PRC laws and regulations, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations, including regulations governing the validity and legality of such call options. Accordingly, we cannot assure you that PRC government authorities will not ultimately take a view contrary to the opinion of our PRC legal counsel.

In April 2015, Wuhan Kingold Jewelry Co., Inc. (“Wuhan Kingold”) established a new subsidiary Wuhan Kingold Internet Co., Ltd. (“Kingold Internet”). Total registered capital of Kingold Internet is RMB 1 million (approximately \$0.15 million), of which Wuhan Kingold holds a 55% ownership interest and a third-party minority shareholder, Mr. Xiaofeng Lv, holds the remaining 45% ownership interest. Kingold Internet engages in promoting the online sales of jewelry products through cooperation with Tmall.com, a large business-to-consumer online retail platform owned by Alibaba Group.

In May 2015, Kingold Internet established a 100% controlled subsidiary Yuhuang Jewelry Design Co., Ltd (“Yuhuang”). Total registered capital of Yuhuang is RMB 1 million (approximately \$0.15 million). Since Wuhan Kingold holds a 55% ownership interest of Kingold Internet, Wuhan Kingold also indirectly controls 55% ownership interest in Yuhuang and minority shareholder Mr. Xiaofeng Lv holds the remaining 45% ownership interest in Yuhuang. Yuhuang engages in the jewelry design business.

The following diagram illustrates our corporate structure as of the date of this Annual Report:



Notes:

- (1) Famous Grow is owned by Fok Wing Lam Winnie (whose Mandarin name is Huo Yong Lin). Pursuant to the Amended and Restated Call Option Agreement as amended, our founder, Chairman and Chief Executive Officer Zhihong Jia, has the right to acquire 100% of the ownership of Famous Grow.
- (2) Wuhan Kingold is 55.31% owned by Zhihong Jia, our founder, Chairman and Chief Executive Officer, with the balance of 44.69% owned by a total of 46 other shareholders, who are all PRC citizens. All of Wuhan Kingold's shareholders have entered into the VIE agreements.

ITEM 1A. RISK FACTORS

As a smaller reporting company, we are not required to provide the information otherwise required by this Item.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. PROPERTIES

Our principal executive offices and our factory are located in #15 Huangpu Science and Technology Park, Jiang'an District, Wuhan, Hubei Province, China, with a total construction area of approximately 74,933 square feet built on a parcel of state owned land. We own all of our office and factory facilities except for land with regard to which we own land use rights. There is no private ownership of land in the PRC. All land ownership is held by the government of the PRC, its agencies and collectives. Land use rights can be transferred upon approval by the land administrative authorities of the PRC (State Land Administration Bureau) upon payment of the required land transfer fee. Our land use certificate for our current offices and factory expires on January 26, 2055. Our Vogue-Show subsidiary rents 96 square meters of office space from Wuhan Kingold at an annual rental rate of \$1,500 per year. The lease on this office space expires at the end of January, 2022.

In October 2013, Wuhan Kingold our controlled subsidiary, entered into an agreement with Wuhan Wansheng and Wuhan Huayuan to acquire 100% ownership of the Shanghai Creative Industry Park, which is proposed to be renamed the Kingold Jewelry Cultural Industry Park, which we refer to as the Jewelry Park. The Jewelry Park is located at No. 12, Han Huang Road, Jiang'An District, Wuhan.

Pursuant to the Agreement, we acquired the operating rights for 66,667 square meters (approximately 717,598 square feet, or 16.5 acres) of industrial land for use in the development of the Jewelry Park, and authorized Wuhan Wansheng, as agent, to complete construction of the Jewelry Park. The total floor space of the Jewelry Park is expected to be approximately 193,000 square meters (approximately 2,068,275 square feet). We plan to utilize the completed Jewelry Park as our new operation center, an additional manufacturing facility, as well as a show center and space for both Kingold as well as other jewelry manufacturers in China.

We believe that our current offices and facilities are adequate to meet our needs, and that additional facilities will be available for lease, if necessary, to meet our future needs.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We are not currently a party to any litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business, operating results, cash flows or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on the NASDAQ Capital Market under the symbol "KGJI." Prior to August 18, 2010, our common stock was listed for quotation on the OTC Bulletin Board or, the OTCBB, under the symbol "KGJI".

The following table sets forth, for the periods indicated, the range of quarterly high and low closing sales prices for our common stock in U.S. dollars. Prior to our listing on the NASDAQ Capital Market, these quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, involving our common stock during each calendar quarter, and may not represent actual transactions.

2015	High	Low
First Quarter	\$ 1.21	\$ 0.95
Second Quarter	\$ 1.43	\$ 0.90
Third Quarter	\$ 0.90	\$ 0.53
Fourth Quarter	\$ 0.79	\$ 0.50
2014		
First Quarter	\$ 1.93	\$ 1.61
Second Quarter	\$ 1.64	\$ 1.10
Third Quarter	\$ 1.48	\$ 1.16
Fourth Quarter	\$ 1.31	\$ 0.84

On August 11, 2015, the Company received a notification letter from NASDAQ advising the Company that for 30 consecutive business days preceding the date of the Notice, the bid price of the Company's common stock had closed below the \$1.00 per share minimum required for continued listing on The NASDAQ Capital Market, pursuant to the NASDAQ Listing Rule 5550(a)(2) requirement for continued listing on NASDAQ (the "Minimum Bid Price Rule"). The Company was provided 180 calendar days, or until February 8, 2016, to regain compliance with the Minimum Bid Price Rule. On February 9, 2016, NASDAQ granted the Company an additional 180 calendar days, or until August 8, 2016, to regain compliance with the \$1.00 per share minimum required for continued listing on The NASDAQ Capital Market pursuant to NASDAQ Marketplace Rule 5550(a)(2). On March 18, 2016, the Company received notification from NASDAQ that, since the bid price of the Company's common stock closed at or above \$1.00 per share for the last 16 consecutive business days, from February 25, 2016 to March 17, 2016, the Company has regained compliance with the Minimum Bid Price Rule, and that this matter is now closed.

Holders

On March 24, 2016, the closing sale price of our shares of common stock was \$ 1.15 per share and there were 65,963,502 shares of our common stock outstanding. On that date, our shares of common stock were held by approximately 80 shareholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of our common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies.

Dividend Policy

Although we paid a one-time special dividend of \$0.08 per share in 2014, we currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our common stock for the foreseeable future. Investors seeking cash dividends in the immediate future should not purchase our common stock. Future cash dividends, if any, will be at the discretion of our board of directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors as our board of directors may deem relevant. We can pay dividends only out of our profits or other distributable reserves and dividends or distribution will only be paid or made if we are able to pay our debts as they fall due in the ordinary course of business. Payment of future dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including current financial condition, operating results, current and anticipated cash needs and regulations governing dividend distributions by wholly foreign owned enterprises in China.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth certain information regarding stock option grants made to employees, directors and consultants as of December 31, 2015:

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options (A)</u>	<u>Weighted Average Exercise Price of Outstanding Options (B)</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)</u>
Equity Compensation Plans Approved by Security Holders(1)	3,220,000	\$ 1.90	1,780,000
Equity Compensation Plans Not Approved by Security Holders	N/A	N/A	N/A

(1) On March 24, 2011, our Board of Directors voted to adopt the 2011 Stock Incentive Plan, or the Plan, which was approved at our annual stockholders' meeting held on June 6, 2012. The Plan permits the granting of stock options (including incentive stock options as well as nonstatutory stock options), stock appreciation rights, restricted and unrestricted stock awards, restricted stock units, performance awards, other stock-based awards or any combination of the foregoing. Under the terms of the Plan, up to 5,000,000 shares of our common stock will be granted.

Purchases of Equity Securities

During the year ended December 31, 2015, we did not purchase any of our equity securities, nor did any person or entity purchase any of our equity securities on our behalf.

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we are not required to provide the information otherwise required by this Item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Forward-Looking Information

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from the results described in or implied by these forward-looking statements as a result of various factors. See the "Cautionary Statement for Purposes of the "Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995" immediately preceding Part I of this Report.

Key Components of Operating Results

Sources of Revenue

We derive our revenue almost entirely from the sales of 24-karat jewelry and Chinese ornaments and from design and processing fees we receive from other jewelry companies who hire us to design and produce 24-karat jewelry and Chinese ornaments using gold they supply us. We offer a wide range of in-house designed products including but not limited to gold necklaces, rings, earrings, bracelets, and pendants. In our jewelry business, we only sell on a wholesale basis to distributors and retailers. Pricing of our jewelry business products is made at the time of sale based upon the then-current price of gold and sales are made on a cash or credit on delivery basis.

We are developing our investment gold business. We sell our investment gold products through banks. Similar to our jewelry business, pricing of our investment gold products is made at the time of sale based upon the then-current price of gold, and sales are made on a cash or credit on delivery basis.

Cost of Sales

Our cost of sales consists principally of the cost for raw materials, primarily gold. We generally purchase gold directly from the Shanghai Gold Exchange, of which we are a member. Beginning in 2013, we also started to lease gold from leading commercial banks in China to increase our gold supply and fuel our growth. We generally do not enter into long term purchase agreements for gold. During recent years, the price of gold on the international gold market has experienced periods of significant fluctuation. We have been attempting to offset gold price fluctuations by locking in the price at the time an order is placed, as well as passing on the price to purchasers.

Gross Profit, Gross Margin and Inventory Carrying Value

Our gross profit margin and profitability as well as the carrying value of our inventory are affected by changes in the price of gold. If there is an increase in the price of gold that increases our production costs beyond the amount we may be able to pass to our customers, it has a negative effect on our gross margin and profitability. Furthermore, the carrying value of our inventory may be affected if the price of gold decreases relative to the price that we paid for that inventory. At December 31, 2015 and 2014, we had approximately 10.1 and 6.3 metric tons of gold in our inventory, all of which had been sold in excess of the carrying value by the date of this report.

Inflation

Although the Chinese government has implemented measures to curb inflation, it is foreseeable that the Chinese economy may remain under inflationary pressure at least for the near term. It is difficult to estimate the impact of continued rise in inflation on us. On the one hand, inflation may lead to, among other things, higher operating expenses for us and erosion of our customers' purchases, adversely affecting our results. On the other hand, inflation may also make our products more attractive to Chinese consumers who traditionally have perceived gold as a safe haven investment from inflation.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures in the financial statements. Critical accounting policies are those accounting policies that may be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and that have a material impact on financial condition or operating performance. While we base our estimates and judgments on our experience and on various other factors that we believe to be reasonable under the circumstances, actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies used in the preparation of our financial statements require significant judgments and estimates. For additional information relating to these and other accounting policies, see Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Inventories

Inventory is stated at the lower of cost or market value. Cost is determined using the weighted average method. We continually evaluate the composition of our inventory, turnover of our products, the price of gold and the ability of our customers to pay for their products. We write-down slow-moving and obsolete inventory based on an assessments of these factors, but principally customer demand. Such assessments require the exercise of significant judgment by management. Additionally, the value of our inventory may be affected by commodity prices. Decreases in the market value of gold would result in a lower stated value of our inventory, which may require us to take a charge for the decrease in the value. In addition, if the price of gold changes substantially in a very short period, it might trigger customer defaults, which could result in inventory obsolescence. If any of these factors were to become less favorable than those projected, inventory write-downs could be required, which would have a negative effect on our earnings and working capital.

Accounting for the Impairment of Long-Lived Assets

The long-lived assets held and used by us are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. It is possible that these assets could become impaired as a result of technology or other industry changes. The recoverability value of an asset to be held and used is determined by comparing the carrying amount of such asset against the future net undiscounted cash flows to be generated by the asset. Our principal long-lived assets are our property, plant and equipment assets.

We must make various assumptions and estimates regarding estimated future cash flows and other factors in determining the fair values of the respective assets. We use set criteria that are reviewed and approved by various levels of management, and estimate the fair value of our reporting units by using undiscounted cash flow analyses. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for the underlying assets at such time. Any such resulting impairment charges could be material to our results of operations.

If the value of such an asset is determined to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or the fair value, less disposition costs. No events or changes in our business or circumstances required us to test for impairment of our long-lived assets during 2015 and 2014, and accordingly, we did not recognize any impairment loss during these periods.

Competitive pricing pressure and changes in interest rates could materially and adversely affect our estimates of future net cash flows to be generated by our long-lived assets, and thus could result in future impairment losses.

Revenue Recognition

Our net sales are primarily composed of sales of branded products to wholesale and retail customers, as well as fees generated from customized production. In customized production, a customer supplies the Company with the raw materials and the Company creates products per that customer's instructions, whereas in branded production the Company generally purchases gold directly and manufactures and markets the products on its own. The Company recognizes revenues under ASC 605 as follows:

Sales of branded products

The Company recognizes revenue on sales of branded products when the goods are delivered and title to the goods passes to the customer provided that: there are no uncertainties regarding customer acceptance; persuasive evidence of an arrangement exists; the sales price is fixed and determinable; and collectability is deemed probable.

Customized production fees

The Company recognizes services-based revenue (the processing fee) from such contracts for customized production when: (i) the contracted services have been performed and (ii) collectability is deemed probable.

Results of Operations

YEARS ENDED DECEMBER 31, 2015 AND 2014

The following table sets forth information from our statements of income and comprehensive income for the years ended December 31, 2015 and 2014 in U.S. dollars.

KINGOLD JEWELRY, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(IN U.S. DOLLARS)

	For the years ended December 31,	
	2015	2014
NET SALES	\$ 1,000,161,294	\$ 1,107,558,544
COST OF SALES		
Cost of sales	(960,562,184)	(1,030,010,474)
Depreciation	(1,284,170)	(1,296,583)
Total cost of sales	<u>(961,846,354)</u>	<u>(1,031,307,057)</u>
GROSS PROFIT	<u>38,314,940</u>	<u>76,251,487</u>
OPERATING EXPENSES		
Selling, general and administrative expenses	8,176,710	7,343,951
Stock compensation expenses	530,542	3,149,980
Depreciation	104,219	130,074
Amortization	12,137	12,300
Total operating expenses	<u>8,823,608</u>	<u>10,636,305</u>
INCOME FROM OPERATIONS	<u>29,491,332</u>	<u>65,615,182</u>
OTHER INCOME (EXPENSES)		
Other income	20,689	94,624
Interest income	208,061	305,465
Interest expense	(1,819,581)	(1,847,240)
Total other expenses, net	<u>(1,590,831)</u>	<u>(1,447,151)</u>
INCOME FROM OPERATIONS BEFORE TAXES	<u>27,900,501</u>	<u>64,168,031</u>
INCOME TAX PROVISION		
Current	4,488,815	16,836,054
Deferred	1,849,910	-
Total income tax provision	<u>6,338,725</u>	<u>16,836,054</u>
NET INCOME	\$ 21,561,776	\$ 47,331,977
Less: net loss attribute to the non-controlling interest	(296)	-
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	21,562,072	47,331,977
OTHER COMPREHENSIVE INCOME (LOSS)		
Total foreign currency translation loss	\$ (14,740,716)	(1,331,031)
Less: foreign currency translation gain attributable to non-controlling interest	4,251	-
Foreign currency translation loss attributable to common stockholders	<u>(14,744,967)</u>	<u>(1,331,031)</u>
COMPREHENSIVE INCOME (LOSS) attributable to:		
Common stockholders	6,817,105	46,009,946
Non-controlling interest	3,955	-
	<u>\$ 6,821,060</u>	<u>\$ 46,009,946</u>
Earnings per share		
Basic	\$ 0.33	\$ 0.72
Diluted	\$ 0.33	\$ 0.72
Weighted number of shares		
Basic	65,963,502	65,918,768
Diluted	<u>65,963,502</u>	<u>66,007,075</u>

Fiscal Year Ended December 31, 2015 Compared to Fiscal Year Ended December 31, 2014

Net Sales

Net sales for the year ended December 31, 2015 were \$1,000.2 million, a decrease of \$107.4 million, or 9.7%, from net sales of \$1,107.6 million for the year ended December 31, 2014. For the year ended December 31, 2015, our branded production sales accounted for 97.5% of the total sales and customized production sales accounted for 2.4% of the total sales. When comparing with 2014, our branded production sales decreased by \$92.1 million or 9%, our customized production sales decreased by \$11.8 million or 33%, and trade-in sales decreased by \$2.3 million or 97%. When the gold price decreased from early 2015 until August 12, 2015, the decrease in market price negatively impacted the Company's customers' purchase of gold. Especially we received reduced sales orders from our customized production segment than in 2014.

The overall decrease in our revenue in 2015 as compared to 2014 was due to the following combined factors: (1) total sales volume (in terms of quantity sold) decreased from 60.1 metric tons in 2014 to 56.5 metric tons in 2015, causing 3.6 metric tons or 6% decrease. As a result, approximately \$91.6 million decrease in our revenue was attributable to the decrease in our sales volume. (2) The average unit selling price decreased from RMB 251.67 per gram in 2014 to RMB 235.61 per gram in 2015, causing 6.4% decrease. As a result, approximately \$6.9 million decrease in our revenue was affected by the decrease in our selling price. (3) Approximately \$8.9 million decrease in revenue was attributable to the foreign currency translation loss from converting RMB into USD when the average exchange rate of USD: RMB increased from 1 USD=6.1457 RMB in 2014 to 1 USD=6.2288 RMB in 2015.

Our consumers reduced their spending in gold purchase in 2015 due to decreased gold price. Our investment gold business represented 0.43% and 1.7% of total net sales in 2015 and 2014, respectively.

We produced 27.6 metric tons of customized gold products in fiscal 2015, decreased by 11.8% from last year, while we produced 28.9 metric tons of branded gold products, representing an increase of 0.35% from last year.

Gold sales for the twelve months ended December 31,

	2015			2014		
	Metric Tons	Sales (\$ Million)	Sales/ Metric Ton (\$ Million)	Metric Tons	Sales (\$ Million)	Sales/ Metric Ton (\$ Million)
Total	56.5	\$ 1,000.2	\$ 17.7	60.1	\$ 1,107.6	\$ 18.4
Branded	28.9	\$ 975.4	\$ 33.8	28.8	\$ 1,067.5	\$ 37.1
Customized	27.6	\$ 24.8	\$ 0.9	31.3	\$ 40.1	\$ 1.3

Cost of sales

Cost of sales for the year ended December 31, 2015 amounted to \$960.6 million, a decrease of \$69.4 million, or 6.7% from \$1,030.0 million for 2014. The decrease was primarily attributable to lower volume of products sold in fiscal 2015. The sale quantity decreased 6.0% to approximately 56.5 metric tons in 2015 from 60.1 metric tons in 2014.

Gross profit

Gross profit for the year ended December 31, 2015 was \$38.3 million, a decrease of \$37.9 million or 49.8%, from \$76.3 million for 2014. The decrease in our gross profit resulted from the following factors: (1) Due to decreased sales volume from 60.1 metric tons in 2014 to 56.5 metric tons in 2015, the Company's gross profit and gross margin for the year ended December 31, 2015 was negatively affected. (2) The decrease in unit selling price also impacted the gross margin: The unit cost of our branded production sales was RMB 206.99 per gram for the year ended December 31, 2015 while the unit cost of our branded production sales was RMB 219.11 per gram for the year ended December 31, 2014. On the other hand, the unit selling price of branded production was RMB 210.45 per gram for the year ended December 31, 2015 while the unit price of selling branded production was RMB 228.05 per gram for the year ended December 31, 2014. As a result, the unit margin of branded production sales was RMB 3.46 per gram for the year ended December 31, 2015 compared to RMB 8.94 per gram for the year ended December 31, 2014. (3) Our customized production sales volume decreased from 31.3 metric tons in 2014 to 27.6 metric tons in 2015, and unit selling price in this segment also decreased from RMB 7.08 per gram in 2014 to only RMB 5.48 per gram in 2015. The reason that the unit selling price of our customized production is lower than the unit selling price of our branded production is in customized production, a customer supplies the Company with the raw materials and the Company creates products per that customer's instructions, whereas in branded production the Company generally purchases gold directly and manufactures and markets the products on its own.

As the sales volume and selling price for customized production sales decreased and led the decrease in our gross profit, the overall gross margin was negatively affected. Our gross margin for the year ended December 31, 2015 was 3.8%, a decline of 3.1% as compared to gross margin of 6.9% in 2014. The primary reason for the substantial decrease in gross margin was that the Company purchased a large quantity of gold inventory at year end of 2013 and beginning of 2014 at market prices, which were much lower than in 2015, making 2014 production costs much lower than normal. According to the World Gold Council, the average market price of gold for the year ended December 31, 2015 was \$1,160.1 per ounce, decreased 8.4% as compared to the average market price of \$1,266.4 per ounce in 2014. The Company's average unit price of \$17.7 million per metric ton in 2015 decreased 3.8% from the average unit price of \$18.4 million per metric ton in 2014. Another reason was that our customized production sales normally has higher profit margin than our branded production sales because we can charge higher selling prices to customers for services rendered. In 2015, due to the declined market price of gold which negatively impacted customers' perception of buying gold products, we received reduced sales orders from our customized production segment than in 2014 and accordingly our gross margin was negatively affected.

Expenses

Total operating expenses for the year ended December 31, 2015 were \$8.8 million, a decrease of \$1.8 million or 17.0%, from \$10.6 million for 2014. The decrease was mainly due to a \$2.6 million decrease in the stock based compensation expense, offset by an increase of \$0.8 million in the selling, general and administrative expenses. The increase in the selling, general and administrative expenses in 2015 was due to increased expenses for broader marketing efforts.

Our provision for income tax expense was \$6.3 million for the year ended December 31, 2015, decreased by \$10.5 million, or 62.4%, from \$16.8 million for 2014. The decrease was primarily due to the significant drop of taxable income.

Other comprehensive loss was approximately \$14.7 million for the year ended December 31, 2015, compared to other comprehensive loss of \$1.3 million for the year ended December 31, 2014 due to the depreciation of RMB against the U.S. Dollar.

Net Income

For the foregoing reasons, our net income was \$21.6 million for the year ended December 31, 2015, decreased by \$25.8 million or 54.4% from fiscal 2014 as a result of the matters described above.

Liquidity and Capital Resources

At December 31, 2015, we had \$3.1 million in cash and cash equivalents compared to \$1.3 million at December 31, 2014. At December 31, 2015, we had \$26.6 million in restricted cash compared to \$14.8 million at December 31, 2014. This restricted cash (along with our Chairman and Chief Executive Officer's personal credit) secures our obligations under our bank loans and gold lease agreements. We have financed our operations with cash flow generated from operations and through borrowing of short-term bank loans generally with a term of one year as well as through private and public borrowings and offerings in the U.S. and Chinese capital markets, such as our recent placement under our commercial paper program with Shanghai Pudong Development Bank ("SPD Bank"). At December 31, 2015, we had total outstanding short-term loans of \$55.5 million, an increase of \$39.2 million from \$16.3 million short term loans as of December 31, 2014.

On October 23, 2013, we entered into an acquisition agreement with Wuhan Wansheng and Wuhan Huayuan for a Jewelry Park project ("Jewelry Park"). Pursuant to the acquisition agreement, we acquired the operating rights for 66,667 square meters (approximately 717,598 square feet, or 16.5 acres) of industrial land for use in the development of the Jewelry Park for RMB 1.0 billion (approximately \$154 million) from Wuhan Huayuan, and authorized Wuhan Wansheng, as agent, to complete construction of the Jewelry Park. We have financed our payments on the Jewelry Park through bank loans supplemented by our operating cash flows, and where possible, deposits or advances that may be received from lessees. We may also finance part of the remaining payments through proceeds derived from the presale of some of the units.

As of December 31, 2015, our payments for the project will be made to Wuhan Wansheng in tranches, as follows, in line with the completion of certain building installments, as outlined in the acquisition agreement:

Date	Original Payment Commitment (RMB in millions)	Revised Payment Commitment (RMB in millions)	Revised Payment Commitment (USD in millions)**
October 2013*	200	200	31
January 2014	50	50	8
June 2014	100	-	-
September 2014	150	20	3
November 2014	-	87	13
December 2014	-	35	5
January 2015***	250	-	-
February 2015***	-	28	4
April 2015	-	100	15
May 2015	-	-	-
June 2015	250	-	-
April – May 2016***	-	480	75
Total	1,000	1,000	154

* Includes initial deposit made to seller

** In US\$ based on current exchange rates

***Updated to reflect delay to payment schedule

From late January and early March 2016, we subsequently paid additional RMB 79 million (approximately \$12.2 million) to the construction company to settle the outstanding construction payable and plans to pay the remaining amount when the construction work is fully completed in late April 2016.

On February 9, 2015, Wuhan Kingold received a Notice of Acceptance of Registration (the "Acceptance") from the PRC's National Association of Financial Market Institutional Investors (the "NAFMII"), registering the issuance of up to approximately \$120 million (RMB 750 million) of debt financing instruments by Wuhan Kingold pursuant to a Non-Public Oriented Debt Financing Instruments Private Placement Agreement, by and among Wuhan Kingold, SPD Bank and the other institutional investors named therein (together with SPD Bank, the "Investors"). On March 26, 2015, the Company completed the issuance of the first phase of debt financing instruments with the total amount of approximately \$62 million (RMB 400 million). The debt has a one-year term with the annual interest rate of 7%. The debt was secured by certain gold or gold products held by Wuhan Kingold and approximately \$5 million (RMB 35 million) security deposit. In connection with the foregoing, Wuhan Kingold and SPD Bank have entered into a Credit Agent Agreement (the "Credit Agent Agreement"), pursuant to which SPD Bank serves as the agent of the holders of the debt securities. Zhihong Jia, Chairman and Chief Executive Officer of the Company, has executed a guaranty, to guarantee Wuhan Kingold's obligations under the Credit Agent Agreement. In March 2016, we fully repaid this debt to SPD bank upon maturity. The Company does not anticipate issuing any additional debt financing instrument under this Non-Public Oriented Debt Financing Instruments Private Placement Agreement.

In January 2016, the Company signed two Loan Agreements of Circulating Funds with Evergrowing Bank, for loans of approximately \$122 million (RMB 800 million) in aggregate. The purpose for the loans is for purchasing gold. The terms of loans are two years and bear fixed interest of 7.5% per year. The loans are secured by 5,000 kilograms of gold in aggregate and are jointly guaranteed by Mr. Zhihong Jia, the CEO and Chairman of the Company. Both loans are due in January, 2018. The repayment of the loans may be accelerated under certain conditions, including upon a default of principal or interest payment when due, breach of representations or warranties, certain cross-defaults, upon the occurrence of certain material events affecting the financial viability of Wuhan Kingold, and other customary conditions.

In January 2016, the Company signed a Collective Trust Loan Agreement with Anxin Trust Co., Ltd. ("Anxin Trust"). The agreement allows the Company to access of approximately \$457 million (RMB 3 billion) within 60 months. Each individual loan will bear a fixed annual interest of 14.8% with a term of 36 months or less. The release of individual loan is subject to certain non-financial covenants required by the loan agreements. The purpose of this trust loan is to provide working capital for the Company to purchase gold. The Company entered into a Collateral Agreement with Anxin Trust to designate the Company's certain gold inventories stored at Shanghai Gold Exchange as the collateral for the trust loan. There is no covenant requirement for this loan. The loan is also jointly guaranteed by Mr. Zhihong Jia, the CEO and Chairman of the Company. As of the date of the Report, the Company received aggregated of approximately \$25.4 million (RMB 165 million) from the loan.

We have maintained a close relationship with the banks from where we leased gold. Therefore we expect that we are able to renew current gold leases upon maturity and obtain additional gold leases from the banks, if necessary. We are expecting to generate additional cash flows in the coming period of time from developing new customers, expanding our sales through our online sales platform and an increase in our revenue during the upcoming sales season.

In addition, we began our pre-sale efforts of the Jewelry Park properties in August 2015 and received approximately \$22.2 million customer deposit, and we will continue this effort through the completion of the Jewelry Park which is expected to finish by April 2016.

As of December 31, 2015 and 2014, the Company had positive working capital of \$174.9 million and \$183.7 million, respectively. We believe that our current cash and cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital for the next 12 months and the required installment payments under the Jewelry Park acquisition agreement. We may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. Our ability to maintain sufficient liquidity depends partially on our ability to achieve anticipated levels of revenue, while continuing to control costs. We continue to seek favorable additional financing to meet our capital requirements to fund our operations and growth plans in the ordinary course of business.

The ability of Vogue-Show to pay dividends may be restricted due to the PRC's foreign exchange control policies and our availability of cash. A majority of our revenue being earned and currency received is denominated in RMB. We may be unable to distribute any dividends outside of China due to PRC exchange control regulations that restrict our ability to convert RMB into U.S. Dollars. Accordingly, Vogue-Show's funds may not be readily available to us to satisfy obligations incurred outside the PRC, which could adversely affect our business and prospects or our ability to meet our cash obligations.

Cash Flow

Operating activities.

We used \$62.5 million of net cash in operating activities for the year ended December 31, 2015, compared to \$20.3 million of net cash provided by operating activities in 2014. The significant net cash used in operating was mainly due to the decrease of net income of \$25.8 million and increase in our spending on purchase of inventory of \$62.4 million when market price of gold was low.

Our net cash from operating activities can fluctuate significantly due to changes in our inventories. Other factors that may vary significantly include our accounts payable, purchases of gold and income taxes. Looking forward, we expect the net cash that we generate from operating activities to continue to fluctuate as our inventories, receivables, accounts payables and the other factors described above change with increased production and the purchase of larger or smaller quantities of raw materials. These fluctuations could cause net cash from operating activities to decrease, even if our net income grows as we continue to expand. Although we expect that net cash from operating activities will increase over the long term, we cannot predict how these fluctuations will affect our cash flow in any particular accounting period.

Investing activities.

We used \$28.0 million of net cash for investing activities for the year ended December 31, 2015, compared to \$35.8 million spent in 2014. The components of our cash used in investing activities for 2015 primarily included cash payment of \$52.8 million to the construction company for the Jewelry Park construction work, plus \$24.9 million construction payable to the construction company accrued during the fourth quarter of 2015. The increase in the net cash used in the investing activities was mainly because of the cash payment we made to finance the construction of the Jewelry Park.

While our net cash used in investing activities did not fluctuate much historically, we expect that cash used in investing activities will continue to fluctuate significantly in the short-term as we continue to invest in the development of the Jewelry Park and make payments pursuant to the terms of our agreement.

Financing activities.

Net cash provided by financing activities was \$92.4 million for the year ended December 31, 2015, compared with \$15.2 million for the year ended December 31, 2014. The increase net cash provided by the financing activities was mainly due to the fact that the Company utilized additional short term bank loans and issued a \$62 million debt payable in fiscal 2015.

We expect that cash generated from financing activities may increase significantly as a result of additional financing being obtained to meet the needs of expanded production and to make additional payments to finance the planned Jewelry Park project.

Foreign Currency Translations

We use the U.S. dollar as the reporting currency for our financial statements. Our operations are conducted through our PRC operating subsidiary, Vogue-Show, and our functional currency is the Renminbi ("RMB"). Foreign currency transactions during the year are translated to the RMB at the approximate rates of exchange on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies on the balance sheet are translated at the approximate rates of exchange at the respective balance sheet date. Non-monetary assets and liabilities are translated at the rates of exchange prevailing at the time that the asset or liability was acquired. Exchange gains or losses are recorded in the statement of operations.

Our financial statements are translated into U.S. dollars using the closing rate method. The balance sheet items are translated into U.S. dollars using the exchange rates at the respective balance sheet dates. The capital and various reserves are translated at historical exchange rates prevailing at the time of the transactions while income and expenses items are translated at the average exchange rate for the year. All gains and losses attributable to foreign currency exchange are recorded within equity.

The exchange rates used to translate amounts in RMB into U.S. dollars for the purposes of preparing the financial statements were as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Balance sheet items, except for share capital, additional paid in capital and retained earnings, as of year end	\$1=RMB 6.4917	\$1=RMB 6.1460	\$1=RMB 6.1122
Amounts included in the statements of operations and cash flows for the year	\$1=RMB 6.2288	\$1=RMB 6.1457	\$1=RMB 6.1943

Total translation loss recorded for the year ended December 31, 2015 was \$14,740,716. Total translation loss recorded for the year ended December 31, 2014 was \$1,331,031.

No representation is made that RMB amounts have been, or could be, converted into U.S. dollars at the above rates or at all. Although Chinese government regulations now allow convertibility of RMB for current account transactions, significant restrictions still remain. Hence, such translations should not be construed as representations that RMB can be converted into U.S. dollars at the above conversion rate, or any other rate.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Any significant revaluation of RMB may materially affect our financial condition in terms of U.S. dollar reporting.

Off-Balance Sheet Arrangements

We originally guaranteed payment to a non-related third-party of approximately \$11.1 million (RMB 68 million) in bank loans. The guarantee terminated in May 2015.

As of December 31, 2015 and 2014, 2,782 kilograms and 3,080 kilograms of leased gold were outstanding, at the approximate amounts of \$101.8 million and \$125.8 million, respectively. The 2,782 kilograms of leased gold outstanding as of December 31, 2015 will be returned within various months in fiscal year 2016 and the Company will sign new gold lease agreements with the banks when needed. Interest expenses for the leased gold for the years ended December 31, 2015 and 2014 were approximately \$7.0 million and \$7.1 million, respectively, which was included in the cost of sales.

Recent Accounting Pronouncements

In January 2016, the FASB has issued Accounting Standards Update (ASU) No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The new guidance is intended to improve the recognition and measurement of financial instruments. The new guidance makes targeted improvements to existing U.S. GAAP by: (1) requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (2) Requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; (3) Eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and. (4) Requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the effect, if any, this update will have on the Company's consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the existing guidance for lease accounting, *Leases (Topic 840)*. ASU 2016-02 requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early application is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after, the date of initial application, with an option to elect to use certain transition relief. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In March 2016, the FASB has issued Accounting Standards Update No. 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*. The amendments apply to all entities that are issuers of or investors in debt instruments (or hybrid financial instruments that are determined to have a debt host) with embedded call (put) options. The amendments clarify what steps are required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. All other entities must apply the new requirements for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. All entities have the option of adopting the new requirements early, including adoption in an interim period. If an entity early adopts the new requirements in an interim period, it must reflect any adjustments as of the beginning of the fiscal year that includes that interim period. The Company does not expect any material impact of this new standard on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-07, *Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*. The amendments affect all entities that have an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. The amendments eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information otherwise required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Kingold Jewelry, Inc.

We have audited the consolidated balance sheets of Kingold Jewelry, Inc. (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2015. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

/s/ Friedman LLP

New York, New York
March 28, 2016

KINGOLD JEWELRY, INC.
CONSOLIDATED BALANCE SHEETS
(IN U.S. DOLLARS)

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<u>ASSETS</u>		
Cash	\$ 3,100,569	\$ 1,331,658
Restricted cash	26,649,687	14,793,632
Accounts receivable	1,624,323	503,406
Inventories	298,303,185	212,396,363
Other current assets and prepaid expenses	1,046,032	57,971
Value added tax recoverable	15,526,002	4,501,426
Total current assets	<u>346,249,798</u>	<u>233,584,456</u>
PROPERTY AND EQUIPMENT, NET	7,622,509	9,390,258
OTHER ASSETS		
Deposit on land use right-Jewelry Park	9,296,763	9,819,687
Construction in progress - Jewelry Park	105,844,259	58,310,818
Other assets	148,713	157,078
Land use right	454,180	492,027
Total long-term assets	<u>123,366,424</u>	<u>78,169,868</u>
TOTAL ASSETS	<u>\$ 469,616,222</u>	<u>\$ 311,754,324</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Short term loans	\$ 55,455,428	\$ 16,270,745
Long term loans - current maturities	-	28,844,777
Debts payable, net	61,471,962	-
Construction payables-Jewelry Park	23,876,642	-
Deposit payables-Jewelry Park	22,182,171	-
Other payables and accrued expenses	6,355,979	2,970,770
Due to related party	200,059	-
Income tax payable	1,119,918	978,713
Other taxes payable	710,104	777,537
Total current liabilities	<u>171,372,263</u>	<u>49,842,542</u>
Deferred income tax liability-Non-current	1,774,993	-
Long term loans	30,808,571	3,672,308
TOTAL LIABILITIES	<u>203,955,827</u>	<u>53,514,850</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Preferred stock, \$0.001 par value, 500,000 shares authorized, none issued or outstanding as of December 31, 2015 and December 31, 2014	-	-
Common stock \$0.001 par value, 100,000,000 shares authorized, 65,963,502 and 65,963,502 shares issued and outstanding as of December 31, 2015 and December 31, 2014	65,963	65,963
Additional paid-in capital	79,990,717	79,460,175
Retained earnings		
Unappropriated	184,564,147	163,002,075
Appropriated	967,543	967,543
Accumulated other comprehensive income (deficit)	(1,249)	14,743,718
Total stockholders' equity	<u>265,587,121</u>	<u>258,239,474</u>
Non-controlling interest	73,274	-
Total Equity	<u>265,660,395</u>	<u>258,239,474</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 469,616,222</u>	<u>\$ 311,754,324</u>

The accompanying notes are an integral part of these consolidated financial statements

KINGOLD JEWELRY, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(IN U.S. DOLLARS)

	For the years ended December 31,	
	2015	2014
NET SALES	\$ 1,000,161,294	\$ 1,107,558,544
COST OF SALES		
Cost of sales	(960,562,184)	(1,030,010,474)
Depreciation	(1,284,170)	(1,296,583)
Total cost of sales	<u>(961,846,354)</u>	<u>(1,031,307,057)</u>
GROSS PROFIT	<u>38,314,940</u>	<u>76,251,487</u>
OPERATING EXPENSES		
Selling, general and administrative expenses	8,176,710	7,343,951
Stock compensation expenses	530,542	3,149,980
Depreciation	104,219	130,074
Amortization	12,137	12,300
Total operating expenses	<u>8,823,608</u>	<u>10,636,305</u>
INCOME FROM OPERATIONS	<u>29,491,332</u>	<u>65,615,182</u>
OTHER INCOME (EXPENSES)		
Other income	20,689	94,624
Interest income	208,061	305,465
Interest expense	(1,819,581)	(1,847,240)
Total other expenses, net	<u>(1,590,831)</u>	<u>(1,447,151)</u>
INCOME FROM OPERATIONS BEFORE TAXES	<u>27,900,501</u>	<u>64,168,031</u>
INCOME TAX PROVISION		
Current	4,488,815	16,836,054
Deferred	1,849,910	-
Total income tax provision	<u>6,338,725</u>	<u>16,836,054</u>
NET INCOME	<u>21,561,776</u>	<u>47,331,977</u>
Less: net loss attribute to the non-controlling interest	(296)	-
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ 21,562,072</u>	<u>\$ 47,331,977</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Total foreign currency translation loss	\$ (14,740,716)	(1,331,031)
Less: foreign currency translation gain attributable to non-controlling interest	4,251	-
Foreign currency translation loss attributable to common stockholders	<u>(14,744,967)</u>	<u>(1,331,031)</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Common stockholders	\$ 6,817,105	\$ 46,009,946
Non-controlling interest	3,955	-
	<u>\$ 6,821,060</u>	<u>\$ 46,009,946</u>
Earnings per share		
Basic	\$ 0.33	\$ 0.72
Diluted	\$ 0.33	\$ 0.72
Weighted average number of shares		
Basic	65,963,502	65,918,768
Diluted	<u>65,963,502</u>	<u>66,007,075</u>

The accompanying notes are an integral part of these consolidated financial statements

KINGOLD JEWELRY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(IN U.S. DOLLARS)

	Preferred stock Par value		Common stock Par value		Additional paid-in capital	Unappropriated retained earnings	Appropriated retained earnings	Accumulated other comprehensive Gain (loss)	Non- controlling Interest	Total
	Shares	Amount	Shares	Amount						
Balance at December 31, 2013		\$ -	64,953,462	\$ 64,953	\$ 76,847,205	\$ 120,946,375	\$ 967,543	\$ 16,074,749	\$ -	\$ 214,900,825
Net income for the year			-	-	-	47,331,977	-	-	-	47,331,977
Cash dividend paid			-	-	-	(5,276,277)	-	-	-	(5,276,277)
Shares issued for services			1,000,000	1,000	1,759,000	-	-	-	-	1,760,000
Options granted for services			-	-	843,980	-	-	-	-	843,980
Shares issued for warrant exercises			10,040	10	9,990	-	-	-	-	10,000
Foreign currency translation loss			-	-	-	-	-	(1,331,031)	-	(1,331,031)
Balance at December 31, 2014		\$ -	65,963,502	\$ 65,963	\$ 79,460,175	\$ 163,002,075	\$ 967,543	\$ 14,743,718	\$ -	\$ 258,239,474
Capital contribution by minority shareholder			-	-	-	-	-	-	69,319	69,319
Net income (loss) for the year			-	-	-	21,562,072	-	-	(296)	21,561,776
Options granted for services			-	-	530,542	-	-	-	-	530,542
Foreign currency translation (loss) gain			-	-	-	-	-	(14,744,967)	4,251	(14,740,716)
Balance at December 31, 2015		\$ -	65,963,502	\$ 65,963	\$ 79,990,717	\$ 184,564,147	\$ 967,543	\$ (1,249)	\$ 73,274	\$ 265,660,395

The accompanying notes are an integral part of these consolidated financial statements

KINGOLD JEWELRY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN U.S. DOLLARS)

	For the years ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 21,561,776	\$ 47,331,977
Adjusted to reconcile net income to cash (used in) provided by operating activities:		
Depreciation	1,388,389	1,426,657
Amortization of intangible assets	12,137	12,300
Share based compensation for services	530,542	3,149,980
Amortization of deferred financing costs on debt payable	490,870	-
Deferred tax provision	1,849,910	-
Changes in operating assets and liabilities (increase) decrease in:		
Accounts receivable	(1,196,167)	26,053
Inventories	(101,320,758)	(38,924,060)
Other current assets and prepaid expenses	(1,032,953)	8,193,528
Value added tax recoverable	(11,739,723)	1,959,688
Increase (decrease) in:		
Other payables and accrued expenses	3,634,673	(512,197)
Customer deposits	23,118,418	-
Income tax payable	201,484	(2,273,323)
Other taxes payable	(27,126)	(66,538)
Net cash (used in)provided by operating activities	<u>(62,528,528)</u>	<u>20,324,065</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(67,190)	(19,403)
Proceeds from sale of property and equipment	-	1,970
Construction payable- Jewelry Park	24,884,408	-
Cash payment in construction in progress-Jewelry Park	(52,775,958)	(35,590,752)
Net cash used in investing activities	<u>(27,958,740)</u>	<u>(35,779,185)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital contribution by minority shareholder	69,319	-
Proceeds from bank loans-short term	89,904,958	24,000,521
Repayments of bank loans-short term	(48,139,288)	(57,031,746)
Proceeds from long term loan	64,217,827	3,672,486
Restricted cash	(13,177,515)	(2,194,663)
Proceeds from related party loan	200,015	65,082,981
Repayments of related party loan	-	(13,016,596)
Cash dividend paid	-	(5,276,277)
Net proceeds from exercise of warrants	-	10,000
Deferred financing costs on debt payable	(642,178)	-
Net cash provided by financing activities	<u>92,433,138</u>	<u>15,246,706</u>
EFFECT OF EXCHANGE RATES ON CASH	<u>(176,959)</u>	<u>(744,858)</u>
NET INCREASE (DECREASE) IN CASH	<u>1,768,911</u>	<u>(953,272)</u>
CASH, BEGINNING OF YEAR	<u>1,331,658</u>	<u>2,284,930</u>
CASH, END OF YEAR	<u>\$ 3,100,569</u>	<u>\$ 1,331,658</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest expense	\$ 2,197,249	\$ 14,140,388
Cash paid for income tax	\$ 4,488,815	\$ 18,834,998

The accompanying notes are an integral part of these consolidated financial statements

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Kingold Jewelry, Inc. ("Kingold" or "the Company") was incorporated in the State of Delaware on September 5, 1995.

Dragon Lead Group Limited ("Dragon Lead") was incorporated in the British Virgin Islands ("BVI") on July 1, 2008 as an investment holding company and was 100% controlled by Kingold. Wuhan Vogue-Show Jewelry Co., Limited ("Wuhan Vogue-Show"), which is principally engaged in design and manufacture of gold and platinum ornaments in the People's Republic of China ("PRC"), was incorporated in the PRC as a wholly-owned foreign enterprise on February 16, 2009, and was 100% owned by Dragon Lead. Wuhan Vogue-Show's business permit expires on February 16, 2019, and is renewable upon expiration. Wuhan Kingold Jewelry Co., Limited ("Wuhan Kingold") was incorporated in the PRC on August 2, 2002 as a limited liability company. On October 26, 2007, Wuhan Kingold was restructured as a joint stock company limited by shares and its business activities are the same as those of Wuhan Vogue-Show. Wuhan Kingold's business permit expires on March 4, 2021 and is renewable upon expiration.

Wuhan Kingold is effectively controlled by Wuhan Vogue-Show through a series of agreements and Amendment Agreements (collectively referred to as the Restructuring Agreements). In accordance with the Agreements and Amendments, shareholders holding 100% of the outstanding equity of Wuhan Kingold were parties to the agreements such that Wuhan Kingold has agreed to pay 100% of its after-tax profits to Wuhan Vogue-Show and shareholders owning 100% of Wuhan Kingold's shares have pledged and delegated their voting power in Wuhan Kingold to Wuhan Vogue-Show.

These contractual arrangements enable Wuhan Vogue-Show to:

- exercise effective control over Wuhan Kingold;
- receive substantially all of the economic benefits from Wuhan Kingold; and
- have an exclusive option to purchase 100% of the equity interest in Wuhan Kingold, when and to the extent permitted by PRC law.

Through such arrangements, Wuhan Kingold has become Wuhan Vogue-Show's contractually controlled affiliate. Kingold is empowered, through its wholly owned subsidiaries Dragon Lead and Wuhan Vogue-Show, with the ability to control and substantially influence Wuhan Kingold's daily operations and financial affairs, appoint its senior executives and approve all matters requiring shareholders' approval. Kingold is also obligated to absorb a majority of expected losses of Wuhan Kingold, which enables Kingold to receive a majority of expected residual returns from Wuhan Kingold, and because Kingold has the power to direct the activities of Wuhan Kingold that most significantly impact Wuhan Kingold's economic performance, Kingold, through its wholly-owned subsidiaries, accounts for Wuhan Kingold as its Variable Interest Entity ("VIE") under ASC 810-10-05-8A. Accordingly, Kingold consolidates Wuhan Kingold's operating results, assets and liabilities.

In April 2015, Wuhan Kingold Jewelry Co., Inc. ("Wuhan Kingold") established a new subsidiary Wuhan Kingold Internet Co., Ltd. ("Kingold Internet"). Total registered capital of Kingold Internet is RMB 1 million (approximately \$0.15 million), of which Wuhan Kingold holds a 55% ownership interest and a third-party minority shareholder, Mr. Xiaofeng Lv, holds the remaining 45% ownership interest. Kingold Internet engages in promoting the online sales of jewelry products through cooperation with Tmall.com, a large business-to-consumer online retail platform owned by Alibaba Group. In May 2015, Kingold Internet also established a new subsidiary Yuhuang Jewelry Design Co., Ltd ("Yuhuang"). Total registered capital of Yuhuang is RMB 1 million (approximately \$0.15 million). Since Yuhuang is wholly owned by Kingold Internet, through Kingold Internet, Wuhan Kingold holds a 55% ownership interest of Yuhuang and the third-party minority shareholder Xiaofeng Lv holds the remaining 45% ownership interest of Yuhuang. Yuhuang will engage in Jewelry design business.

Kingold, Dragon Lead, Wuhan Vogue-Show, Wuhan Kingold, Kingold Internet and Yuhuang are hereinafter collectively referred to as the "Company."

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of Kingold, Dragon Lead, Wuhan Vogue-Show, Wuhan Kingold, Kingold Internet and Yuhuang. All inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates required to be made by management include, but are not limited to, useful lives of property, plant and equipment, intangible assets, the recoverability of long-lived assets, inventory valuation, allowance for doubtful accounts and share based compensation. Actual results could differ from those estimates.

Cash

Cash includes cash on hand and demand deposits in accounts maintained with commercial banks within the PRC. The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Company maintains most of the bank accounts in the PRC. Cash balances in bank accounts in PRC are not insured by the Federal Deposit Insurance Corporation or other programs.

Restricted Cash

As of December 31, 2015 and 2014, the Company had restricted cash of \$26,649,687 and \$14,793,632, respectively. Approximately \$0.5 million was related to the bank loan with China Minsheng Trust Co., Ltd. ("Minsheng Trust"), and approximately \$1.4 million was related to the bank loan with China CITIC Bank Corporation Limited ("CITIC Bank") – see Note 6. Approximately \$19.3 million was related to the gold lease deposits with Shanghai Pudong Development Bank ("SPD Bank") and CITIC Bank – see Note 8 – Gold Lease Transactions. Approximately \$5.4 million was related to the Debts payable deposit with SPD Bank – see Note 7 – Debts Payable.

Accounts Receivable

The Company generally receives cash payment upon delivery of a product, but may extend unsecured credit to its customers in the ordinary course of business. The Company mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is established and recorded based on management's assessment of the credit history of the customers and current relationships with them. At December 31, 2015 and 2014, there was no allowance recorded as the Company considers all of the accounts receivable fully collectible.

Inventories

Inventories are stated at the lower of cost or market value, and cost is calculated on the weighted average basis. As of December 31, 2015 and December 31, 2014, there was no lower of cost or market adjustment because the carrying value of the Company's inventories was lower than the current and expected market price of gold. The cost of inventories comprises all costs of purchases, costs of fixed and variable production overhead and other costs incurred in bringing the inventories to their present condition.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Expenditures for additions, major renewals and betterments are capitalized, and expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is provided on a straight-line basis, less estimated residual value, over an asset's estimated useful life. The estimated useful lives used in connection with the preparation of the financial statements are as follows:

	Estimated Useful Life
Buildings	30 years
Plant and machinery	15 years
Motor vehicles	10 years
Office furniture and electronic equipment	5 - 10 years

Construction-in-Progress

Construction in progress represents property and buildings under construction and consists of construction expenditures, equipment procurement, and other direct costs attributable to the construction. Construction in progress is not depreciated. Upon completion and when ready for intended use, construction in progress is reclassified to the appropriate category within property, plant and equipment or will be classified as an asset held for sale.

Land Use Right

Under PRC law, all land in the PRC is owned by the government and cannot be sold to an individual or company. The government grants individuals and companies the right to use parcels of land for specified periods of time. These land use rights are sometimes referred to informally as "ownership." Land use rights are stated at cost less accumulated amortization. Amortization is provided over the respective useful lives, using the straight-line method. Estimated useful life is 50 years, and is determined in connection with the term of the land use right.

Long-lived assets

Certain assets such as property, plant and equipment and construction in progress, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets that are held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value of the asset. There were no events or changes in circumstances that necessitated a review of impairment of long-lived assets as of December 31, 2015 and 2014.

Fair value of financial instruments

The Company follows the provisions of Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures." ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs other than quoted prices that are observable for the asset or liability in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments (continued)

Level 3-Inputs are unobservable inputs which reflect management's assumptions based on the best available information.

The carrying value of accounts receivable, other current assets and prepaid expenses, short term loans, other payables and accrued expenses approximate their fair values because of the short-term nature of these instruments. The Company determined that the carrying value of the long term loans approximated their fair value by comparing the stated loan interest rate to the rate charged by similar financial institutions.

Revenue recognition

Net sales are primarily composed of sales of branded products to wholesale and retail customers, as well as fees generated from customized production. In customized production, a customer supplies the Company with the raw materials and the Company creates products per that customer's instructions, whereas in branded production the Company generally purchases gold directly and manufactures and markets the products on its own. The Company recognizes revenues under ASC 605 as follows:

Sales of branded products

The Company recognizes revenue on sales of branded products when the goods are delivered and title to the goods passes to the customer provided that: there are no uncertainties regarding customer acceptance; persuasive evidence of an arrangement exists; the sales price is fixed and determinable; and collectability is deemed probable.

Customized production fees

The Company recognizes services-based revenue (the processing fee) from such contracts for customized production when: (i) the contracted services have been performed and (ii) collectability is deemed probable.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The provisions of ASC 740-10-25, "Accounting for Uncertainty in Income Taxes," prescribe a more-likely-than-not threshold for consolidated financial statement recognition and measurement of a tax position taken (or expected to be taken) in a tax return. This interpretation also provides guidance on the recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and related disclosures. The Company does not believe that there was any uncertain tax position at December 31, 2015 and 2014.

To the extent applicable, the Company records interest and penalties as a general and administrative expense. The statute of limitations for the Company's U.S. federal income tax returns and certain state income tax returns remains open for tax years 2010 and after. As of December 31, 2015 the tax years ended December 31, 2010 through December 31, 2015 for the Company's PRC subsidiaries remain open for statutory examination by PRC tax authorities.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Kingold, as well as its wholly owned subsidiary, Dragon Lead, maintain accounting records in United States Dollars (“US\$”), whereas Wuhan Vogue-Show and Wuhan Kingold maintain their accounting records in Renminbi (“RMB”), which is the primary currency of the economic environment in which their operations are conducted. The Company’s principal country of operations is the PRC. The financial position and results of its operations are determined using RMB, the local currency, as the functional currency. The results of operations and the statement of cash flows denominated in foreign currency are translated at the average rate of exchange during the reporting period. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange in effect at that date. The equity denominated in the functional currency is translated at the historical rate of exchange at the time of capital contribution. Because cash flows are translated based on the average translation rate, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders’ equity as “Accumulated Other Comprehensive Income.”

The value of RMB against US\$ and other currencies may fluctuate and is affected by, among other things, changes in the PRC’s political and economic conditions. Any significant revaluation of RMB may materially affect the Company’s financial condition in terms of US\$ reporting. The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	December 31, 2015	December 31, 2014
Balance sheet items, except for share capital, additional paid in capital and retained earnings, as of the period ended	US\$1=RMB 6.4917	US\$1=RMB 6.1460
Amounts included in the statements of operations and cash flows for the period	US\$1=RMB 6.2288	US\$1=RMB 6.1457

Comprehensive income (loss)

Comprehensive income (loss) consists of two components, net income and other comprehensive income (loss). The foreign currency translation gain or loss resulting from translation of the financial statements expressed in RMB to US\$ is reported in other comprehensive income in the consolidated statements of income and comprehensive income and the consolidated statements of changes in equity.

Earnings per share (“EPS”)

Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (i.e., options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

Share or Stock-Based compensation

The Company follows the provisions of ASC 718, “Compensation — Stock Compensation,” which establishes the accounting for employee stock-based awards. For employee stock-based awards, share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense with graded vesting on a straight-line basis over the requisite service period for the entire award. For the non-employee stock-based awards, the fair value of the awards to non-employees are measured every reporting period based on the value of the Company’s common stock.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debts issuance cost

During the quarter ended June 30, 2015, the Company adopted Accounting Standards Update (“ASU”) 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” which requires that debt issuance cost related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts, without changing existing recognition and measurement guidance for debt issuance costs. The new guidance is required to be applied on a retrospective basis and to be accounted for as a change in an accounting principle. There was no impact on prior year financial statements and presentation because the debt issuance was consummated in March 2015.

Deposit payables - Jewelry Park

Deposit payables consist of amounts received from customers relating to the pre-sale of the residential or commercial units in the Jewelry Park. The Company receives these funds and recognizes them as a liability until the revenue can be recognized.

Risks and Uncertainties

The jewelry industry generally is affected by fluctuations in the price and supply of diamonds, gold, and, to a lesser extent, other precious and semi-precious metals and stones. The Company potentially has exposure to the fluctuation in gold commodity prices as part of its normal operations. In the past, the Company has not hedged its requirement for gold or other raw materials through the use of options, forward contracts or outright commodity purchasing. A significant increase in the price of gold could increase the Company’s production costs beyond the amount that it is able to pass on to its customers, which would adversely affect the Company’s sales and profitability. A significant disruption in the Company’s supply of gold, or other commodities, could decrease its production and shipping levels, materially increase its operating costs, and materially and adversely affect its profit margins. Shortages of gold, or other commodities, or interruptions in transportation systems, labor strikes, work stoppages, war, acts of terrorism, or other interruptions to or difficulties in the employment of labor or transportation in the markets in which the Company purchases its raw materials, may adversely affect its ability to maintain production of its products and sustain profitability. Although the Company generally attempts to pass on increased commodity prices to its customers, there may be circumstances in which it is not able to do so. In addition, if the Company were to experience a significant or prolonged shortage of gold, it would be unable to meet its production schedules and to ship products to its customers in a timely manner, which would adversely affect its sales, margins and customer relations.

Furthermore, the value of the Company’s inventory may be affected by commodity prices. The Company records the value of its inventory using the lower of cost or market value, cost calculated on the weighted average method. As a result, decreases in the market value of precious metals such as gold would result in a lower stated value of the Company’s inventory, which may require it to take a charge for the decrease in the value of its inventory.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties (continued)

The Company's operations are located in the PRC. Accordingly, the Company's business, financial condition, and results of operations may be influenced by the political, economic, and legal environments in the PRC, as well as by the general state of the PRC economy. The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment, and foreign currency exchange. The Company's results may be adversely affected by changes in the political, regulatory and social conditions in the PRC, and by changes in governmental policies or interpretations with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation, among other things. In addition, the Company only controls Wuhan Kingold through a series of agreements. Although the Company believes the contractual relationships through which it controls Wuhan Kingold comply with current licensing, registration and regulatory requirements of the PRC, it cannot assure you that the PRC government would agree, or that new and burdensome regulations will not be adopted in the future. If the PRC government determines that the Company's structure or operating arrangements do not comply with applicable law, it could revoke the Company's business and operating licenses, require it to discontinue or restrict its operations, restrict its right to collect revenues, require it to restructure its operations, impose additional conditions or requirements with which the Company may not be able to comply, impose restrictions on its business operations or on its customers, or take other regulatory or enforcement actions against the Company that could be harmful to its business. If such agreements were cancelled, modified or otherwise not complied with, the Company would not be able to retain control of this consolidated entity and the impact could be material to the Company's operations. Although the Company has not experienced losses from these situations and believes that it is in compliance with existing laws and regulations, including the organization and structure disclosed in Note 1, this may not be indicative of future results.

Recent Accounting Pronouncements

In April 2015, the FASB has issued ASU No. 2015-04 "Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets." The Amendments in this ASU defer the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain non-for-profit entities, and certain employee benefit plans should apply the guidance in Update 2014-09 to annual reporting period beginning after December 15, 2017, including Interim reporting periods with that reporting period. Earlier adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact if this new amendment on consolidated financial statements.

In January 2016, the FASB has issued Accounting Standards Update (ASU) No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The new guidance is intended to improve the recognition and measurement of financial instruments. The new guidance makes targeted improvements to existing U.S. GAAP by: (1) requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (2) Requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; (3) Eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and. (4) Requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the effect, if any, this update will have on the Company's consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes the existing guidance for lease accounting, Leases (Topic 840). ASU 2016-02 requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early application is permitted for all entities.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after, the date of initial application, with an option to elect to use certain transition relief. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments. The amendments apply to all entities that are issuers of or investors in debt instruments (or hybrid financial instruments that are determined to have a debt host) with embedded call (put) options. The amendments clarify what steps are required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. All other entities must apply the new requirements for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. All entities have the option of adopting the new requirements early, including adoption in an interim period. If an entity early adopts the new requirements in an interim period, it must reflect any adjustments as of the beginning of the fiscal year that includes that interim period. The Company does not expect any material impact of this new standard on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-07, Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting. The amendments affect all entities that have an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. The amendments eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - INVENTORIES, NET

Inventories as of December 31, 2015 and December 31, 2014 consisted of the following:

	As of	
	December 31, 2015	December 31, 2014
Raw materials (A)	\$ 162,766,248	\$ 51,502,635
Work-in-progress (B)	108,276,834	120,098,299
Finished goods (C)	27,260,102	40,795,429
Total inventory	<u>\$ 298,303,184</u>	<u>\$ 212,396,363</u>

- (A) Included 5,624,476 grams of Au9999 gold in 2015 and 1,546,435 grams of Au9999 gold in 2014.
(B) Included 3,549,984 grams of Au9999 gold in 2015 and 3,530,919 grams of Au9999 gold in 2014.
(C) Included 886,849 grams of Au9999 gold in 2015 and 1,183,407 grams of Au9999 gold in 2014.

As of December 31, 2015, 3,977,490 grams of Au9999 gold with carrying value of approximately \$115.1 million were pledged for certain bank loans (see Note 6) and another 2,456,000 grams of Au9999 gold with carrying value of approximately \$71 million were pledged for the Company's debts payable (see Note 7). Total \$186.1 million and \$39.2 million of inventory has been pledged with banks as collaterals as of December 31, 2015 and 2014, respectively.

No lower of cost or market adjustment was recorded at December 31, 2015 and 2014, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment as of December 31, 2015 and December 31, 2014:

	As of	
	December 31, 2015	December 31, 2014
Buildings	\$ 2,363,093	\$ 2,496,012
Plant and machinery	18,496,731	19,502,409
Motor vehicles	53,935	37,097
Office and electric equipment	630,312	652,268
Subtotal	<u>21,544,071</u>	<u>22,687,786</u>
Less: accumulated depreciation	(13,921,562)	(13,297,528)
Property and equipment, net	<u>\$ 7,622,509</u>	<u>\$ 9,390,258</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$1,388,389 and \$1,426,657, respectively.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - DEPOSIT ON LAND USE RIGHT AND CONSTRUCTION IN PROGRESS

On October 23, 2013, the Company, through its wholly-owned subsidiary, Wuhan Kingold, entered into an agreement (the "Agreement") with third-parties Wuhan Wansheng House Purchasing Limited ("Wuhan Wansheng") and Wuhan Huayuan Science and Technology Development Limited Company ("Wuhan Huayuan"). The Agreement provides for the build out of the planned "Shanghai Creative Industry Park," which is proposed to be renamed to "Kingold Jewelry Cultural Industry Park" (the "Jewelry Park"). Pursuant to the Agreement, Wuhan Kingold will acquire the land use rights for a parcel of land (the "Land") in Wuhan for a total of 66,667 square meters (approximately 717,598 square feet, or 16.5 acres) (the "Land Use Right"), which has been approved for real estate development use. Wuhan Kingold has committed to provide a total sum of RMB 1.0 billion (approximately \$154 million) for the acquisition of this Land Use Right and to finance the entire development and construction of a total of 192,149 square meters (approximately 2,068,000 square feet) of commercial properties, which are proposed to include a commercial wholesale center for various jewelry manufacturers, two commercial office buildings, a commercial residence of condominiums as well as a hotel.

As of December 31, 2015, the carrying value of Jewelry Park was approximately \$115.0 million (RMB 747.5 million), included the following components (1) Land use right of approximately \$9.3 million (RMB 60.4 million), which represents the total cost of the Land Use Right and (2) the construction progress of approximately \$106.0 million, consisting of the Company's cash payment of approximately \$70.7 million (RMB 458.8 million) towards the construction of Jewelry Park project, capitalized interest of approximately \$8.0 million (RMB 52.0 million) on the long-term bank loan, capitalized interest of approximately \$3.3 million (RMB 21.3 million) on the Debts and construction payable of approximately \$23.9 million (RMB 155.0 million) which has been accrued based on the billing request by the construction company in the end of 2015 (see Note 9).

Wuhan Kingold is also required to make the construction payments to finance the entire construction project, as estimated based on certain construction project milestones listed below. Due to a delay by the construction company Wuhan Wansheng in charge of the project's construction, the Company has delayed its payments to the construction company by seven to eight months. However, this delay is not expected to impact the total expected cost of RMB 1.0 billion (approximately \$154 million) and any over budget cost will be the construction company's obligation.

In October 2015, Wuhan Kingold signed a supplemental agreement with the construction company Wuhan Wansheng to amend the original acquisition agreement dated October 23, 2013. Pursuant to this supplemental agreement, Wuhan Wansheng agreed to fully complete the construction and deliver the completed real estate property to the company before January 15, 2016. As of December 31, 2015, based on the actual construction progress, both parties reached to a further amendment that the completion time for the construction was extended to April 2016. Wuhan Kingold agreed to pay the balance of construction payments within ten days after Wuhan Wansheng fully completes the construction and delivers the completed real estate property to the Company with certificate of occupancy. As of December 31, 2015, the Company was still committed to pay the remaining amount of approximately \$75 million (approximately RMB 480 million) to the construction company. From late January to early March 2016, the Company subsequently paid RMB 79 million (approximately \$12.2 million) to the construction company to settle the outstanding construction payable and plans to pay the remaining amount when the construction work is fully completed in late April 2016.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - DEPOSIT ON LAND USE RIGHT AND CONSTRUCTION IN PROGRESS (continued)

Upon the completion of the whole project in accordance with the specific requirements agreed upon by the signing parties, Wuhan Kingold will have 100% ownership of the properties situated on the land and intends to either sell or lease various properties. The following table identifies the original payment milestones as well as the new payment milestones, which have been revised to reflect the delays with construction progress associated with those milestones. The Company will continue to evaluate the milestone payment commitments in relation to actual progress and completion and will revise as deemed necessary.

Date	Original Payment Commitment (RMB in millions)	Revised Payment Commitment (RMB in millions)	Revised Payment Commitment (USD in millions)**
October 2013*	200	200	31
January 2014	50	50	8
June 2014	100	-	-
September 2014	150	20	3
November 2014	-	87	13
December 2014	-	35	5
January 2015***	250	-	-
February 2015***	-	28	4
April 2015	-	100	15
May 2015	-	-	-
June 2015	250	-	-
April 2016***	-	480	75
Total	1,000	1,000	154

* Includes initial deposit made to seller

** In US\$ based on current exchange rates

***Updated to reflect delay to payment schedule

The Land Use Right will not be transferred to Wuhan Kingold until the project is completed and certificate of occupancy is issued. Upon the completion of the Project, the excess of RMB 1.0 billion commitment over the actual amount spent on the construction of the project shall be deemed as the actual cost of the Land Use Right. As of December 31, 2015 and 2014, the deposit on land use right was \$9,296,763 and 9,819,687, respectively.

As of December 31, 2015 and 2014, the construction payable of approximately \$23.9 million and \$Nil has been accrued based on the billing request by the construction company at the end of 2015 and 2014 (see Note 5), respectively.

NOTE 6 - LOANS

Short term loans consist of the following:

	As of	
	December 31, 2015	December 31, 2014
(a) Loans payable to CITIC Bank Wuhan Branch	\$ 6,161,714	\$ 13,016,596
(b) Loan payable to Bank of Hubei Wuhan Jiang'an Branch	3,080,857	3,254,149
(c) Loan payable to Minsheng Trust	46,212,857	-
Total short term loans	\$ 55,455,428	\$ 16,270,745

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – LOANS (continued)

a) Loans payable to CITIC Bank Wuhan Branch with an aggregate amount of approximately \$6.2 million (RMB 40 million) consisted of two working capital loan contracts originated on May 29, 2015 and June 1, 2015, with maturity dates of March 29, 2016 and March 1, 2016, respectively. The annual interest rate for both loans was 6.7%. The prior year loan balance was repaid upon maturity. All the loans from CITIC Bank Wuhan Branch were secured by restricted cash of approximately \$1.4 million (RMB 9 million). The loan is also secured by 800,000 grams of Au9999 gold with carrying value of approximately \$23 million. In addition, the Company's subsidiary Wuhan Kingold and Mr. Zhihong Jia, Chairman and Chief Executive Officer of the Company, separately signed a maximum guarantee agreement with the bank, to provide a maximum amount of approximately \$23.9 million (RMB 155 million) guarantee for a line of credit of approximately \$23.9 million (RMB 155 million) from CITIC Bank during May 25, 2015 through May 25, 2016. The \$6.2 million loan has been subsequently repaid upon maturity.

b) Loan payable to Bank of Hubei, Wuhan Jiang'an Branch with an aggregate amount of approximately \$3.1 million (RMB 20 million) originated on November 12, 2015, with a maturity date of November 12, 2016. The annual interest rate was 6.7%. The prior year loan balance was repaid upon maturity. This loan was secured by the Company's building and land use rights with carrying value of approximately \$8.1 million. In addition, the Company's subsidiary Wuhan Kingold and Mr. Zhihong Jia, Chairman and Chief Executive Officer of the Company, separately signed a maximum guarantee agreement with the bank, to provide a maximum amount of approximately \$3.7 million (RMB 24 million) guarantee for a line of credit of approximately \$3.1 million (RMB 20 million) from Bank of Hubei during September 24, 2015 through September 24, 2018.

c) Loan payable to Minsheng Trust, with an aggregate amount of approximately \$46.2 million (RMB 300 million) originated on September 17, 2015, with a maturity date of September 25, 2016. The annual interest rate was 12.5%. The loan is to be used for the Company's working capital. Wuhan Kingold pledged 1,877,490 grams of gold with carrying value of approximately \$54.3 million (RMB 353 million) as of December 31, 2015 to secure this loan. The Company was also required to pledge RMB 3 million (approximately \$0.5 million) restricted cash with Minsheng Trust as collateral. In addition, the Company's CEO, Mr. Zhihong Jia and his wife, Ms. Lili Huang, jointly signed a guarantee agreement with the Minsheng Trust, to provide a guarantee for the loan.

Interest expense for all of the loans mentioned above for the years ended December 31, 2015 and 2014 was \$2,197,294 and \$1,847,240, respectively. The weighted average interest rate for the year ended December 31, 2015 and 2014 was 11.5% and 7.0%, respectively.

Long term loans consist of the following:

	As of	
	December 31, 2015	December 31, 2014
(d) Loan payable to Chang'an International Trust Co., Ltd	\$ -	\$ 32,517,085
(e) Loan payable to Evergrowing Bank	30,808,571	-
Less current maturities	-	(28,844,777)
Total long term loans	<u>\$ 30,808,571</u>	<u>\$ 3,672,308</u>

d) On November 29, 2013, Wuhan Kingold entered into a Trust Loan Contract in the amount of approximately \$32.5 million (RMB 200 million) with Chang'an International Trust Co., Ltd. in order to undertake the aforementioned acquisition of the Jewelry Park Project (see Note 5). The loan had a 24-month term with the annual interest rate of 13.5%. The loan was secured by 1,000,000 grams of Au9999 gold, which approximately \$39.2 million as at December 31, 2014 was pledged by Wuhan Kingold. The loan was repaid upon maturity.

e) On December 18, 2015, Wuhan Kingold signed a loan agreement with the Qixia Branch of Evergrowing Bank ("Evergrowing Bank") in the amount of approximately \$31 million (RMB 200 million) for the purpose of acquiring the Jewelry Park Project (see Note 5). The loan period was from December 18, 2015 to December 15, 2017 with the annual interest of 7.5%. The loan is secured by 1,300,000 grams of Au9999 gold with carrying value of approximately \$38 million. In addition, the Company's CEO, Mr. Zhihong Jia signed a guarantee agreement with the bank, to provide a guarantee for the loan.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – LOANS (continued)

Total Interest for the long term loan in the amount of \$3.8 million and \$4.4 million for the year ended December 31, 2015 and 2014, respectively. All interests were capitalized into construction in progress. The weighted average interest rate for the year ended December 31, 2015 and 2014 was 11.5% and 7.0%, respectively.

NOTE 7 - DEBTS PAYABLE

On February 9, 2015, Wuhan Kingold received a Notice of Acceptance of Registration (the "Acceptance") from the PRC's National Association of Financial Market Institutional Investors (the "NAFMII"), registering the issuance of up to approximately \$120 million (RMB 750 million) of debt financing instruments by Wuhan Kingold pursuant to a Non-Public Oriented Debt Financing Instruments Private Placement Agreement, by and among Wuhan Kingold, SPD Bank and the other institutional investors named therein (together with SPD Bank, the "Investors"), dated July 21, 2014 (the "Private Placement Agreement"). Such Private Placement Agreement became valid upon the Acceptance. In connection with the Private Placement Agreement, Wuhan Kingold and SPD Bank entered into an Underwriting Agreement dated August 12, 2014, appointing SPD Bank as the lead underwriter and bookkeeping manager for the issuance of the debt securities. The debt financing program is intended to operate similar to a commercial paper program. Under the program, Wuhan Kingold may issue the debt securities at any time within two years from the date of the Acceptance, with the initial issuance completed within six months from the date of the Acceptance. Wuhan Kingold is required to report any issuance to the NAFMII. The Private Placement Agreement provides that the Investors are entitled to, but are not required to, participate in any issuance, and prohibits using the proceeds from any issuance of debt securities for real estate and equity acquisition transactions.

On March 26, 2015, Wuhan Kingold completed the issuance of the first phase of debt financing instruments with the total amount of approximately \$62 million (RMB 400 million) under the Private Placement Agreement. The debt has a one-year term with the annual interest rate of 7%. The debt was secured by certain gold or gold products held by Wuhan Kingold and approximately \$5 million (RMB 35 million) security deposit. Management determined the debt was for the purpose of financing the Jewelry Park Project (see Note 5). In connection with the foregoing, Wuhan Kingold and SPD Bank have entered into a Credit Agent Agreement (the "Credit Agent Agreement"), pursuant to which SPD Bank serves as the agent of the holders of the debt securities. Zhihong Jia, Chairman and Chief Executive Officer of the Company, has executed a guaranty, to guarantee Wuhan Kingold's obligations under the Credit Agent Agreement. The interest expense incurred on the debt financing instruments amounted to approximately \$3.3 million for the year ended December 31, 2015 and was capitalized into construction in progress of Jewelry Park Project. The RMB 400 million debts payable subsequently expired on March 25, 2016 and have been fully repaid to SPD Bank upon maturity.

A one-time financing cost of approximately \$0.6 million (RMB 4 million) related to the issuance has been offset against the debts payable carrying amount and is being amortized on a quarterly basis. For the year ended December 31, 2015, amortization of the deferred financing costs was \$490,870. As of December 31, 2015, the remaining deferred financing cost of \$145,180 is expected to be fully amortized in the first quarter of 2016.

	As of	
	December 31, 2015	December 31, 2014
Gross Debts Payable for Phase One	\$ 61,617,142	\$ -
Net financing cost	(145,180)	-
Debts Payable, net	<u>\$ 61,471,962</u>	<u>\$ -</u>

Pursuant to the Private Placement Agreement dated on August 12, 2014, the RMB 750 million debt financing instruments can be issued within two years. The Company originally planned to request the second phase of issuance of approximately \$54 million (RMB 350 million) before the first phase debt expiration date in March 2016 and the proceeds will be used to pay back the first phase debt. However, the Company subsequently obtained alternative financing through several bank borrowings (see Note 20 -Subsequent Events), management does not expect the second phase of debt issuance will be materialized in the near future.

NOTE 8 - DEPOSIT PAYABLES - JEWELRY PARK

In August 2015, the Company started the pre-sale of certain real estate property in the Kingold Jewelry Park (see Note 5). 41,754.23 square meters (approximately 433,000 square feet) of office space have been pre-sold to various buyers at approximately \$924 (RMB 6,000) per construction square meter and the Company received approximately \$22 million (RMB 144 million) from buyers. The Company expects to deliver these properties to the customers when the Jewelry Park construction is completed and passed the inspection conducted by the local government authority.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - RELATED PARTY TRANSACTION

For the year ended December 31, 2015, the Company borrowed \$200,059 from Mr. Zhihong Jia, the CEO and Chairman of the Company, to pay certain expense to various service providers on behalf of the Company. Such amount is unsecured and repayable on demand with free of interest. As of December 31, 2015 and 2014, the due to related party amounted to \$200,059 and \$Nil, respectively.

For the years ended December 31, 2015 and 2014, Mr. Zhihong Jia, the CEO and Chairman of the Company, together with his wife provided their personal guarantees to various financial institutions to supports the Company (see Notes 6, 7 and 20).

NOTE 10 - INCOME TAXES

The Company is subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which each entity is domiciled.

Kingold is incorporated in the United States and has incurred net operating loss for income tax purposes for 2015 and 2014. The Company has loss carry forwards of approximately \$15,750,000 for U.S. income tax purposes available for offsetting against future taxable U.S. income, expiring in 2035. Management believes that the realization of the benefits from these losses is uncertain due to its history of continuing losses in the United States. Accordingly, a full deferred tax asset valuation allowance has been provided and no deferred tax asset benefit has been recorded. The valuation allowance as of December 31, 2015 and 2014 was approximately \$5,355,000 and \$4,732,000, respectively. The net increase in the valuation allowance for the years ended December 31, 2015 and 2014 was approximately \$623,000 and \$1,650,000, respectively.

Dragon Lead is incorporated in the BVI, and under current laws of the BVI, income earned is not subject to income tax.

Wuhan Vogue-Show and Wuhan Kingold are incorporated in the PRC and are subject to PRC income tax, which is computed according to the relevant laws and regulations in the PRC. The applicable tax rate is 25% for the years ended December 31, 2015 and 2014. The Company recorded \$Nil deferred income tax assets as of December 31, 2015 and 2014.

The Company intends to reinvest its foreign profits indefinitely in order to avoid a tax liability upon repatriation to the United States. Since the U.S. holding company does not have any earnings and profits, distributions made in 2014 were deemed as a return of capital for U.S. income tax purpose.

Income (loss) from continuing operations before income taxes was allocated between the U.S. and foreign components for the year ended December 31, 2015 and 2014:

	For the years ended December 31,	
	<u>2015</u>	<u>2014</u>
United States	\$ (1,833,064)	\$ (4,853,346)
Foreign	<u>29,733,565</u>	<u>69,021,377</u>
	<u>\$ 27,900,501</u>	<u>\$ 64,168,031</u>

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - INCOME TAXES (continued)

Significant components of the income tax provision were as follows for the years ended December 31, 2015 and 2014:

	For the years ended December 31,	
	2015	2014
Current tax provision		
Federal	\$ -	\$ -
State	-	-
Foreign	4,488,815	16,836,054
	<u>4,488,815</u>	<u>16,836,054</u>
Deferred tax provision (recovery)		
Federal	-	-
State	-	-
Foreign	1,849,910	-
	<u>1,849,910</u>	<u>-</u>
Income tax provision	<u>\$ 6,338,725</u>	<u>\$ 16,836,054</u>

The components of deferred tax assets and deferred tax liability as of December 31, 2015 and 2014 consist of the following:

	As of December 31,	
	2015	2014
Deferred tax assets:		
Deferred tax assets from net operating losses from parent company	\$ 5,335,180	\$ 4,732,000
Valuation allowance	(5,335,180)	(4,732,000)
	<u>\$ -</u>	<u>\$ -</u>
Deferred tax liability:		
Deferred tax liability from capitalized interest	\$ 1,774,993	\$ -
Income tax provision	<u>\$ 1,774,993</u>	<u>\$ -</u>

The following table reconciles the U.S. statutory rates to the Company's effective rate for the years ended December 31, 2015 and 2014:

	For the years ended December 31,	
	2015	2014
US statutory rate	34%	34%
Foreign income and loss not recognized in U.S.A.	(34)%	(34)%
China income tax	25%	25%
Miscellanies and non-deductible expense	(2.3)%	1.2%
Effective tax rate	<u>22.7%</u>	<u>26.2%</u>

NOTE 11 - EARNINGS PER SHARE

In 2015, basic average shares outstanding and diluted average shares outstanding were the same because the effect of potential shares of common stock was anti-dilutive since the exercise prices for the warrant and options were greater than the average market price for the year ended December 31, 2015. As a result, warrants to purchase 294,000 shares of common stock at weighted average exercise price of \$3.61 per shares and options to purchase 3,220,000 shares of common stock at weighted average exercise price of \$1.90 per share were not included in the computation of diluted EPS.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - EARNINGS PER SHARE (continued)

For the year ended December 31, 2014, fiscal 2011's warrants to purchase 150,000 shares of common stock and fiscal 2012's options to purchase 1,300,000 shares of common stock as well as fiscal 2013's options to purchase 90,000 shares of common stock were dilutive therefore included in the computation of diluted EPS. For the year ended December 31, 2015, the unexercised warrants and options were anti-dilutive because the average stock price did not exceed the exercise price of the warrants and options, and therefore they are not included in the diluted earnings per share calculation.

The following table presents a reconciliation of basic and diluted net income per share:

	For the years Ended December 31,	
	2015	2014
Net income attributable to common stockholders	\$ 21,562,072	\$ 47,331,977
Weighted average number of common shares outstanding - Basic Effect of dilutive securities	65,963,502	65,918,768
Unexercised warrants and options	-	88,307
Weighted average number of common shares outstanding – diluted	65,963,502	66,007,075
Earnings per share - Basic	\$ 0.33	\$ 0.72
Earnings per share – Diluted	\$ 0.33	\$ 0.72

NOTE 12 - OPTIONS

On March 24, 2011, the Board of Directors voted to adopt the 2011 Stock Incentive Plan (the "Plan"), which was later ratified by the Company's stockholders on October 31, 2011, at the 2011 annual meeting.

The Plan permits the granting of stock options (including incentive stock options as well as nonstatutory stock options), stock appreciation rights, restricted and unrestricted stock awards, restricted stock units, performance awards, other stock-based awards or any combination of the foregoing. Under the terms of the Plan, up to 5,000,000 shares of the Company's common stock may be granted. Prior to January 1, 2012, the Company granted 1,620,000 options under the plan. In accordance with the vesting periods, \$110,439 and \$441,754 were recorded as part of operating expense-stock compensation for the years ended December 31, 2015 and 2014, respectively.

On January 9, 2012, the Company granted 1,300,000 options with an exercise price of \$1.22 to certain members of management and directors. These options can be exercised within ten years from the grant date once they become exercisable. The options become exercisable in accordance with the schedule below: (a) 25% of the options become exercisable on the first anniversary of the grant date (such date is the initial vesting date), and (b) 6.25% of the options become exercisable on the date three months after the initial vesting date and on such date every third month thereafter, through the fourth anniversary of the grant date. The fair value of the options was calculated using the Black-Scholes options pricing model using the following assumptions: volatility of 124.81%, risk free interest rate of 1.98 %, and expected term of 10 years. The fair value of the options was \$1,516,435. In accordance with the vesting periods, \$379,109 and \$379,109 were recorded as part of operating expense-stock compensation for the 1,300,000 options above for the years ended December 31, 2015 and 2014, respectively.

On April 1, 2012, the Company granted 120,000 options with an exercise price of \$1.49 to its Chief Financial Officer ("CFO") per his employment agreement. These options can be exercised within ten years from the grant date once they become exercisable. The options become exercisable every three months starting from grant date for the one year service period from April 1, 2012. The fair value of the options was calculated using the Black-Scholes options pricing model using the following assumptions: volatility of 124.50%, risk free interest rate of 2.23%, and expected term of 10 years. The fair value of the options was \$170,967. These options have fully vested by December 31, 2013.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – OPTIONS (continued)

On July 16, 2013, the Company granted 90,000 options with an exercise price of \$1.18 to its non-employee directors, which options expire ten years from the grant date under the Plan. These options became exercisable in accordance with the following schedule: (a) 25% of the options became exercisable on the first anniversary of the grant date (the "Initial Vesting Date"), and (b) 6.25% of the options became exercisable on the date three months after the Initial Vesting Date and on such date every third month thereafter, through the fourth anniversary of the grant date. The fair value of the options was calculated using the Black-Scholes options pricing model using the following assumptions: volatility of 118.01%, risk free interest rate of 2.55%, and expected term of 6.25 years. The fair value of the options was \$92,458. In accordance with the vesting periods, \$23,114 and \$23,117 were recorded as part of operating expense-stock compensation for the 90,000 options above for the years ended December 31, 2015 and 2014, respectively.

On February 25, 2015, the Company granted 90,000 options with an exercise price of \$1.11 to its non-employee directors, which options expire ten years from the grant date under the Plan. These options became exercisable in accordance with the following schedule: (a) 25% of the options became exercisable on the first anniversary of the grant date, and (b) 6.25% of the options became exercisable on the date three months after the initial vesting date and on such date every third month thereafter, through the fourth anniversary of the grant date. The fair value of the options was calculated using the Black-Scholes options pricing model under the following assumptions: volatility of 115.20%, risk free interest rate of 1.96%, and expected term of 6.25 years. The aggregate fair value of the options was \$85,822. In accordance with the vesting periods, \$17,880 and \$Nil were recorded as part of operating expense-stock compensation for the 90,000 options above for the years ended December 31, 2015 and 2014, respectively.

The Company recorded \$530,542 and \$3,149,980 stock-based compensation expense for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 the Company had 3,009,375 outstanding vested stock options with a weighted average remaining term over 5.63 years and 210,625 unvested stock options with a weighted average remaining term over 7.56 years. Unrecorded stock-based compensation expense was \$102,611 as of December 31, 2015. The following table summarized the Company's stock option activity:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Aggregate Intrinsic Value
Outstanding, December 31, 2014	3,130,000	\$ 1.93	6.66	\$ -
Exercisable, December 31, 2014	2,570,000	\$ 2.03	6.58	\$ -
Granted	90,000	\$ 1.11	9.75	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding, December 31, 2015	3,220,000	\$ 1.90	5.76	\$ -
Exercisable, December 31, 2015	3,009,375	\$ 1.95	5.63	\$ -

NOTE 13 - EQUITY

On June 17, 2014, the Board of Directors of the Company approved a special cash dividend of US\$0.08 per share of common stock. The total amount of approximately US\$5.3 million cash dividend was paid in August 2014.

On January 10, 2014, the Company entered into a consulting agreement with Sailesh C. Barchha (the "Consulting Agreement") to assist the Company in expanding into the international market. Pursuant to the terms of the Consulting Agreement, the Company has entered into a joint venture agreement with Kuwait Support Services Company W.L.L., or KSS, a major multi-business group headed by His Excellency Sheikh Ameer Al Sabah of Kuwait. In connection with such joint venture with KSS, Mr. Barchha will provide certain management consulting and financial advisory services to the Company over a two year term from January 10, 2014 to January 9, 2016. In exchange for such services, the Company has issued to Mr. Barchha an aggregate of 1,000,000 shares of common stock of the Company on January 14, 2014. The fair value of this common stock compensation is based on the closing stock price on the date at which the 1,000,000 shares were granted. \$1,760,000 of stock compensation expense was fully recognized for the year ended December 31, 2014, because the consulting service was completed in 2014. There was not much activity in this joint venture arrangement in 2015.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – EQUITY (continued)

On October 25, 2013, 400,000 shares were issued to Financial Buzz Media Networks LLC. \$Nil and \$546,000 stock compensation expense was recognized in connection with this transaction for the years ended December 31, 2015 and 2014, respectively.

For the year ended December 31, 2015 and 2014, the Company issued Nil and 10,040 shares for the exercise of the warrants (see Note 15 — Warrants).

NOTE 14 - WARRANTS

Following is a summary of the status of warrant activities as of December 31, 2015 and 2014:

	Number of warrants	Weighted Average Exercise Price	Weighted average Remaining Life in Years
Outstanding, December 31, 2014	294,000	\$ 3.61	0.63
Granted	-	-	-
Forfeited	-	-	-
Exercised	-	-	-
Outstanding, December 31, 2015	294,000	\$ 3.61	0.04

NOTE 15- NONCONTROLLING INTEREST

Non-controlling interest represents the minority stockholders' 45% proportionate share of the results of the newly established subsidiary Kingold Internet and Yuhuang. A reconciliation of non-controlling interest as of December 31, 2015 and 2014 are as follows:

	As of December 31,	
	2015	2014
Beginning Balance	\$ -	\$ -
Capital Contribution	69,319	-
Proportionate shares of Net loss	(296)	-
Foreign currency translation gain	4,251	-
Ending Balance	\$ 73,274	\$ -

NOTE 16 - CONCENTRATIONS AND RISKS

The Company maintains certain bank accounts in the PRC and BVI, which are not insured by Federal Deposit Insurance Corporation ("FDIC") insurance or other insurance. The cash and restricted cash balance held in the PRC bank accounts was \$29,544,475 and \$16,052,999 as of December 31, 2015 and 2014, respectively. The cash balance held in the BVI bank accounts was \$13,277 and \$7,774 as of December 31, 2015 and December 31, 2014, respectively. As of December 31, 2015 and December 31, 2014, the Company held \$144,465 and \$61,986 of cash balances within the United States, none of which was in excess of FDIC insurance limits of \$250,000 as of December 31, 2015 and December 31, 2014, respectively.

For the years ended December 31, 2015 and 2014, almost 100% of the Company's assets were located in the PRC and 100% of the Company's revenues were derived from its subsidiaries located in the PRC.

The Company's principal raw material used during the year was gold, which accounted for almost 100% of its total purchases for the years ended December 31, 2015 and 2014. The Company purchased gold directly, and solely, from the Shanghai Gold Exchange, the largest gold trading platform in the PRC.

No customer accounted for more than 10% of annual sales for the years ended December 31, 2015 or 2014.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - GOLD LEASE TRANSACTIONS

The Company leased gold as a way to finance its growth and will return the same amount of gold to China Construction Bank ("CCB"), Shanghai Pudong Development Bank ("SPD Bank") and CITIC Bank at the end of the respective lease agreements. Under these gold lease arrangements, each of CCB, SPD Bank and CITIC Bank retains beneficial ownership of the gold leased to the Company and treats it as if the gold is placed on consignment to the Company. All three banks have their own representatives on the Company's premises to monitor on a daily basis the use and security of the gold leased to the Company. Accordingly, the Company records these gold lease transactions as operating leases because the Company does not have ownership nor has it assumed the risk of loss for the leased gold.

a) Gold lease transactions with CCB

On December 20, 2012, Wuhan Kingold entered into a gold lease agreement with CCB's Wuhan Jiang'an Branch that became effective in January 2013, originally terminated on October 26, 2013 and extended to September 25, 2015 (the "Gold Lease Agreement"). Gold leased under the Gold Lease Agreement bears interest at a rate of approximately 6% per annum and is calculated based on the actual weight of gold leased (in grams), the price of gold (yuan/gram) at the time of delivery, and number of days the gold was leased.

During 2014, the Company leased total of 1,515 kilograms of gold, which amounted to approximately \$60.5 million (RMB 371.7 million) and returned 821 kilograms of gold, which amounted to approximately \$38.6 million (RMB 237.2 million) back to CCB upon lease maturity. The remaining amount was returned to the Bank upon lease maturity in 2015.

During 2015, the Company renewed gold lease agreements with CCB and leased an aggregated of 1,515 kilograms of gold, which amounted to approximately \$56.3 million (RMB 365 million). The leases have initial terms of one year and provide an interest rate of 6% per annum. The leased gold shall be returned to the Bank upon lease maturity in 2016.

As of December 31, 2015, 1,515 kilograms of leased gold were outstanding and not yet returned to the Bank which is due in various months through out of 2016.

b) Gold lease transactions with SPD Bank

On January 1, 2013, Wuhan Kingold entered into a gold lease framework agreement (the "Framework Agreement") with SPD Bank, with initial term of 12 months and such Framework Agreement has been subsequently extended to July 2017. From January 2013 to April 2015, the Company entered into separate lease agreements with SPD Bank with interest rates of 3.2% to 7.5% per annum. Lease payments to SPD are due quarterly, and are calculated based on the stated annual rate, the actual weight of gold leased (in grams), the fair market price of gold at the time of delivery, and the actual number of days when the gold was leased.

During 2014, the Company leased a total of 1,630 kilograms of gold, which amounted to approximately \$67.1 million (RMB 412.4 million) and also returned 1,465 kilograms of gold, which amounted to approximately \$66.8 million (RMB 410.3 million) back to SPD Bank upon lease maturity. The remaining amount were returned to the Bank upon lease maturity in 2015.

On April 10, 2015, Wuhan Kingold entered into a gold lease agreement with SPD Bank to lease additional 197 kilograms of gold (valued at approximately RMB 46.98 million or approximately \$7.2 million). The lease has initial term of one year and provides an interest rate of 3.2% per annum.

In the third quarter of 2015, Wuhan Kingold entered into several gold lease agreements with SPD Bank to lease an aggregate of 720 kilograms of gold, valued approximately \$25.9 million (RMB 168.2 million). The leases have initial terms of one year and provide an interest rate of 2.8% to 6% per annum. The Company is required to deposit cash into an account at SPD Bank equal to approximately \$16 million (RMB 103 million).

As of December 31, 2015, about 917 kilograms of leased gold were outstanding and not yet returned to SPD Bank, which amounted to approximately \$33.1 million. Such gold leases will be due in various months in 2016.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - GOLD LEASE TRANSACTIONS (continued)

c) Gold lease transaction with CITIC Bank

On August 28, 2013, Wuhan Kingold entered into a gold lease framework agreement with the Wuhan branch of CITIC Bank which has been subsequently extended to February 2016. The lease has an initial term of approximately 12 months, and provides for an interest rate of 5.6% to 6% per annum. Lease payments to CITIC Bank are due at the end of the leasing period. Under the gold lease agreement with CITIC Bank, the Company is required to pledge certain restricted cash into an account at CITIC Bank as collateral.

During 2014, the Company leased a total of 1,150 kilograms of gold, which amounted to approximately \$48 million (RMB 294.9 million), and returned 650 kilograms of gold, which amounted to approximately \$27.6 million (RMB 169.7 million), back to CITIC Bank upon lease maturity. The remaining amount has been returned to the Bank upon lease maturity in 2015.

During 2015, Wuhan Kingold entered into a gold lease agreement with CITIC Bank to lease an additional 850 kilograms of gold (valued at approximately \$31 million or RMB 201 million). The lease has an initial term of one to six months and provides an interest rate of 6% per annum. The Company is required to deposit cash into an account at CITIC Bank equal to approximately \$1.2 million (RMB 8.0 million). During 2015, the Company returned 1,150 kilograms of leased gold upon maturity, which amounted to approximately \$44.3 million (RMB 287.4 million). The remaining amount shall be returned to the Bank upon lease maturity in 2016. The Company is required to deposit cash into an account at the Bank equal to approximately \$3 million (RMB 19.5 million).

As of December 31, 2015, 350 kilograms of leased gold were outstanding and not yet returned to CITIC Bank, which amounted to approximately \$12.4 million. Such leased gold is due in various months in 2016.

As of December 31, 2015 and 2014, 2,782 kilograms and 3,080 kilograms of leased gold were outstanding, at the approximated amounts of \$101.8 million and \$125.8 million, respectively. Interest expense for the leased gold for the years ended December 31, 2015 and 2014 were approximately \$7.0 million and \$7.1 million, respectively, which was included in the cost of sales.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Commitments

Future payment commitments under the purchase agreement of "Kingold Jewelry Cultural Industry Park" amounted to approximately \$74 million (RMB 480 million). See Note 5 "Deposit on Land Use Right and Construction In Progress – JEWELRY PARK".

On August 12, 2015, the Company signed a consulting agreement to engage Bespoke Independent Partners ("BIP"), a fully owned subsidiary of FPIA Partners LLC to operate as strategic advisors to Kingold in all matters relating to investor relations, capital markets and shareholder value creation strategy. The Company will pay an initial three month retainer fee of \$12,000 as well as a due diligence fee of \$15,000 upon execution of the contract. Thereafter, the Company shall pay BIP \$12,000 quarterly in advance. Pursuant to the agreement with BIP, an aggregate of 900,000 shares of warrants with exercise price ranging from \$1.20 to \$1.80 will be directly issued at no cost to BIP if certain stock performance targets are met within a three-year period. As of December 31, 2015, no warrants were issued to BIP because the performance target has not been met.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 – CONVERTIBLE NOTE PURCHASE AGREEMENT

On April 2, 2015, the Company entered into a Convertible Note Purchase Agreement (the "Purchase Agreement") with Fidelidade – Companhia de Seguros, S.A., a company duly incorporated and existing under the laws of Portugal and a majority-owned subsidiary of Fosun International Limited (the "Holder"). Pursuant to the Purchase Agreement, the Company agreed to issue and sell to the Holder \$15 million aggregate principal amount 6.0% Senior Secured Convertible Note due 2018 (the "Note"), subject to customary closing conditions. The Company will sell the Note in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). The Note and the underlying shares of the Company's common stock issuable upon conversion of the Note have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

The Note will bear interest at a rate of 6.0% per year payable annually. The Note will mature on the third anniversary of the issuance date of the Note, unless earlier converted. The Note constitutes a general, senior, secured obligation of the Company. The Company granted the Holder a security interest in certain collateral as identified in the Purchase Agreement, to secure the payment, discharge and performance of all the Company's obligations under the Note. Mr. Zhihong Jia, Chairman and Chief Executive Officer of the Company, will execute a guarantee in favor of the Holder, pursuant to which Mr. Jia will be jointly liable for the Company's obligations under the Note.

Subject to and upon compliance with the provisions of the Purchase Agreement, the Holder has the right, at its option, to convert the principal amount of the Note or any portion of such principal amount which is \$1,000 or an integral multiple of \$1,000 in excess thereof, into shares of common stock at the applicable conversion rate. The conversion rate is initially 869.57 shares of common stock per \$1,000 principal amount of Note (equivalent to an initial conversion price of approximately \$1.15 per share), subject to adjustment in certain events described in the Purchase Agreement. Upon conversion, the Company will deliver shares of common stock as set forth in the Purchase Agreement. No fractional shares will be issued upon any conversion.

In connection with the entry into the Purchase Agreement, the Company will enter into a registration rights agreement (the "Registration Rights Agreement") with the Holder as a condition to closing the sale of the Note, which sets forth the rights of the Holder to have the shares of common stock issuable upon conversion of the Note registered with the SEC for public resale under the Securities Act. Pursuant to the Registration Rights Agreement, the Company is required to file a registration statement with the SEC (the "Initial Registration Statement") within 60 days following the date of the issuance of the Note, registering the shares of common stock issuable upon conversion of the Note. The Company is required to use its reasonable best efforts to have the Initial Registration Statement declared effective as promptly as possible following the filing thereof and, in any event, by no later than 90 days after the date of the issuance of the Note. In addition, the agreement gives the Holder the ability to exercise certain piggyback registration rights in connection with registered offerings by the Company.

The Purchase Agreement was set to terminate automatically on May 31, 2015 in the absence of a closing or extension at the discretion of the Holder. Closing did not occur prior to such time because the Company had not secured a \$15 million letter of credit required under the agreement. The Holder has not provided written notice to the Company of its intention either to terminate or to extend the Purchase Agreement, and the Company continues to pursue the \$15 million letter of credit. While there can be no guarantee that the Company will locate a letter of credit on terms acceptable to the Holder, the Company remains willing to proceed under the Purchase Agreement.

NOTE 20 - SUBSEQUENT EVENTS

In January 2016, Wuhan Kingold signed two Loan Agreements of Circulating Funds with the Qixia Branch of Evergrowing Bank ("Evergrowing Bank"), for loans of approximately \$122 million (RMB 800 million) in aggregate. The purpose for the loans is for purchasing gold. The terms of loans are two years and bear fixed interest of 7.5% per year. The loans are secured by 5,000 kilograms of gold in aggregate and are jointly guaranteed by Mr. Zhihong Jia, the CEO and Chairman of the Company. Both loans are due in January 2018. The repayment of the loans may be accelerated under certain conditions, including upon a default of principal or interest payment when due, breach of representations or warranties, certain cross-defaults, upon the occurrence of certain material events affecting the financial viability of Wuhan Kingold, and other customary conditions. There are no financial covenant requirements for the loans. All RMB 800 million loans have been received from Evergrowing Bank as of the date of this Report.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - SUBSEQUENT EVENTS (continued)

In January 2016, Wuhan Kingold signed a Collective Trust Loan Agreement with Anxin Trust Co., Ltd. ("Anxin Trust"). The agreement allows the Company to access of approximately \$457 million (RMB 3 billion) within 60 months. Each individual loan will bear a fixed annual interest of 14.8% with a term of 36 months or less. The release of individual loan is subject to certain covenants required by the agreement. The purpose of this trust loan is to provide working capital for the Company to purchase gold. The Company entered into a Collateral Agreement with Anxin Trust to designate the Company's certain gold inventories stored at Shanghai Gold Exchange as the collateral for the trust loan. There is no financial covenant requirement for this loan. The loan is also jointly guaranteed by Mr. Zhihong Jia, the CEO and Chairman of the Company. As of the date of this Report, the Company received aggregated of approximately \$25.4 million (RMB 165 million) from the loan.

In January 2016, Wuhan Kingold renewed several gold lease agreements with China Construction Bank ("CCB") to lease additional 875 kilograms of gold (valued at approximately RMB 189.4 million or approximately \$29.2 million). The lease has initial term of one year and provides an interest rate of 5.7% per annum. The Company is required to deposit restricted cash with CCB equal to RMB 10.9 million (approximately \$1.7 million).

In March 2016, Wuhan Kingold signed a gold lease agreement with Industrial and Commerce Bank of China ("ICBC") to lease 527 kilograms of gold (valued at approximately RMB 139.6 million or approximately \$21.5 million). The lease has a six months term from March 7, 2016 to September 2, 2016 and provides an interest rate of 2.75% per annum.

On March 18, 2016, the Company received notification from The NASDAQ Stock Market ("NASDAQ") that, since the bid price of the Company's common stock closed at or above \$1.00 per share for the last 16 consecutive business days, from February 25, 2016 to March 17, 2016, the Company has regained compliance with the NASDAQ Listing Rule 5550(a)(2) requirement for continued listing on NASDAQ (the "Minimum Bid Price Rule"), and that this matter is now closed. On August 11, 2015, the Company received a notification letter from NASDAQ advising the Company that for 30 consecutive business days preceding the date of the Notice, the bid price of the Company's common stock had closed below the \$1.00 per share minimum required for continued listing on The NASDAQ Capital Market pursuant to the Minimum Bid Price Rule. The Company was provided 180 calendar days, or until February 8, 2016, to regain compliance with the Minimum Bid Price Rule. On February 9, 2016, NASDAQ granted the Company an additional 180 calendar days, or until August 8, 2016, to regain compliance with the \$1.00 per share minimum required for continued listing on The NASDAQ Capital Market pursuant to NASDAQ Marketplace Rule 5550(a)(2) .

KINGOLD JEWELRY, INC.
SCHEDULE 1 - PARENT COMPANY BALANCE SHEETS (IN U.S. DOLLARS)
(Unaudited)

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 144,465	\$ 61,986
Other current assets and prepaid expenses	500	500
Total current assets	<u>144,965</u>	<u>62,486</u>
OTHER ASSETS		
Investment in subsidiaries	266,344,688	258,866,245
Total other assets	<u>266,344,688</u>	<u>258,866,245</u>
TOTAL ASSETS	\$ <u>266,489,653</u>	\$ <u>258,928,731</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Other payables and accrued expenses	\$ 829,257	\$ 689,257
Total current liabilities	<u>829,257</u>	<u>689,257</u>
TOTAL LIABILITIES	<u>829,257</u>	<u>689,257</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Preferred stock, \$0.001 par value, 500,000 shares authorized, none issued or outstanding as of December 31, 2015 and December 31, 2014	-	-
Common stock \$0.001 par value, 100,000,000 shares authorized, 65,963,502 and 65,963,502 shares issued and outstanding as of December 31, 2015 and December 31, 2014	65,963	65,963
Additional paid-in capital Retained earnings	79,990,717	79,460,175
Unappropriated	184,564,147	163,002,075
Appropriated	967,543	967,543
Accumulated other comprehensive income (deficit)	(1,248)	14,743,718
Total stockholders' equity	<u>265,587,122</u>	<u>258,239,474</u>
Non-controlling interest	73,274	-
Total Equity	<u>265,660,396</u>	<u>258,239,474</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>266,489,653</u>	\$ <u>258,928,731</u>

The accompanying notes are an integral part of Schedule 1.

KINGOLD JEWELRY, INC.
SCHEDULE 1 - PARENT COMPANY STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(IN U.S. DOLLARS)
(Unaudited)

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
OPERATING EXPENSES		
Selling, general and administrative expenses	\$ (1,302,521)	\$ (1,703,367)
Stock compensation expenses	(530,542)	(3,149,980)
Total operating expenses	<u>(1,833,063)</u>	<u>(4,853,347)</u>
EQUITY INCOME OF SUBSIDIARIES	23,394,839	52,185,324
NET INCOME	21,561,776	47,331,977
Added : net loss attribute to the non-controlling interest	296	-
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ 21,562,072</u>	<u>\$ 47,331,977</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Total foreign currency translation loss	\$ (14,740,716)	\$ (1,331,031)
Less: foreign currency translation gain attributable to non-controlling interest	4,251	-
Foreign currency translation loss attributable to common stockholders	<u>\$ (14,744,967)</u>	<u>\$ (1,331,031)</u>
COMPREHENSIVE INCOME attributable to:		
Common stockholders	\$ 6,817,105	\$ 46,009,946
Non-controlling interest	3,955	-
	<u>\$ 6,821,060</u>	<u>\$ 46,009,946</u>

The accompanying notes are an integral part of Schedule 1.

KINGOLD JEWELRY, INC.
SCHEDULE 1 - PARENT COMPANY STATEMENTS OF CASH FLOWS (IN U.S. DOLLARS)
(Unaudited)

	For the years ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 21,561,776	\$ 47,331,977
Adjusted to reconcile net income to cash provided by operating activities		
Income from subsidiaries	(22,149,839)	(46,410,211)
Share based compensation for services	530,542	3,149,980
Changes in operating assets and liabilities (Increase) decrease in:		
Other current assets and prepaid expenses	-	545,500
Other payables and accrued expenses	140,000	437,000
Net cash provided by operating activities	82,479	5,054,246
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividend paid	-	(5,276,277)
Net proceeds from exercise of warrants	-	10,000
Net proceeds from stock issuance	-	-
Net cash provided by financing activities	-	(5,266,277)
NET INCREASE IN CASH	82,479	(212,031)
CASH, BEGINNING OF YEAR	61,986	274,016
CASH, END OF YEAR	\$ 144,465	\$ 61,986

The accompanying notes are an integral part of Schedule 1.

KINGOLD JEWELRY, INC.
NOTES TO SCHEDULE 1

1. Basis of presentation

Certain information and footnote disclosures normally included in financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted. The Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries.

2. Restricted net assets

Schedule I of Article 5-04 of Regulation S-X requires the condensed financial information of registrant shall be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. For purposes of the above test, restricted net assets of consolidated subsidiaries shall mean that amount of the registrant's proportionate share of net assets of consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company by subsidiaries in the form of loans, advances or cash dividends without the consent of a third party (i.e., lender, regulatory agency, foreign government, etc.).

The parent company financial statements have been prepared in accordance with Rule 12-04, Schedule I of Regulation S- X as the restricted net assets of the subsidiaries of Kingold Jewelry, Inc. exceed 25% of the consolidated net assets of Kingold Jewelry, Inc. The ability of our Chinese operating affiliates to pay dividends may be restricted due to the foreign exchange control policies and availability of cash balances of the Chinese operating subsidiaries. Because a significant portion of our operations and revenues are conducted and generated in China, a significant portion of our revenues being earned and currency received are denominated in Renminbi (RMB). RMB is subject to the exchange control regulation in China, and, as a result, we may be unable to distribute any dividends outside of China due to PRC exchange control regulations that restrict our ability to convert RMB into US Dollars.

3. Commitments

The Company did not have any significant commitments or long-term obligations as at December 31, 2015 and 2014.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

In evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Due to the timing of the disclosures regarding the entry into certain material agreements, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 (1) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In order to remedy our ineffective disclosure controls and procedures, we intend to implement further new processes and procedures to clarify internal reporting channels to ensure that the information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 (1) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States, or GAAP. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, (3) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the board of directors, and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. Management based the assessment on criteria for effective internal control over financial reporting described in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will be prevented or detected on a timely basis.

Based on the assessment, management determined that, as of December 31, 2015, we did not maintain effective internal control over financial reporting due to the existence of the following significant deficiencies and material weaknesses:

- Lack of segregation of duties for accounting personnel who prepared and reviewed the journal entries;
- Cashier does not deposit cash collected into the Company's bank accounts on a timely manner;
- Material audit adjustments were proposed by the auditors and recorded by the Company for the fiscal year 2015;
- Lack of appropriate approval procedures for certain material transactions, including guarantees of third-party obligations;
- Lack of resources with technical competency to review and record non-routine or complex transactions;
- Lack of a full-time U.S. GAAP personnel in the accounting department to monitor the recording of the transactions; and
- Lack of adequate policies and procedures in internal audit function, which could result in: (1) lack of communication between internal audit department and the Audit Committee and the Board of Directors; (2) Insufficient internal audit work to ensure that the Company's policies and procedures have been carried out as planned.

In order to remedy the material weakness of inadequate controls over cash management that we had in 2015, our Board adopted resolutions requiring management to seek Board approval prior to entering into any transactions including gold leases and loans with a value in excess of \$250,000. Further, we intend to explore implementing additional policies and procedures, which may include:

- Reporting other material and non-routine transactions to the Board and obtain proper approval,
- Recruiting qualified professionals with appropriate levels of knowledge and experience to assist in resolving accounting issues in non-routine or complex transactions. To mitigate the reporting risks, Kingold has now contracted with a third-party qualified consultant on GAAP reporting to improve the ability to prepare GAAP statements. The new consultant will also assist the Company to analyze non-routine, complex transactions in accordance with GAAP;
- Improving the communication between management, board of directors and chief financial officer; and
- Improving the internal audit function, internal control policies and monitoring controls.

Changes in Internal Control over Financial Reporting

Except for the actions taken to remedy the material weaknesses described above, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The following table sets forth as of the date of this Amendment the names, positions and ages of our current executive officers and directors. Our directors serve until the next annual meeting of shareholders or until their successors are elected and qualified. Our officers are elected by the board of directors, or the Board, and their terms of office are, except to the extent governed by an employment contract, at the discretion of the Board.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Zhihong Jia	54	Chief Executive Officer and Chairman of the Board
Bin Liu	45	Chief Financial Officer and Secretary
H. David Sherman	68	Independent Director
Jun Wang	42	General Manager and Director
Guang Chen	37	Independent Director
Zhonghong Fu	48	Independent Director

ZHIHONG JIA

Mr. Jia has served as our chief executive officer and chairman of our Board since the consummation of our December 2009 reverse acquisition transaction. Mr. Jia also co-founded Wuhan Kingold, our contractually controlled affiliate and has served as its chief executive officer and chairman since its establishment in 2002. Mr. Jia has also served vice president of the Gems and Jewelry Trade Association of China since November 2005. Mr. Jia served in the rear supply service department of the People's Liberation Army in Guangzhou and Wuhan, and was responsible for managing gold mines owned by the Army. Mr. Jia graduated from Wuhan University in 2004 with a graduate EMBA certificate. Mr. Jia was elected to the Board due to his extensive operational and industry experience, as well as his committed service to the company as our chairman and chief executive officer, along with his knowledge of and deep genuine interest in our company and the industry.

BIN LIU

Mr. Liu has served as our chief financial officer since April 2010. Mr. Liu has more than 19 years of experience in the financial markets and in bridging business between the US and China. From July 2004 through March 2010, Mr. Liu served as a vice president of Citigroup's Financial Institution Cards business where he had full financial responsibility of a \$2 billion business. He has also played critical roles in the development of Citigroup's franchise development in the US. From 1993 through 2002, Mr. Liu worked for the China's Ministry of Commerce (MOFCOM), promoting bilateral business and investment between the US and China. Mr. Liu graduated from Shanghai Institute of Foreign Trade with a bachelor's degree in International Business in 1993 and graduated from the Kellogg School at Northwestern University with a Master of Business Administration in 2004.

H. DAVID SHERMAN

Mr. Sherman has served as one of our directors since February 1, 2011. Mr. Sherman has served as chairman of the Audit Committee and a member of the Compensation and Nominating Committees of our Board since February 2011. Mr. Sherman is a U.S. Certified Public Accountant. From February 2012 to September 2014, Mr. Sherman was on the Board of Directors of AgFeed Industries, Inc. (FEED) and served as chairman of the Audit and Compensation Committees. From January 2010 to March 2012, he served as a director and chair of the Audit Committee of China HGS Real Estate Inc., a Nasdaq listed company that engages in real estate development, primarily in the construction and sale of residential apartments, car parks and commercial properties in mainland China. Since 1985, Mr. Sherman has been a Professor of Accounting at Northeastern University D'Amore McKim School of Business. From 2007 through 2008, Mr. Sherman was a director and chair of Audit Committee of China Growth Alliance, Ltd., a business acquisition company formed to acquire an operating business in China. Mr. Sherman is a Professor of Accounting at Northeastern University D'Amore McKim School of Business. Over this academic year (2015-2016), Mr. Sherman is a visiting professor at Harvard Business School teaching in the Harvard MBA program. Mr. Sherman was on the faculty of the MIT Sloan School of Management, and was Adjunct Professor of INSEAD (France) from 1999 to 2002 and Adjunct Professor of Tufts Medical School, Department of Public Health from 1997 to 2006. He also served as an Academic Fellow at the Securities and Exchange Commission from 2004 through 2005. Mr. Sherman received his Doctorate and MBA from Harvard Business School, and a Bachelor of Arts degree in Economics from Brandeis University. Mr. Sherman was elected to the Board due to his financial and accounting expertise, including his qualifications as an Audit Committee financial expert, as well as his performance as one of our independent directors.

JUN WANG

Mr. Wang has served as one of our directors since June 16, 2014 and as our general manager since May 1, 2014. Mr. Wang has worked at Wuhan Kingold since 2003 as a gold investment analyst, and has successively served as the manager of the purchase department, the manager of the investment department, the assistant general manager and as the vice general manager of Wuhan Kingold. From 2000 to 2002, Mr. Wang worked at Hubei Mailyard Group Company and led its network information management and website development. From 1997 to 2000, Mr. Wang worked at MODISH C'BONS Cosmetics Company and led its network information management and logistics management. Mr. Wang graduated with a Bachelor's Degree from the Computer Engineering Department of Central China Normal University in 1997 where he majored in software development and application. Mr. Wang was elected to the Board due to his 12 years of working experience both within the gold jewelry industry and at Wuhan Kingold, his experience and involvement with the company, as well as his deep understanding of the gold jewelry industry and abundant experience in the management of industrial production technology and business management.

GUANG CHEN

Mr. Chen has served as one of our directors since June 16, 2014. Mr. Chen has served as chairman of the Nominating Committee and a member of the Audit Committee and the Compensation Committee. Mr. Chen has extensive banking experience as well as experience with public companies and in capital markets within China. Mr. Chen has worked as a Vice President at the Investment Bank Department of HuaTai United Securities Co., Ltd. He worked at China Merchants Securities Co., Ltd. Investment Bank since 2007 to 2015. From 2007 to 2009, Mr. Chen worked in the Supervision Department of the China Securities Regulatory Commission. From 2006 to 2007, Mr. Chen worked in the Supervision Department of the Tianjin Securities Regulatory Bureau. Mr. Chen graduated from the Xian University of Architecture and Technology in 2003, from which he earned a Bachelor's Degree in Accounting. Mr. Chen also holds a Master's Degree in Economics from Nankai University, from which he graduated in 2006. Mr. Chen was elected to the Board due to his extensive banking and public company experience.

ZHONGHONG FU

Mr. Fu has served as one of our directors since October 27, 2014. Mr. Fu is also a member of the Audit Committee, the Nominating Committee and the Chairman of the Compensation Committee. Since 2006, Mr. Fu has been the Partner-in-Charge of the Shanghai Branch of Fortune Venture Capital Co. Ltd. From 2003 to 2006, Mr. Fu was the IT Investment Director of Guangzhou Technology Review Investment Co., Limited. Prior to joining Guangzhou Technology Review Investment Co., he was the Investment Manager of Guangdong Technical Transformation Investment Co., Limited from 1997 to 2003. Mr. Fu received a Master in Business Administration from Jinan University in 1999. Mr. Fu was elected to the Board due to his rich experience in investment and networking with fund managers.

Except as noted above, the above persons do not hold any other directorships in any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act.

There are no family relationships among our directors and executive officers.

Director Independence

In accordance with the current listing standards of The NASDAQ Stock Market, our Board, on an annual basis, affirmatively determines the independence of each director or nominee for election as a director. Our Board has determined that three of our current directors, Messrs. Sherman, Chen and Fu are "independent directors" as defined under the NASDAQ Rules, constituting a majority of independent directors of our Board as required by the corporate governance rules of NASDAQ. In making these determinations, our Board has concluded that none of those members has an employment, business, family or other relationship that, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Changes to Procedures for Recommending Nominees to Board of Directors

None.

Audit Committee

Messrs. Sherman, Chen and Fu currently serve on the Audit Committee, which is chaired by Mr. Sherman. Our Audit Committee falls within the definition of "Audit Committee" under Section 3(a)(58)(A) of the Securities Exchange Act of 1934, or the Exchange Act. In addition to meeting The NASDAQ Stock Market's tests for director independence, directors serving on our Audit Committee must meet two basic criteria set forth in the rules promulgated by the SEC. First, Audit Committee members are barred from accepting, directly or indirectly, any consulting, advisory or other compensatory fee from us or any affiliate of us, other than in the member's capacity as a member of our Board and any Board committee. Second, a member of our Audit Committee may not be an affiliated person of us or any subsidiary of us, apart from his or her capacity as a member of our Board and any Board committee. Our Board has determined that each member of our Audit Committee meets these independence requirements, in addition to the independence criteria established by The NASDAQ Stock Market. Our Board has determined that each Audit Committee member has sufficient knowledge in financial and auditing matters to serve on the Audit Committee. Our Board has determined Mr. Sherman is an "Audit Committee financial expert," as defined in Item 407(d) of Regulation S-K. Our Audit Committee assists our Board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements, and, in accordance with The NASDAQ Stock Market requirements, discusses policies with respect to risk assessment and risk management. Our Audit Committee's primary duties and responsibilities include:

- reviewing the financial reports provided by us to the SEC, our shareholders or to the general public;
- reviewing our internal financial and accounting controls;
- recommending, establishing and monitoring procedures designed to improve the quality and reliability of the disclosure of our financial condition and results of operations;
- overseeing the appointment, compensation and evaluation of the qualifications and independence of our independent auditors;
- overseeing our compliance with legal and regulatory requirements;
- overseeing the adequacy of our internal controls and procedures to promote compliance with accounting standards and applicable laws and regulations;
- engaging advisors as necessary; and
- determining the funding from us that is necessary or appropriate to carry out the Audit Committee's duties.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of securities ownership and changes in such ownership with the SEC. Officers, directors and greater than ten percent shareholders also are required by rules promulgated by the SEC to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of such forms furnished to us or written representations that no Forms 5 were required, we believe that all Section 16(a) filing requirements were timely as of the date of this report.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The most recent version is available on the Investor Relations section of our website at www.kingoldjewelry.com. The information contained on our website is not incorporated by reference into this report. If we make any substantive amendments to the code or grant any waiver from a provision of the code to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website, as well as via any other means required by applicable law.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation of Named Executive Officers

The following table sets forth information concerning cash and non-cash compensation paid to our named executive officers for 2015 and 2014, respectively.

Name and Position	Year	Salary	Bonus	Stock Awards	Option Awards ⁽¹⁾	All other compensation	Total
Zhihong Jia							
Chief Executive Officer	2015	\$ 175,000	\$ —	\$ —	\$ —	\$ —	\$ 175,000
	2014	\$ 175,000	\$ —	\$ —	\$ —	\$ —	\$ 175,000
Bin Liu							
Chief Financial Officer	2015	\$ 135,000	\$ —	\$ —	\$ —	\$ —	\$ 135,000
	2014	\$ 135,000	\$ —	\$ —	\$ —	\$ —	\$ 135,000

- (1) The amounts in this column were calculated based on the grant date fair value of stock options computed using the Black-Scholes model, in accordance with FASB ASC Topic 718. For additional information regarding the assumptions used in determining fair value using the Black-Scholes pricing model, see Note 11, "Options" to our audited consolidated financial statements included in our Original Form 10-K. The Company did not grant any Option Awards to its executive officers in 2015 and 2014.

Pursuant to the terms of the employment agreements that Messrs. Jia and Liu have with us, both executives are compensated by us for services provided to us and our subsidiaries, including Wuhan Kingold Jewelry Company Limited, or Wuhan Kingold and Wuhan Vogue - Show Jewelry Co., Inc., or Vogue Show. Pursuant to the terms of the employment agreement that Mr. Wang has with Wuhan Kingold, Mr. Wang is compensated by Wuhan Kingold for services provided to Wuhan Kingold, as well as its affiliates, including us and Vogue Show.

Employment Agreements

We have entered into employment agreements with our senior executive officers, as described below. Copies of these employment agreements are filed with the Securities and Exchange Commission as exhibits to our registration statements, annual reports and other filings under applicable rules. Our Board may adjust base salaries annually to reflect increases in the cost of living, but it has not done so to date. An executive's base salary may also be increased if the executive's workload substantially increases as a result of our business expansion. In addition, an executive's base salary may be correspondingly adjusted if the salaries of all of our other employees are adjusted.

Zhihong Jia. We have entered into an employment agreement with Zhihong Jia, our chief executive officer for a term of three years. Pursuant to the employment agreement, Mr. Jia receives annual compensation equal to \$175,000. In addition, Mr. Jia's employment agreement provides for an annual bonus based on the executive's performance and our financial performance. Annual bonuses will be determined by us in our sole discretion and will be approved by our Compensation Committee.

Mr. Jia is also eligible to participate in the benefits generally made available to our executives in accordance with our benefit plans. In addition, we pay for life insurance and medical insurance policies for the benefit of Mr. Jia, provided that the annual premium of all such insurance policies in any one year shall not be more than RMB 20,000 in the aggregate.

If Mr. Jia's employment agreement terminates as a result of death, we will pay Mr. Jia's beneficiaries or estate, as applicable, an amount equal to twenty-four months' base salary plus the full amount of any compensation to which the executive was entitled as of the date of termination. If we terminate Mr. Jia's employment based on the executive's disability, we will pay him an amount equal to eighteen months' base salary plus the full amount of any compensation to which he was entitled as of the date of termination.

We may terminate Mr. Jia's employment agreement with cause (as defined in his employment agreement) at any time with three months written notice. If we dismiss Mr. Jia without cause (as defined in his employment agreement), or if he terminates his employment for good reason (as defined in his employment agreement), we will pay him the product of his monthly base salary and the number of years the executive was employed pursuant to his employment agreement plus twelve. If Mr. Jia terminates his employment other than for good reason, he will be entitled to a contribution bonus in an amount determined by us and approved by our Board. A contribution bonus shall not exceed the product of Mr. Jia's monthly base salary and the number of years the executive was employed pursuant to his employment agreement plus ten. If Mr. Jia's employment agreement expires in accordance with its term without earlier termination or extension, he will be eligible to receive an amount equal to twelve months' base salary.

Our employment agreement with Mr. Jia provides for the protection of confidential information and contains non-competition and non-solicitation provisions applicable for a term of twelve months following the termination of his employment. Mr. Jia will continue to receive his monthly base salary during the term of the non-competition and non-solicitation provisions in consideration of his fulfilling his obligations thereunder.

Bin Liu. We entered into an employment agreement with Bin Liu, our CFO, effective April 1, 2010, for a term of three (3) years, which was subsequently amended on January 7, 2011. Pursuant to that agreement, Mr. Liu received annual compensation equal to \$135,000. In addition, Mr. Liu was entitled to participate in any and all benefit plans, from time to time, in effect for employees, along with vacation, sick and holiday pay in accordance with policies established and in effect from time to time. Under the agreement, as amended, upon the first and second anniversary of his employment, Mr. Liu received an equity grant on each of April 1, 2011 and April 1, 2012 of an option to purchase 120,000 shares of our common stock. Each annual option grant vests quarterly at a rate of 30,000 options at the end of each three month period of employment. Mr. Liu's agreement was also amended to provide him with an increased relocation package of up to \$150,000 given the additional and significant cost of living and related expenses Mr. Liu was to incur upon his relocation from Illinois to our New York office. In addition, Mr. Liu agreed that, during his employment with us and for a period of one (1) year thereafter, he would not directly or indirectly employ, solicit, or induce for employment or in any other fashion hire any of the senior management of the Company. Mr. Liu also agreed to a non-compete clause whereby he agreed not engage or assist others to engage in the business of designing and manufacturing gold jewelry for a one (1) year period following the end of his employment with us. This employment agreement terminated on April 1, 2013 in accordance with its terms and on April 2, 2013, we entered into a new employment agreement with Mr. Liu on substantially the same terms.

Mr. Liu's new employment agreement is for a three (3) year term, and is retroactively effective to April 2, 2013 and terminates on April 2, 2016, unless terminated early by either party as provided in the agreement. Pursuant to the agreement, Mr. Liu will receive annual compensation equal to \$135,000, and is entitled to participate in any and all benefit plans, from time to time, in effect for employees, along with vacation, sick and holiday pay in accordance with policies established and in effect from time to time. In addition, we granted Mr. Liu 360,000 shares of our common stock pursuant to our 2011 Stock Incentive Plan. Mr. Liu also agreed to both a non-solicit and non-compete clause while employed and for a one (1) year period following the end of his employment.

We may terminate Mr. Liu's employment agreement at any time without cause upon thirty (30) days' notice and the payment to Mr. Liu of a lump amount equal to three (3) months' salary which shall be paid upon termination. Mr. Liu may effect a voluntary termination of his employment agreement at any time upon sixty (60) days' notice to us, however, in such event no additional compensation will be due to Mr. Liu. We have the right to terminate Mr. Liu's employment agreement for cause (as defined in his employment agreement), in which event we will not have any further obligations or liability to Mr. Liu under his employment agreement subsequent to the actual date of termination.

Jun Wang. Effective as of May 1, 2014, our subsidiary, Wuhan Kingold, has entered into an employment agreement with Jun Wang to serve as general manager for a term of five (5) years, unless terminated early by either party as provided in the agreement. Pursuant to the employment agreement, Mr. Wang will receive monthly compensation equal to RMB 12,000. We may terminate the employment agreement with Mr. Wang for cause (as described in his employment agreement), provided that we should inform the labor union of such cause of termination. In the event that Mr. Wang, due to sickness or injury inflicted off the job, cannot resume his work after specified period of medical treatment, or is unqualified after training or a job adjustment, or in the event that the objective conditions on which the employment agreement is based have materially changed to the extent that it is impossible to perform the employment agreement while we and Mr. Wang cannot reach an agreement to amend the employment agreement to reflect the changed conditions, we may terminate the employment agreement by providing thirty (30) days' notice, or pay additional one-month salary to Mr. Wang, subject to certain exceptions provided in the employment agreement.

Outstanding Equity Awards at 2015 Fiscal Year End

The following table includes certain information with respect to all equity awards that remain outstanding as of December 31, 2015 for our named executive officers.

Name	Options Granted Year	Total Number of Securities Underlying Options Granted	Option Exercise Price (\$)	Option Start Date	Option Expiration Date	Number of Securities Underlying Options Exercisable	Number of Securities Underlying Unexercised Options
Zhihong Jia	2011	360,000 (1)(2)	2.59	3/24/2011	3/23/2021	360,000	-
	2012	300,000 (6)	1.22	1/9/2012	1/9/2022	281,250	18,750
	2013	-	-	-	-	-	-
	2014	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Bin Liu	2011	30,000 (1)(3)	2.59	3/24/2011	3/23/2021	30,000	-
	2011	90,000 (1)(2)	2.59	3/24/2011	3/23/2021	90,000	-
	2011	120,000 (1)(2)	2.27	4/1/2011	4/1/2021	120,000	-
	2012	120,000 (4)(5)	1.49	4/1/2012	4/1/2022	120,000	-
	2012	110,000 (6)	1.22	1/9/2012	1/9/2022	103,125	6,875
	2013	-	-	-	-	-	-
	2014	-	-	-	-	-	-
	2015	-	-	-	-	-	-

- (1) Award was granted on March 24, 2011, subject to stockholder approval of the stock option plan under which the option was granted, which was approved by stockholders on October 31, 2011.
- (2) The options under the award vested as follows: 25% of the options became exercisable on the first anniversary of March 24, 2011 and 6.25% of the options became exercisable on an ongoing basis in three month increments until the fourth anniversary of March 24, 2011.
- (3) The options vested on the three month anniversary of March 24, 2011.
- (4) Award was granted on April 1, 2011, subject to stockholder approval of the stock option plan under which the option was granted, which was approved by stockholders on October 31, 2011. The options under the award vested or will vest as follows: 30,000 options vest every three months following April 1, 2011 until all options have vested.
- (5) Award was granted on April 1, 2012. The options under the award vested or will vest as follows: 30,000 options vest every 3 months following April 1, 2012 until all options have vested.
- (6) The options under the award vested or will vest as follows: 25% of the options became exercisable on the first anniversary of January 9, 2012 and 6.25% of the options will become exercisable on an ongoing basis in three month increments until the fourth anniversary of January 9, 2012.

Long-Term Incentive Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers, except that our directors and executive officers may receive stock options at the discretion of our Compensation Committee. Although we do not have a formal broad based bonus plan, we may award bonuses on case-by-case basis depending on the terms of specific of employment agreements and other arrangements based on our financial performance as well as the executive's performance which are determined by the Board in its sole discretion. We do not have any material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of our Compensation Committee.

As of the date of this report, we have no compensatory plan or arrangement with respect to any officer that results or will result in the payment of compensation in any form from the resignation, retirement or any other termination of employment of such officer's employment with our company, from a change in control of our company or a change in such officer's responsibilities following a change in control.

Director Compensation

The following table sets forth a summary of our directors' compensation for fiscal year 2015 except Mr. Zhihong Jia, our Chairman and Chief Executive Officer, who did not receive any compensation for his board service beyond the compensation he received as an employee of the Company. Mr. Jun Wang received his compensation as his position as our General manager, while he did not receive any compensation for his board service.

Director Compensation — Fiscal Year 2015

Name	Fees Earned or Paid in Cash (\$)(1)	Option Awards (\$)(2)	All other compensation (\$)	Total (\$)
H. David Sherman	96,000	28,607	-	100,607
Guang Chen	-	28,607	-	28,607
Zhonghong Fu	-	28,607	-	28,607
Jun Wang	23,118	-	-	23,118

- (1) Represents the amounts of all fees earned or paid in cash for services as a director in 2015 except Mr. Jun Wang. Our director compensation program is described in more details below.
- (2) The amounts in this column were calculated based on the grant date fair value of stock options computed using the Black-Scholes model, in accordance with FASB ASC Topic 718. For additional information regarding the assumptions used in determining fair value using the Black-Scholes pricing model, see Note 12, "Options" to our audited consolidated financial statements included in this report.

Our directors (except Mr. Zhihong Jia whose option awards information is provided in the previous page) held the following outstanding option awards as of December 31, 2015:

Name	Outstanding Option Awards
H. David Sherman	90,000
Guang Chen	30,000
Zhonghong Fu	30,000
Jun Wang	-

We do not pay our directors in connection with attending individual Board meetings, but we reimburse our directors for expenses incurred in connection with such meetings. We have agreed to pay H. David Sherman a total of \$72,000 per annum for his service on the Board in 2016. The Company initially adopted a policy to pay the other non-employee directors RMB 45,000 per annum but such directors waived any such compensation payments in 2015 and 2014. Given that Mr. Sherman is chair of our Audit Committee (and Audit Committee financial expert), the Board determined that such additional compensation for Mr. Sherman was commensurate such additional responsibilities.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table provides information concerning beneficial ownership of our capital stock as of March 28, 2016, by:

- each shareholder or group of affiliated shareholders, who owns more than 5% of our outstanding capital stock;
- each of our named executive officers;
- each of our directors; and
- all of our directors and executive officers as a group.

The following table lists the number of shares and percentage of shares beneficially owned based on 65,963,502 shares of our common stock outstanding as of March 28, 2016.

Beneficial ownership is determined in accordance with the rules of the SEC, and generally includes voting power and/or investment power with respect to the securities held. Shares of common stock subject to options and warrants currently exercisable or exercisable within 60 days of March 28, 2016 or issuable upon conversion of convertible securities which are currently convertible or convertible within 60 days of March 28, 2016 are deemed outstanding and beneficially owned by the person holding those options, warrants or convertible securities for purposes of computing the number of shares and percentage of shares beneficially owned by that person, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons or entities named have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them.

Unless otherwise indicated in the footnotes, the principal address of each of the shareholders below is c/o Kingold Jewelry, Inc., 15 Huangpu Science and Technology Park, Jiang'an District, Wuhan, Hubei Province, PRC 430023.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Common Stock Outstanding
Directors and Named Executive Officers:		
Zhihong Jia ⁽¹⁾	16,855,943	25.6%
H. David Sherman ⁽²⁾	68,438	*
Bin Liu ⁽³⁾	830,000	1.3%
Jun Wang	380,103	*
Guang Chen	—	0.0%
Zhonghong Fu	46,448	*
All Officers and Directors as a Group (total of six persons)	17,502,683	26.1%
5% Stockholders:		
Famous Grow Holdings Limited ⁽⁴⁾⁽⁵⁾	15,925,943	24.1%
Ng, Shik Yau ⁽⁶⁾⁽⁷⁾	3,800,000	5.8%

* less than 1%

(1) Includes (i) 15,925,943 shares of which the beneficial ownership or the right to control can be acquired by Zhihong Jia pursuant to a December 17, 2014 Amended and Restated Call Option Agreement in which the shares can be acquired from Famous Grow Holdings Limited, (ii) 270,000 buyback shares, and (iii) options to purchase 360,000 shares at \$2.59 per share that vested and became exercisable as following schedule: 25% of the options became exercisable on the first anniversary of March 24, 2011 and 6.25% of the options became exercisable on an ongoing basis in three month increments until the fourth anniversary of March 24, 2011, (iv) options to purchase 300,000 shares at \$1.22 per share that vested and became exercisable as following schedule: 25% of the options became exercisable on the first anniversary of January 9, 2012 and 6.25% of the options became exercisable on an ongoing basis in three month increments until the fourth anniversary of January 9, 2012.

(2) Includes (i) options to purchase 11,250 shares at \$2.59 per share that vested and became exercisable on March 24, 2012 and (ii) options to purchase 8,438 shares at \$1.22 per share that vested and became exercisable on January 9, and April 9, 2014, respectively.

(3) Includes (i) options to purchase 30,000 shares at \$2.59 per share that vested and became exercisable on June 24, 2011, (ii) options to purchase 90,000 shares at \$2.59 per share that vested and became exercisable as following schedule : 25% of the options became exercisable on the first anniversary of March 24, 2011 and 6.25% of the options became exercisable on an ongoing basis in three month increments until the fourth anniversary of March 24, 2011, (iii) options to purchase 120,000 shares at \$2.27 per share that vested and became exercisable on July 1, 2011, October 1, 2011, January 1, 2012, and April 1, 2012, respectively, (iv) options to purchase 120,000 shares at \$1.49 per share that vested and became exercisable on July 1, 2012, October 1, 2012, January 1, 2013, and April 1, 2013, respectively, (v) options to purchase 110,000 shares at \$1.22 per share that vested and became exercisable as following schedule: 25% of the options became exercisable on the first anniversary of January 9, 2012 and 6.25% of the options became exercisable on an ongoing basis in three month increments until the fourth anniversary of January 9, 2012, and (vi) awarded with 360,000 common shares awarded when renewed a three year employment agreement on April 3, 2013.

- (4) Address: ATC Trustees (BVI) Limited, 2nd Floor, Abbott Building Road Tow, Tortola, British Virgin Islands.
- (5) Based upon Schedule 13D filed by Famous Grow Holdings Limited with the SEC on August 5, 2010. Pursuant to the Schedule 13D, Qian Lei may be deemed the beneficial owner of such shares.
- (6) Address: Flat A 9/F, 7 Mount Sterling, Mall Meifoo Sun Chuen, Kowloon, Hong Kong.
- (7) Based upon Schedule 13G filed by Ng, Shik Yau with the SEC on March 18, 2013. And based on the transfer of 1,100,000 warrants from Ng, Shik Yau to Wang, Jianhua on April 15, 2013.

Change in Control

We are not aware of any arrangements including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of the registrant, with the exception of the Amended and Restated Call Option Agreement entered into by and among Zhihong Jia, Bin Zhao and Fok Wing Lam Winnie (whose Mandarin name is Huo Yong Lin) on December 17, 2014 which was further amended on March 26, 2016. Mr. Jia has the ability to acquire 100% of the shares of Famous Grow Holdings Limited, provided that he exercises his Call Option. Upon the exercise of such Amended and Restated Call Option Agreement, if any, Mr. Jia would have the ability to control 15,925,943 shares of our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth certain information regarding stock option grants made to employees, directors and consultants as of December 31, 2015:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options (A)	Weighted Average Exercise Price of Outstanding Options (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)
Equity Compensation Plans Approved by Security Holders(1)	3,220,000	\$ 1.90	1,780,000
Equity Compensation Plans Not Approved by Security Holders	N/A	N/A	N/A

- (1) On March 24, 2011, our Board of Directors voted to adopt the 2011 Stock Incentive Plan, or the Plan, which was approved at our annual stockholders' meeting held on June 6, 2012. The Plan permits the granting of stock options (including incentive stock options as well as nonstatutory stock options), stock appreciation rights, restricted and unrestricted stock awards, restricted stock units, performance awards, other stock-based awards or any combination of the foregoing. Under the terms of the Plan, up to 5,000,000 shares of our common stock will be granted.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We have established procedures for identifying related parties and related party transactions, and for ensuring that any changes in the status of related parties are brought to the attention of the Board and management in a timely manner. For transactions with related parties in the ordinary course of business, such as customer sales, supply purchases, subcontracting or consulting services, we apply the same review and approval process as we would in the context of other commercial agreements. All such transactions with related parties are summarized and provided to our Audit Committee for review. For transactions with related parties outside the ordinary course of business, such as significant capital expenditures, capital raising activities and mergers and acquisitions, the transactions must be approved by our Audit Committee. The following is a summary of the related party transactions in which we are engaged.

For the year ended December 31, 2015, the Company borrowed \$200,059 from Mr. Zhihong Jia, the CEO and Chairman of the Company, to pay certain expenses. The due to shareholder amount is unsecured and repayable on demand, free of interest. As of December 31, 2015 and 2014, the due to shareholder amounted to \$200,059 and \$Nil, respectively.

For the years ended December 31, 2015 and 2014, Mr. Zhihong Jia, the CEO and Chairman of the Company, together with his wife provided their personal guarantees to various financial institutions to supports the Company's loan.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Fees for Services Rendered by Independent Registered Public Accounting Firm

The table set forth below lists the fees billed to the Company by Friedman LLP, or Friedman, our independent registered public accounting firm, for audit services rendered in connection with the audits of our consolidated financial statements for the years ended December 31, 2015 and 2014, and fees billed for other services rendered by Friedman during these periods.

Description	2015	2014
Audit fees ⁽¹⁾	\$ 260,000	\$ 250,000
Audit related fees	—	—
Tax fees	\$ 15,255	\$ 60,887 ⁽²⁾
All other fees	—	—
Total	\$ 275,255	\$ 310,887

(1) Comprised of the audit of our annual financial statements and reviews of our quarterly financial statements and registration statements.

(2) Comprised of services for tax compliance and tax inquire from IRS.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services Performed by the Independent Registered Public Accounting Firm

Pursuant to applicable law, and as set forth in the terms of its charter, the Audit Committee is responsible for overseeing the work of our company's independent registered public accounting firm. Any audit or non-audit services proposed to be performed are considered by and, if deemed appropriate, approved by the Audit Committee in advance of the performance of such services. All of the fees earned by Friedman described above were attributable to services pre-approved by the Audit Committee.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules

(1) Financial Statements:

Financial statements are shown in the Index to Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

Financial statement schedules have been omitted because either they are not applicable or the required information is included in the financial statements or the notes thereto.

(3) Exhibits

Exhibit No.	Description
2.1	Reverse Acquisition Agreement, dated September 29, 2009, by and between the Registrant, Baytree Capital Associates, LLC, Wuhan Vogue-Show Jewelry Co., Ltd., Dragon Lead Group Limited and the stockholders of Dragon (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the Commission on October 5, 2009).
3.1	Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.1 to our Registration Statement filed on Form SB-2 with the Commission on August 13, 1999).
3.2	Amendment to Certificate of Incorporation of Registrant, dated September 29, 1995 (incorporated by reference to Exhibit 3.2 to our Registration Statement filed on Form SB-2 with the Commission on August 13, 1999).
3.3	Amendment to Certificate of Incorporation of Registrant, dated October 12, 1995 (incorporated by reference to Exhibit 3.3 to our Registration Statement filed on Form SB-2 with the Commission on August 13, 1999).
3.4	Amendment to Certificate of Incorporation of Registrant, dated January 21, 1999 (incorporated by reference to Exhibit 3.4 to our Registration Statement filed on Form SB-2 with the Commission on August 13, 1999).
3.5	Amendment to Certificate of Incorporation of Registrant, dated April 7, 2000 (incorporated by reference to Exhibit 3.5 to our Registration Statement filed on Form SB-2/A with the Commission on April 12, 2000).
3.6	Amendment to Certificate of Incorporation of Registrant, dated December 18, 2009 (incorporated by reference to Exhibit 3.6 to our Registration Statement filed on Form S-1 with the Commission on October 1, 2010).
3.7	Amendment to Certificate of Incorporation of Registrant, dated June 8, 2010 (incorporated by reference to Exhibit 3.7 to our Registration Statement filed on Form S-1 with the Commission on October 1, 2010).
3.8	Amended and Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.1 to our Current Report filed on Form 8-K with the Commission on September 30, 2010).
4.1	Form of Common Stock Certificate of Registrant (incorporated by reference to Exhibit 4.1 to our Registration Statement filed on Form SB-2 with the Commission on August 13, 1999).
10.1	Exclusive Management Consulting and Technical Support Agreement, dated June 30, 2009, by and between Vogue-Show and Wuhan Kingold (incorporated by reference to Exhibit 10.6 to our Registration Statement filed on Form S-1 with the Commission on October 29, 2010).
10.2	Shareholders' Voting Proxy Agreement, dated June 30, 2009, by and between Vogue-Show and shareholders of Wuhan Kingold (incorporated by reference to Exhibit 10.7 to our Registration Statement filed on Form S-1 with the Commission on October 29, 2010).
10.3	Purchase Option Agreement, dated June 30, 2009, by and between Vogue-Show and shareholders of Wuhan Kingold (incorporated by reference to Exhibit 10.8 to our Registration Statement filed on Form S-1 with the Commission on October 8, 2010).
10.4	Pledge of Equity Agreement, dated June 30, 2009, by and between Vogue-Show and shareholders of Wuhan Kingold (incorporated by reference to Exhibit 10.9 to our Registration Statement filed on Form S-1 with the Commission on October 29, 2010).
10.5	Amended and Restated Call Option Agreement, dated December 17, 2014, by and among Zhihong Jia, Bin Zhao and Fok Wing Lam Winnie (whose Mandarin name is Huo Yong Lin).*
10.6	Amendment to Amended and Restated Call Option Agreement, dated March 26, 2016, by and among Zhihong Jia, Bin Zhao and Fok Wing Lam Winnie (whose Mandarin name is Huo Yong Lin).*
10.7	Amendment 2 to Amended and Restated Call Option Agreement, dated March 28, 2016, by and between Zhihong Jia and Fok Wing Lam Winnie (whose Mandarin name is Huo Yong Lin).*
10.8	Lease Agreement (English translation), dated February 1, 2015, by and between Wuhan Kingold and Vogue Show (incorporated by reference to Exhibit 10.6 to Annual Report filed on Form 10-K with the Commission on March 31, 2015).
10.9	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.17 to our Registration Statement filed on Form S-1 with the Commission on October 1, 2010).

- 10.10 Employment Agreement, dated November 18, 2010, between Registrant and Zhihong Jia (incorporated by reference to Exhibit 10.18 to our Registration Statement filed on Form S-1 with the Commission on November 18, 2010).**
- 10.11 Supplemental Agreement to Exclusive Management Consulting and Technical Support Agreement, dated October 20, 2011, by and between Vogue-Show and Wuhan Kingold (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the Commission on November 9, 2011).**
- 10.12 Shareholders' Voting Proxy Agreement, dated October 20, 2011, by and between Vogue-Show, Registrant and shareholders of Wuhan Kingold (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed with the Commission on November 9, 2011).
- 10.13 Purchase Option Agreement, dated October 20, 2011, by and between Vogue-Show, Registrant, and shareholders of Wuhan Kingold (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the Commission on November 9, 2011).
- 10.12 Pledge of Equity Agreement, dated October 20, 2011, by and between Vogue-Show and shareholders of Wuhan Kingold (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed with the Commission on November 9, 2011).
- 10.15 2011 Stock Incentive Plan (incorporated by reference to Exhibit A to our Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on September 29, 2011).**
- 10.16 Form of Nonqualified Stock Option Grant Agreement (incorporated by reference to Exhibit 10.2 to our Current Report filed on Form 8-K with the Commission on November 2, 2011).**
- 10.17 Form of Incentive Stock Option Grant Agreement (incorporated by reference to Exhibit 10.3 to our Current Report filed on Form 8-K with the Commission on November 2, 2011).**
- 10.18 Executive Employment Agreement between Kingold Jewelry, Inc. and Bin Liu, dated April 3, 2013 (incorporated by reference to Exhibit 10.1 to our Current Report filed on Form 8-K with the Commission on April 5, 2013).**
- 10.19 Acquisition Agreement (English translation), dated October 23, 2013, among Wuhan Kingold Jewelry Company Limited, Wuhan Wansheng House Purchasing Limited and Wuhan Huayuan Science and Technology Development Limited Company (incorporated by reference to Exhibit 10.1 to our Current Report filed on Form 8-K with the Commission on October 29, 2013).
- 10.20 English Translation of Labor Contract, by and between Wuhan Kingold Jewelry Co., Ltd. and Wang Jun effective as of May 1, 2014 (incorporated by reference to Exhibit 10.1 to our Current Report filed on Form 8-K with the Commission on May 5, 2014).**
- 10.21 Private Placement Agreement (English translation), dated July 21, 2014, between Wuhan Kingold Jewelry Co., Ltd., Shanghai Pudong Development Bank Co., Ltd and the other institutional investors named therein. (incorporated by reference to Exhibit 10.1 to our Current Report filed on Form 8-K with the Commission on March 4, 2015).
- 10.22 Underwriting Agreement (English translation), dated August 12, 2014, between Wuhan Kingold Jewelry Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. (incorporated by reference to Exhibit 10.2 to our Current Report filed on Form 8-K with the Commission on March 4, 2015).
- 10.23 Convertible Note Purchase Agreement dated April 2, 2015, between Kingold Jewelry, Inc. and Fidelidade – Companhia de Seguros, S.A. (incorporated by reference to Exhibit 10.1 to our Current Report filed on Form 8-K with the Commission on April 6, 2015).
- 10.24 Form of Registration Rights Agreement, between Kingold Jewelry, Inc. and Fidelidade – Companhia de Seguros, S.A. (incorporated by reference to Exhibit 10.2 to our Current Report filed on Form 8-K with the Commission on April 6, 2015).
- 10.25 Gold Lease Agreement (English translation), dated April 10, 2015, between Wuhan Kingold Jewelry Company Limited and Shanghai Pudong Development Bank Ltd., Wuhan Branch. *
- 10.26 Schedule of Gold Lease Agreements substantially identical in all material respects to the Gold Lease Agreement filed as Exhibit 10.25 to this Annual Report on Form 10-K, pursuant to Instruction 2 To Item 601 of Regulation S-K. *
- 10.27 Working Capital Loan Contract (English translation), dated May 29, 2015, between Wuhan Kingold Jewelry Company Limited and China CITIC Bank Corporation Limited, Wuhan Branch. *
- 10.28 Working Capital Loan Contract (English translation), dated June 1, 2015, between Wuhan Kingold Jewelry Company Limited and China CITIC Bank Corporation Limited, Wuhan Branch.*
- 10.29 Trust Loan Contract (English translation), dated September 17, 2015, between Wuhan Kingold Jewelry Company Limited and China Minsheng Trust Co., Ltd. (incorporated by reference to Exhibit 10.1 to our Current Report filed on Form 8-K with the Commission on October 13, 2015).
- 10.30 Loan Agreement of Circulating Fund (English translation), dated September 24, 2015, between Wuhan Kingold Jewelry Company Limited and Jiang'an Wuhan Branch of Hubei Bank Co., Ltd. (incorporated by reference to Exhibit 10.1 to our Current Report filed on Form 8-K with the Commission on November 18, 2015).

10.31	Loan Agreement of Circulating Fund (English translation), dated December 18, 2015, between Wuhan Kingold Jewelry Company Limited and Qixia Branch of Evergrowing Bank (incorporated by reference to Exhibit 10.1 to our Current Report filed on Form 8-K with the Commission on January 14, 2016).
10.32	Gold Lease Agreement (English translation), dated January 11, 2016, between Wuhan Kingold Jewelry Company Limited and China Construction Bank. *
10.33	Gold Lease Agreement (English translation), dated January 19, 2016, between Wuhan Kingold Jewelry Company Limited and China Construction Bank. *
10.34	Loan Agreement of Circulating Fund (English translation), dated January 20, 2016, between Wuhan Kingold Jewelry Company Limited and Qixia Branch of Evergrowing Bank (incorporated by reference to Exhibit 10.1 to our Current Report filed on Form 8-K with the Commission on February 4, 2016).
10.35	Gold Lease Agreement (English translation), dated January 25, 2016, between Wuhan Kingold Jewelry Company Limited and China Construction Bank. *
10.36	Loan Agreement of Circulating Fund (English translation), dated January 28, 2016, between Wuhan Kingold Jewelry Company Limited and Qixia Branch of Evergrowing Bank (incorporated by reference to Exhibit 10.2 to our Current Report filed on Form 8-K with the Commission on February 4, 2016).
10.37	Collective Trust Loan Contract (English translation), dated January 29, 2016, between Wuhan Kingold Jewelry Company Limited and Anxin Trust Co., Ltd. *
10.38	Gold Lease Agreement (English translation), dated March 3, 2016, between Wuhan Kingold Jewelry Company Limited and Industrial and Commerce Bank of China. *
14.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 14.1 to our Registration Statement filed on Form S-1 with the Commission on October 29, 2010).
21.1	List of Subsidiaries. *
23.1	Consent of Friedman, LLP.*
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
99.1	Press release dated March 28, 2016 titled "Kingold Jewelry Reports Financial Results for the Fourth Quarter and Year Ended December 31, 2015". *
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
	* Filed Herewith
	** Indicates a management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 28, 2016

Kingold Jewelry, Inc.

By: /s/ Zhihong Jia
Zhihong Jia
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Zhihong Jia</u> Zhihong Jia	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 28, 2016
<u>/s/ Bin Liu</u> Bin Liu	Chief Financial Officer (Principal Financial and Accounting Officer)	March 28, 2016
<u>/s/ Jun Wang</u> Jun Wang	Director	March 28, 2016
<u>/s/ Zhonghong Fu</u> Zhonghong Fu	Director	March 28, 2016
<u>/s/ Guang Chen</u> Guang Chen	Director	March 28, 2016
<u>/s/ H. David Sherman</u> H. David Sherman	Director	March 28, 2016

**AMENDED AND RESTATED
CALL OPTION AGREEMENT**

This AMENDED AND RESTATED CALL OPTION AGREEMENT (this "**Agreement**") is made and entered into as of December 17, 2014 (the "**Effective Date**"), between Jia Zhi Hong and Zhao Bin, residents of the People's Republic of China (the "**Purchaser**" or "**Purchasers**") and Huo Yong Lin, a resident of Hong Kong Special Administration Region (the "**Seller**"). Purchasers and Seller are also referred to herein together as the "**Parties**" and individually as a "**Party**".

RECITALS

WHEREAS, pursuant to a Reverse Acquisition Agreement by and among ActiveWorlds Corp., a company incorporated under the laws of the State of Delaware, whose shares trade on the OTC Bulletin Board under the symbol AWLD (the "**ActiveWorlds**"), Dragon Lead Group Limited, a British Virgin Islands company (the "**Dragon Lead**") and its shareholders, among which Famous Grow Holdings Limited, a British Virgin Island company wholly owned by the Seller is the single largest shareholder ("**Famous Grow**" or the "**Company**"), ActiveWorlds is expected to acquire 100% of the issued and outstanding capital stock of Dragon Lead and issue new shares to Famous Grow and other Dragon Lead shareholders (the "**Reverse Acquisition Agreement**");

WHEREAS, Purchasers have agreed with Seller, as an inducement to the Purchasers to be the shareholders of the Company.

WHEREAS, Seller is the sole holder of the Famous Grow's issued shares ("**Company Shares**"), and has determined that it is in her best interest to receive benefits from Purchasers' performance as senior management of Wuhan Kingold and the Group and will enter into the Reverse Acquisition Agreement based on the possibility of obtaining such benefits;

WHEREAS, upon the closing of the Reverse Acquisition Agreement, Famous Grow will be issued and hold 15,925,943 shares of common stock of ActiveWorlds, \$0.001 par value per share;

WHEREAS, Seller agrees to [deposit all her Company Shares to a make good escrow agent and] grant to Purchasers certain call rights to acquire up to 100 percent of the Company Shares pursuant to the terms and conditions set forth herein ("**Call Right**");

NOW, THEREFORE, the Parties, in consideration of the foregoing premises and the terms, covenants and conditions set forth below, receipt of which is acknowledged, hereby agree as follows:

AGREEMENT

1. DEFINITIONS; INTERPRETATION

1.1. Terms Defined in this Agreement. The following terms when used in this Agreement shall have the following definitions:

"Bankruptcy Law" means any Law of any jurisdiction relating to bankruptcy, insolvency, corporate reorganization, company arrangement, civil rehabilitation, special liquidation, moratorium, readjustment of debt, appointment of a conservator, trustee or receiver, or similar debtor relief.

"Business Day" means any day on which commercial banks are required to be open in the United States.

"Call Price" means, with respect to any exercise of the Call Right, par value or \$0.001 per share of the Company Shares subject to any Call Exercise Notice.

"Government Authority" means any: (a) nation, principality, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; (c) governmental or quasi governmental authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, board, instrumentality, officer, official, representative, organization, unit, body or Person and any court or other tribunal); or (d) individual, Person or body exercising, or entitled to exercise, any executive, legislative, judicial, administrative, regulatory, police, military or taxing authority or power of any nature.

"Law" means any federal, state, local, municipal, foreign or other law, statute, legislation, constitution, principle of common law, resolution, ordinance, code, order, edict, decree, proclamation, treaty, convention, rule, regulation, permit, ruling, directive, pronouncement, requirement (licensing or otherwise), specification, determination, decision, opinion or interpretation that is, has been or may in the future be issued, enacted, adopted, passed, approved, promulgated, made, implemented or otherwise put into effect by or under the authority of any Government Authority.

"Person" means any individual, firm, company, corporation, limited liability company, unincorporated association, partnership, trust, joint venture, governmental authority or other entity, and shall include any successor (by merger or otherwise) of such entity.

1.2. Interpretation.

(a) Certain Terms. The words "hereof," "herein," "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement. The term "including" is not limited and means "including without limitation."

(b) Section References; Titles and Subtitles. Unless otherwise noted, all references to Sections herein are to Sections of this Agreement. The titles, captions and headings of this Agreement are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

(c) Reference to Entities, Agreements, Statutes. Unless otherwise expressly provided herein, (i) references to a Person include its successors and permitted assigns, (ii) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments, restatements and other modifications thereto or supplements thereof and (iii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such statute or regulation.

2. CALL RIGHT

2.1. Call Right. Purchaser shall have, during the Exercise Period (as defined below), the right and option to purchase from the Seller, and upon the exercise of such right and option the Seller shall have the obligation to sell to Purchasers, a portion of the Company Shares identified in the Call Exercise Notice. Purchaser shall be permitted to purchase, and seller shall be obligated to sell the total number of 6,227 of Company Shares with time passing.

2.2. Call Period. The Call Right shall be exercisable by Purchasers, by delivering a Call Exercise Notice at any time during the period (the “ **Exercise Period**”) commencing on the day that shall be 30 days subsequent to the date that the Reverse Acquisition is closed and ending at 6:30 p.m. (New York time) on the fifth anniversary date therefrom (such date or the earlier expiration of the Call Right is referred to herein as the “**Expiration Date**”).

2.3. Exercise Process. In order to exercise the Call Right during the Exercise Period, the Purchasers shall deliver to the Seller, a written notice of such exercise substantially in the form attached hereto as **Appendix A** (a “**Call Exercise Notice**”) to such address or facsimile number set forth therein. The Call Exercise Notice shall indicate the number of Company Shares as to which Purchaser is then exercising its Call Right and the aggregate Call Price. Provided the Call Exercise Notice is delivered in accordance with Section 6.4 to such Seller on or prior to 6:30 p.m. (New York time) on a Business Day, the date of exercise (the “**Exercise Date**”) of the Call Right shall be the date of such delivery of such Call Exercise Notice. In the event the Call Exercise Notice is delivered after 6:30 p.m. (New York time) on any day or on a date which is not a Business Day, the Exercise Date shall be deemed to be the first Business Day after the date of such delivery of such Call Exercise Notice. The delivery of a Call Exercise Notice in accordance herewith shall constitute a binding obligation (a) on the part of such Purchaser to purchase, and (b) on the part of the Seller to sell, the Company Shares subject to such Call Exercise Notice in accordance with the terms of this Agreement.

2.4. Call Price. If the Call Right is exercised pursuant to this Section 2, as payment for the Company Shares being purchased by the Purchasers pursuant to the Call Right, such Purchaser shall pay the aggregate Call Price to the Seller (but no later than fifteen (15) Business Days of the Exercise Date).

2.5. Delivery of the Shares. Upon the receipt of a Call Exercise Notice, the Seller shall deliver, or take all steps necessary to cause to be delivered, the Company Shares being purchased pursuant to such Call Exercise Notice.

3. ENCUMBRANCES; TRANSFERS, SET-OFF AND WITHHOLDINGS

3.1. Encumbrances. Upon exercise of the Call Right, the Company Shares being purchased shall be sold, transferred and delivered to the Purchaser free and clear of any claim, pledge, charge, lien, preemptive rights, restrictions on transfers (except as required by securities laws of the United States), proxies, voting agreements and any other encumbrance whatsoever.

3.2. Transfers. Prior to the Expiration Date, Seller shall continue to own, free and clear of any hypothecation, pledge, mortgage or other encumbrance, except pursuant to this Agreement and except in favor of the Collateral Agent (as defined below) for the benefit of the Purchaser, such amount of the Company Shares as may be required from time to time to in order for the Purchaser to exercise its Call Right in full.

3.3. Set-off. The Purchaser shall be absolutely entitled to receive all Company Shares subject to the exercise of a Call Right, and for the purposes of this Agreement, Seller hereby waives, as against the Purchaser, all rights of set-off or counterclaim that would or might otherwise be available to the Seller.

3.4 Escrow of Company Shares.

(a) Upon execution of this Agreement, Seller shall deliver to Mr. Huang Yi, as Collateral Agent (the “**Collateral Agent**”), certificates representing Company Shares and its ActiveWorlds Common Stocks. The certificates representing the Company Shares (together with duly executed stock powers in blank) or its ActiveWorlds Common Stocks shall be held by the Collateral Agent.

(b) Upon receipt of a Call Exercise Notice, the Collateral Agent shall promptly deliver the Company Shares being purchased pursuant to such Call Exercise Notice in accordance with the instructions set forth therein and in accordance with any other Lock-Up or Make Good Agreement in place between the Purchasers or Seller and other third party.

4. REPRESENTATIONS AND WARRANTIES.

4.1. Representations and Warranties by Seller. Seller represents and warrants to Purchaser that:

(a) Due Authorization. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereunder to be carried out by it have been duly authorized by all necessary action on the part of Seller. This Agreement, and all agreements and documents executed and delivered pursuant to this Agreement, constitute valid and binding obligations of such Seller, enforceable against such Seller in accordance with its terms, subject to applicable Bankruptcy Laws and other laws or equitable principles of general application affecting the rights of creditors generally.

(b) No Conflicts. Neither the execution or delivery of this Agreement by the Seller nor the fulfillment or compliance by the Seller with any of the terms hereof shall, with or without the giving of notice and/or the passage of time, (i) conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, (A) the organizational or charter documents of the Seller or (B) any contract or any judgment, decree or order to which Seller is subject or by which the Seller is bound, or (ii) require any consent, license, permit, authorization, approval or other action by any Person or Government Authority which has not yet been obtained or received. The execution, delivery and performance of this Agreement by the Seller or compliance with the provisions hereof by the Seller does not, and shall not, violate any provision of any Law to which the Seller is subject or by which it is bound.

(c) No Actions. There are no lawsuits, actions (or to the best knowledge of the Seller, investigations), claims or demands or other proceedings pending or, to the best of the knowledge of the Seller, threatened against the Seller which, if resolved in a manner adverse to the Seller, would adversely affect the right or ability of the Seller to carry out its obligations set forth in this Agreement.

(d) Title. Seller owns the Company Shares free and clear of any claim, pledge, charge, lien, preemptive rights, restrictions on transfers, proxies, voting agreements and any other encumbrance whatsoever, except as contemplated by this Agreement. The Seller has not entered into or is a party to any agreement that would cause the Seller to not own such Company Shares free and clear of any encumbrance, except as contemplated by this Agreement.

4.2 Representations and Warranties by Purchaser. The Purchaser represents and warrants to the Seller that:

(a) Due Authorization. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereunder to be carried out by it have been duly authorized by all necessary action on the part of the Purchaser. This Agreement, and all agreements and documents executed and delivered pursuant to this Agreement, constitute valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with its terms, subject to applicable Bankruptcy Laws and other laws or equitable principles of general application affecting the rights of creditors generally.

(b) No Conflicts. Neither the execution or delivery of this Agreement by Purchaser nor the fulfillment or compliance by Purchaser with any of the terms hereof shall, with or without the giving of notice and/or the passage of time, (i) conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, (A) the organizational or charter documents of Purchaser or (B) any contract or any judgment, decree or order to which Purchaser is subject or by which Purchaser is bound, or (ii) require any consent, license, permit, authorization, approval or other action by any Person or Government Authority which has not yet been obtained or received. The execution, delivery and performance of this Agreement by Purchaser or compliance with the provisions hereof by Purchaser does not, and shall not, violate any provision of any Law to which Purchaser is subject or by which it is bound.

(c) No Actions. There are no lawsuits, actions (or to the best knowledge of Purchaser, investigations), claims or demands or other proceedings pending or, to the best of the knowledge of Purchaser, threatened against Purchaser which, if resolved in a manner adverse to Purchaser, would adversely affect the right or ability of Purchaser to carry out its obligations set forth in this Agreement.

5. EVENTS OF DEFAULT AND TERMINATION

5.1 Events of Default. The occurrence at any time with respect to a Party (the “**Defaulting Party**”) of any of the following events shall constitute an event of default (an “**Event of Default**”) with respect to such party:

(a) Failure to Pay or Deliver. The failure by a Party to make, when due, any payment under this Agreement or deliver the Company Shares in accordance with this Agreement, if such failure is not remedied on or before the third Business Day after notice of such failure is given to the Defaulting Party;

(b) Breach of Agreement. The failure by a Party to comply with or perform any agreement, covenant or obligation (other than a failure described in Section 5.1(a)) to be complied with or performed by such Party in accordance with this Agreement if such failure is not remedied on or before the tenth Business Day after notice of such failure is given to the Defaulting Party; or

(c) Bankruptcy. A Party (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any relief under any Bankruptcy Law, or a petition is presented for its winding-up or liquidation, and in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or rescinded, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable Law, has an analogous effect to any of the events described in clauses (1) through (7); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

5.2 Termination. If at any time an Event of Default with respect to a Party has occurred and is continuing, the other party may terminate this Agreement and deem the Expiration Date to have occurred by giving written notice to the Defaulting Party specifying the relevant Event of Default.

6. MISCELLANEOUS.

6.1 Governing Law; Jurisdiction. This Agreement shall be construed according to, and the rights of the Parties shall be governed by, the laws of the State of New York, without reference to any conflict of laws principle that would cause the application of the laws of any jurisdiction other than New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the federal and state courts sitting in the City of New York, for the adjudication of any dispute hereunder or in connection herewith, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that such, suit, action or proceeding is brought in an inconvenient forum, or that the venue of such suit, action or proceeding is improper.

6.2. Successors and Assigns. No Party may assign this Agreement or any rights or obligations hereunder without the prior written consent of the other Party. The provisions hereof shall inure to the benefit of, and be binding upon, the successors and permitted assigns of the Parties.

6.3. Entire Agreement; Amendment. This Agreement constitutes the full and entire understanding and agreement between and among the Parties with regard to the subject matter hereof. Any term of this Agreement may be amended only with the written consent of each Party.

6.4. Notices and Other Communications. Any and all notices, requests, demands and other communications required or otherwise contemplated to be made under this Agreement shall be in writing and shall be provided by one or more of the following means and shall be deemed to have been duly given (a) if delivered personally, when received, (b) if transmitted by facsimile, on the date of transmission with receipt of a transmittal confirmation, or (c) if by an internationally recognized overnight courier service, one Business Day after deposit with such courier service. All such notices, requests, demands and other communications shall be addressed to such address or facsimile number as a party may have specified to the other parties in writing delivered in accordance with this Section 6.4.

6.5. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any Person hereunder, upon any breach or default under this Agreement, shall impair any such right, power or remedy nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Person hereunder of any breach or default under this Agreement, or any waiver on the part of any Person of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing and signed by the waiving or consenting Person.

6.6. Severability. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the Parties. In such event, the Parties shall use best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly affects the Parties' intent in entering into this Agreement.

6.7. Construction. The language used in this Agreement will be deemed to be the language chosen by the Parties to express their mutual intent, and no rules of strict construction will be applied against any Party.

6.8. Further Assurances. The Parties shall perform such acts, execute and deliver such instruments and documents and do all other such things as may be reasonably necessary to effect the transactions contemplated hereby.

6.9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. Execution and delivery of this Agreement by exchange of facsimile copies bearing the facsimile signature of a Party shall constitute a valid and binding execution and delivery of this Agreement by such Party.

[remainder of page intentionally blank]

Signature Page

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

Purchaser:

/s/ Jia Zhi Hong

Purchaser:

/s/ Zhao Bin

Seller:

/s/ Huo Yong Lin

Acknowledged and agreed to:

Collateral Agent:

_____, as Collateral Agent

By: /s/ Yi Huang

Name:

Amendment to Amended and Restated Call Option Agreement

This amendment to AMENDED AND RESTATED CALL OPTION AGREEMENT (this "Amendment") is made and entered into as of March 26, 2016 (the "Effective Date"), between Jia Zhi Hong and Zhao Bin, residents of the People's Republic of China and Huo Yong Lin, a resident of Hong Kong Special Administration Region (referred to herein together as the "Parties" and individually as a "Party").

RECITALS

WHEREAS, Zhao Bin and Jia Zhi Hong as the Purchasers and Huo Yong Lin as the Seller entered the AMENDED AND RESTATED CALL OPTION AGREEMENT on December 17, 2014;

WHEREAS, Zhao Bin has not served as general manager of either Wuhan Kingold Jewelry Company Limited or any related company anymore;

WHEREAS, Article 2.2 of the AMENDED AND RESTATED CALL OPTION AGREEMENT provides that the "The Call Right shall be exercisable by Purchasers, by delivering a Call Exercise Notice at any time during the period (the "Exercise Period") commencing on the day that shall be 30 days subsequent to the date that the Reverse Acquisition is closed and ending at 6:30 p.m. (New York time) on the fifth anniversary date therefrom (such date or the earlier expiration of the Call Right is referred to herein as the "Expiration Date")."

WHEREAS, although the Exercise Period has passed, Parties have continuously intended that the Exercise Period should remain open, and further desire to ratify such Exercise Period, to extend it for another five-year period and to keep the effectiveness of the AMENDED AND RESTATED CALL OPTION AGREEMENT accordingly.

AGREEMENT

1. Parties agree that Zhao Bin has ceased to be a party of the AMENDED AND RESTATED CALL OPTION AGREEMENT, as amended.
2. The Exercise Period is extended for another five years, and the Expiration Date is extended accordingly.
3. This Amendment is effective as of March 26, 2016.

[End of Amendment – Signature Page Follows]

Signature Page

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

/s/ Zhao Bin

Zhao Bin

/s/ Jia Zhi Hong

Jia Zhi Hong

/s/ Huo Yong Lin

Huo Yong Lin

Acknowledged and agreed to:

Yi Huang, as Collateral Agent

By: /s/ Yi Huang

Amendment 2 to Amended and Restated Call Option Agreement

This Amendment 2 to AMENDED AND RESTATED CALL OPTION AGREEMENT (this "Amendment") is made and entered into as of March 28, 2016 (the "Effective Date"), between Jia Zhi Hong, a resident of the People's Republic of China and Huo Yong Lin, a resident of Hong Kong Special Administration Region (referred to herein together as the "Parties" and individually as a "Party").

RECITALS

WHEREAS, RECITALS of the AMENDED AND RESTATED CALL OPTION AGREEMENT provide that the "upon the closing of the Reverse Acquisition Agreement, Famous Grow will be issued and hold 15,925,943 shares of common stock of ActiveWorlds, \$0.001 par value per share." and "Seller agrees to [deposit all her Company Shares to a make good escrow agent and] grant to Purchasers certain call rights to acquire up to 100 percent of the Company Shares pursuant to the terms and conditions set forth herein ("**Call Right**")";

WHEREAS, Article 2.1 of the AMENDED AND RESTATED CALL OPTION AGREEMENT provides that the "Purchaser shall be permitted to purchase, and seller shall be obligated to sell the total number of 6,227 of Company Shares with time passing."; and

WHEREAS, Parties have continuously intended that the Purchaser shall be permitted to purchase, and seller shall be obligated to sell the total number of 15,925,943 of Company Shares.

AGREEMENT

1. Article 2.1 of the AMENDED AND RESTATED CALL OPTION AGREEMENT is amended as below:

2.1. Call Right. Purchaser shall have, during the Exercise Period (as defined below), the right and option to purchase from the Seller, and upon the exercise of such right and option the Seller shall have the obligation to sell to Purchasers, a portion of the Company Shares identified in the Call Exercise Notice. Purchaser shall be permitted to purchase, and seller shall be obligated to sell the total number of 15,925,943 of Company Shares with time passing.

2. Except as explicitly amended hereby and pursuant to the terms of the Amendment to the AMENDED AND RESTATED CALL OPTION AGREEMENT dated March 26, 2016, the terms of the AMENDED AND RESTATED CALL OPTION AGREEMENT shall remain in full force and effect.

This Amendment 2 is effective as of March 28, 2016.

[End of Amendment 2 – Signature Page Follows]

Signature Page

IN WITNESS WHEREOF, the Parties have executed this Amendment 2 as of the date first written above.

/s/ Jia Zhi Hong
Jia Zhi Hong

/s/ Huo Yong Lin
Huo Yong Lin

Acknowledged and agreed to:

Yi Huang, as Collateral Agent

By /s/ Yi Huang_____

SPD BANK

Gold Lease Agreement

Lease Party: Wuhan Branch of Shanghai Pudong Development Bank Co., Ltd (hereinafter as Party A)

Leased Party: Wuhan Kingold Jewelry Co., Ltd (hereinafter as Party B)

Whereas:

Party A and Party B signed the Gold Lease Framework Agreement (hereinafter as Framework Agreement) on the date of __July__ / 9 day 2014, document No. GR2014027001.

I. Transaction Content

1.	Customer No. in Gold Exchange	0000000049
2.	Gold Exchange Abbreviation	Wuhan Kingold
3.	Type	Au 99.99
4.	Weight (KG)	197 kg
5.	Settlement price	238.5 yuan/g
6.	Lease gold market price	46,984,500 Yuan
7.	Lease rate	3.2% per year
8.	Lease term	2015/4/10 - 2016/4/10
9.	Deposit percentage	1.064% of lease gold market value
10.	Lease Expense Payment	1. Lease expense shall be paid in full when Party B gains the leased gold. √2. Party B shall pay the lease expense quarterly. 3. Lease expense shall be paid in full when Party B returns the gold.
11.	Account Information	70160155200004126
12.	Note	

II. When signing on the trade confirmation, the client should give the following representations and warranties:

1. The client should make sure that he or she has filled in the trade confirmation with the application for gold leasing trade correctly and neatly.
2. The signing representatives of this trade confirmation have been qualified with valid authorization.
3. The client has already had a fully understanding to the clauses and relative risks of the trade.
4. The client should authorize your bank to deduct the relevant leasing cost from the settlement account (see Item 11 "settlement account information" from the above table) opened in your bank directly.

III. Other clauses:

1. Here, the client has confirmed that by the end of handing in the trade confirmation with valid signature of authorized representatives and the reserved seal, the framework agreement and the "representations, warranties as well as commitments" on the trade confirmation are all real and valid without any "defaults". The relevant definitions on the trade confirmation share the same meaning with those in framework agreement. Once the principal of your bank or authorized agent has signed (or stamped) and stamped business seal on the trade confirmation according to the framework agreement, the trade under this confirmation would be reached. As the indivisible part of framework agreement, this trade confirmation would operate in parallel with the framework agreement.
 2. In order to ensure the implementation of the trade mentioned above, the client agrees to pay the cash deposit to your bank based on the margin ratio listed on the trade confirmation and sign the *Margin Pledge Contract* with your bank to provide pledge guarantee to the trade under this confirmation.
-

Party A (seal or special seal for contract)
Legal representative/director or agent
(Signature or seal)

Party B (seal or reserved signature)
Legal representative
(Signature or seal)

Residence:
Code of Shanghai Gold Exchange
Postal code:
Telephone:
Fax. :
E-mail:
Contact person:
Signature date: 2015/4/10

Principle business address
Code of Shanghai Gold Exchange
Postal code:
Telephone:
Fax.:
E-mail:
Contact person:
Signature date: 2015/4/10

SCHEDULE OF GOLD LEASE AGREEMENTS

SUBSTANTIALLY IDENTICAL IN ALL MATERIAL RESPECTS

TO THE GOLD LEASE AGREEMENT FILED AS

EXHIBIT 10.24 TO THIS ANNUAL REPORT ON FORM 10-K,

PURSUANT TO INSTRUCTION 2 TO ITEM 601 OF REGULATION S- K

In accordance with the instructions to Item 601 of Regulation S-K, Kingold Jewelry, Inc. has omitted filing four Gold Lease Agreements as exhibits to this Annual Report on Form 10-K because they are substantially identical in all material respects to the Gold Lease Agreement filed as Exhibit 10.24. The lessor under each Gold Lease Agreement is Shanghai Pudong Development Bank Ltd., Wuhan Branch, the lessee is Wuhan Kingold Jewelry Company Limited and the kind of gold is Au99.99. Each Gold Lease Agreement is signed according to the Gold Lease Framework Agreement signed on July 9, 2014.

The following chart sets forth the material details in which such Gold Lease Agreements differ from the Gold Lease Agreement filed as Exhibit 10.24:

1. Signing Date	2015/7/20	2015/7/20	2015/8/26	2015/8/26	2015/9/1
2. Weight (KG)	150	160	235	95	80
3. Settlement price (yuan/g)	229.6	229.6	237.3	237	233.87
4. Lease gold market price (Yuan)	34,440,000	36,736,000	55,765,500	22,515,000	18,709,600
5. Lease rate (%/Year)	6%	6%	2.8%	2.8%	3.8%
6. Lease term	2015/7/20 – 2016/5/20	2015/7/20 - 2016/6/10	2015/8/26 -2016/8/25	2015/8/26 -2016/7/31	2015/9/1 -2016/8/31
7. Deposit percentage	% of lease gold market value	% of lease gold market value	% of lease gold market value	% of lease gold market value	106.89% of lease gold market value

RMB Working Capital Loan Contract**Borrower: Wuhan Kingold Jewelry Co., Limited****(Hereinafter Party A)**

Address: 15# Huangpu Science and Technology Park, Jiang'an District, Wuhan, Hubei Province, PRC

Postal code:

Tel:

Fax:

Legal representative: Zhihong Jia

Deposit bank & Account number: 7381310182600083815

Lender: Wuhan Branch China CITIC Bank Corporation Limited (Hereinafter Party B)

Address: No.747 Jianshe Road, Hankou District, Wuhan, Hubei Province

Postal code: 430015

Tel: 027-85355272

Fax:

Legal representative/Principal: Xuemin Xu

Place of Contract: Wuhan

Date of signature: 5 (Month) 29 (Day) 2015 (Year)

In accordance with Contract Law of the People's Republic of China and Interim Measures on Management of Working Capital Loans and other relevant laws, regulations and rules and based on the principles of equality and friendly consultation, Party A and Party B agree to enter into this Contract.

Article 1 Loan type

1.1 In accordance with this Contract, Party B agrees to provide working capital loans for Party B.

Article 2 Allocated loan amount (Principal, similarly hereafter) & loan term

2.1 The Currency under this Contract is RMB

(Amount in words): Twenty Million RMB(Amount in figures): ¥20,000,000.

2.2 The loan term under this Contract is from ___5___ (Month)___29___(Day)___2015___(Year) to ___3___(Month)___29___(Day)___2016___(Year).

2.3 The payment actual term, withdrawal actual date and allocated loan amount shall follow the term, date and loan specified on this Contract. A certificate of indebtedness is an integral part of this Contract. The certificate and this Contract are equally valid.

Article 3 Purpose of loan

3.1 The loan under this Contract is to be used for **capital turnover**. Party A shall not change the purpose of loan without the written permission from Party B. Party A shall not invest the mentioned loan into fixed assets and securities, nor use the loan for any banned production and operation, nor misuse the loan at will.

Article 4 Interest rate and Interest on loan

4.1 Loan Interest

4.1.1 In case that the time interval between the first withdrawal actual date and date of signature is within six months, the interest rate under this Contract shall be determined in line with ____(1)___ of the following:

(1) The interest rate shall raise (raise/cut) by 20__(%/BPs) based on the benchmark interest rate announced by the People's Bank of China for loans of the same term and priority as the withdrawal actual date.

(2) The interest rate shall / (raise/cut) by /__(%/BPs) based on the benchmark interest rate announced by the People's Bank of China for loans of the same term and priority as the date of signature, namely the interest rate under this Contract shall be /__%.

In case that the time interval between the first withdrawal actual date and date of signature is beyond six months, Party B shall have the right to adjust the interest rate of this loan based on Party B's relevant interest rate policy at the appointed time. But Party A shall need the written notification from Party B.

4.1.2 The interest rate under this Contract shall apply the ____(1)___ mode of the following to be readjusted:

(1) Fixed interest rate. The interest rate shall remain unchanged within the term of loan.

(2) Floating interest rate. The interest rate under this Contract shall be determined according to the / mode of the following items. The interest rate of this loan after readjustment shall be the benchmark interest rate announced by the People's Bank of China for loans of the same term and priority as the adjustment date in accordance with the definite interest rate after readjustment via the way specified in 4.1 under this Contract.

(i) The interest rate shall be readjusted for every /__ (in capital form) (month/quarter/year) from the withdrawal actual date. The readjustment date shall be that in the readjustment month corresponding to the withdrawal actual date. If there is no date in the readjustment month corresponding to the withdrawal actual date, the readjustment date shall be the last date in the readjustment month.

(ii) The initial interest rate shall be on /__(Month)___/__(Day)___/__(Year) from the withdrawal actual date and for every /__ (in capital form) (month/quarter/year) from the readjustment date. The readjustment date shall be that in the readjustment month corresponding to the initial readjustment date. If there is no date in the readjustment month corresponding to the initial readjustment date, the readjustment date shall be the last date in the readjustment month.

(iii) From the withdrawal actual date, the readjustment date of the interest rate under this Contract shall be the readjustment date of the benchmark interest rate.

4.1.3 The benchmark interest rate applied on the loan on the date of the Contract signing, the final date for withdraw load and the reset date of interest rate should be decided based on (1).

- (1) Benchmark interest rate of RMB among the institutions with the same level and at the same period issued by People's Bank of China that day.
- (2) The average one-year benchmark interest rate issued by the National Inter-Bank Funding Center one business day before.
- (3) The one-year RMB benchmark interest rate issued by China CITIC Bank one business day before.

4.1.4 If the benchmark interest rate of RMB among the institutions with the same grade and at the same period issued by People's Bank of China that day has been selected, during the floating interest rate period, supposing that People's Bank of China announced cancelling (or not updating any more) the RMB benchmark interest rate of the corresponding-level financial institutions, the loan rate under this Contract would take the average one-year benchmark interest rate issued by the National Inter-Bank Funding Center currently as benchmark interest rate. What's more, the adjustment to the load rate under this Contract would be negotiated and redefined by both parties or conducted based on the unified suggestions given by the authorities such as People's Bank of China. If the average one-year benchmark interest rate issued by the National Inter-Bank Funding Center has cancelled (or not updating any more) the average benchmark interest rate, then the one-year benchmark interest rate issued by Party B would be taken as the benchmark interest rate. Also, the adjustment to the load rate under this Contract would be negotiated and redefined by both parties or conducted based on the unified suggestions given by the authorities such as People's Bank of China.

The confirmation prescription of loan rate and adjustment redefined by both parties should keep the rate of the loan applied with the first rate reset date, after the announcement made by People's Bank of China that cancelling (or not updating any more) benchmark interest rate of the corresponding-level financial institutions, under this Contract higher than or at least equal to the following loan rate:

The current effective RMB benchmark interest rate of the corresponding-level financial institutions adjusted by the People's Bank of China before the announcement made by People's Bank of China that cancelling (or not updating any more) benchmark interest rate of the corresponding-level financial institutions should be regarded as the benchmark interest rate based on the loan rate defined by Item 4.1.1 and 4.1.2 in this Contract.

Here, Party B could reserve the right of announcing the loan under this Contract would be due ahead of time, if the negotiation for the confirmation prescription and adjustment to the loan rate failure.

4.2 Settlement Interest

4.2.1 The interests shall be calculated from the withdrawal actual date. The interest calculating formula shall be as: $\text{interests} = \text{actual balance of loan} \times \text{actual days within interest period} \times \text{annual interest rate} / 360 \text{ days}$.

4.2.2 In case that the loans and the accrued interest outright shall not be once repaid, the initial expiry date for interest shall be on

__6__ (Month) __20__ (Day) __2016__ (Year) based on __ (1) __ of the following settlement:

- (1) The interests shall be settled on a monthly basis. The 20th day of each month shall be the date of interest settlement.
 - (2) The interests shall be settled on a quarterly basis. The 20th day of the last month in each quarter shall be the date of interest settlement.
 - (3) Other date as agreed by both parties shall be: ____ / ____.
-

4.2.3 Party A, no later than each interest settlement date, deposit adequate funds into the account opened by Party B (account number: 7381310182600083815) for Party B to deduct interest timely from this account. Party A shall make it sure to repay the interests in time if choosing other repayment method. If the interest settlement date is non-banking days, the interests shall be deposited a banking day in advance. If Party A fails to repay the agreed interests within the interest settlement date, Party B shall have the right to regard it as overdue interests.

4.3 The loan in full with any interest accrued shall be repaid on the maturity date. If the maturity date is on official holidays or public holidays, the loan shall be repaid on the last banking day before official holidays or public holidays. The interests shall be calculated by the interest rate specified in this Contract and it shall deduct the interests within the days between the repayment date and maturity date calculated by the interest rate specified in this Contract. In case of repaying the loan on the first banking day after official holidays or public holidays, the interests for the overdue loan shall be charged according to the interests between maturity date and actual repayment date calculated by the interest rate specified in this Contract. If the loan is failed to be repaid on the first banking day after official holidays or public holidays, the interests for the overdue loan shall be charged from this date.

Article 5 Drawing and payment of the loan

5.1 Conditions precedent for the initial drawing

Party A shall meet the following conditions before drawing loan for the first time:

5.2 Conditions precedent for each drawing

For each drawing (including initial drawing) under this Contract, Party A shall meet the following conditions except conditions precedent for the initial drawing as agreed in 5.1:

- (1) Party A shall have no violation against the duty and responsibility under this Contract and guaranty documents.
- (2) Guaranty documents shall be persistently valid and the guaranty has no adverse changes that Party B believes may be disadvantageous for it to achieve its credit.
- (3) The financial position of Party A has no changes that are likely to harm, delay or hinder the performance of duty and responsibility under this Contract and guaranty documents.
- (4) Party A has signed or provided the documents as agreed or required by Party B.
- (5) Party A has opened relevant account in accordance with this Contract or Party B's requirements.
- (6) _____
- (7) Other conditions required by Party B:

5.3 Plan of drawing

5.3.1 Party A shall draw based on the following plan, and the withdrawal due date shall be on the banking days.

Withdrawing date	Amount of withdrawing
5/29/2015	20,000,000 ¥

5.3.2 Party B is entitled to carry out the audit to credit line every (capital) / months (no more than 12 months) since the Contract signing date to decide whether to provide or adjust unused credit line.

5.4 If Party A or guaranty party fails to perform the duties as agreed in this Contract or the laws and regulations, including but being not constrained by that Party A fails to provide complete documents for loans with the time permit as agreed by Party B, and that guaranty party fails to check in for guaranty within the fixed date and other situations, Party A shall agree that Party B has the right to change the mentioned plan. In case that the change of plan of drawing results in the change of the term of loan, it shall be settled based on 2.3 under this Contract.

5.5 Party A shall draw in accordance with plan of drawing under this Contract. Without the written permission of Party B, Party A shall not change the plan of drawing. If it needs to change withdrawal date and/or amount of drawing, Party A shall notify Party B by written form in advance ___SEVEN___ banking days prior to the withdrawal date as agreed in this Contract. Party B agrees that Party A shall have ___THREE___ banking days of grace period for drawing. If Party A fails to draw the loan within the due grace period, Party B shall regard that Party A automatically cancels this loan and has no right to draw this loan. And Party A shall undertake the violation responsibility as agreed in 13.2 under this Contract.

5.6 In case situation under Article 5.5 happens and causes the change of actual principal delivered by Party B, the principal under this Contract shall follow the certificate of indebtedness produced under this Contract.

5.7 Drawing and paying of the loan

5.7.1 Application for drawing

Party A shall, ___Seven___ banking days prior to each drawing, submit to Party B a written application for drawing, the certificate of the loan and the relevant documents for drawing as agreed in this Contract and required by Party B. Party A can retain the specimen seal impression that it authorizes the staff to use for drawing (Appendix I). The staff of Party A shall issue and retain the seal impression corresponding to specimen seal impression when they put up with application for business. Party B shall be responsible for auditing in form the seal impression provided by the staff of Party A through contrasting with specimen seal impression. Party B can approve the application for business of Party A after checking. In case of changing the specimen seal impression, Party A shall submit to Party B a written notification under the original specimen seal impression on the date of changing. In case of Party B's loss resulting from the overdue notification, Party A shall undertake relevant liability for compensation.

If there is no specimen seal impression from Party A, the staff of Party A shall use official seal for business or submit a separate application for the use of their company's other seal impressions (special financial seal and other seals).

Party A shall not withdraw the application for drawing. With the approval of Party B, Party has obligation to draw in accordance with the mentioned application for drawing.

Party B shall transfer the loan funds to the account of Party A that opens within Party B (account number: 7381310182600083815) within the time permit on the application for drawing or to the counter party of Party A by entrusted payment as agreed, after Party B checks and considers the conditions precedent for drawing to be in accordance with that as agreed in this Contract.

5.7.2 Method of loan payment

Methods of loan payment can be divided into direct payment and entrusted payment. The conditions for entrusted payment as agreed by Party A and Party B shall be (2):

(1) All the loan funds payment shall adopt the entrusted payment by the lender;

(2) When single amount of foreign payment is \geq 5 million RMB, we should adopt entrusted payment as the payment method, and the proportion of the entrusted payment should not smaller than 75% of the total loan.

In case of the entrusted payment by the lender, Party B shall check that whether the payment counterpart, amount of payment and other information within the application for payment provided by Party A is in accordance with relevant business Contract and other certificates prior to transferring the loan funds. After the approval, Party B shall transfer the loan funds to the account of Party A's counterpart as listed in Party A's payment order via the account that opens within Party B (account number: 7381310182600083815_).

The investigation in form to above business Contracts conducted by Party B neither means Party B confirming the authenticity and legality of the relative trade nor it would interfere in the dispute between Party A and its counterpart or third party and the responsibility and obligation of the Party A.

If the loan could not pay to the specified counterpart's bank account in time successfully resulting from the events like the bank of Party A's counterpart refunds the money or the information provided by the Party A turns to be wrong, Party B does not have to bear any responsibility, furthermore, the risks, responsibility and loss to the both parties should be undertaken by Party A only. Party A should not use the money refunded by the bank of Party A's counterpart without the investigation and agreement of the Party B.

5.7.3 Payment management

(1) After the drawing of loan, Party B shall have the right to check whether the use of loan funds by Party A is in accordance with the agreement in this Contract through periodical or non-periodical inspection and monitoring, and Party A has obligations to be fully cooperated. In case that the use of loan funds is not in accordance with the agreement in this Contract with the inspection, Party B shall have the right to require Party A to correct within a time limit. If Party A refuses to correct, Party B shall have the right to regard the plot to settle in accordance with 13.4 and 13.6 in this Contract.

(2) In case of the direct payment by Party A, Party A shall submit to Party B the business Contract related with the payment of loan funds corresponding to the last quarter and other business documents for the evidence of loan funds, and give a report of the payment of loan funds no later than the 10th day of the next month in each quarter. Party B shall have the right to check whether the payment of loan is in accordance with the purpose as specified in this Contract and whether the payment for program keeps pace with the program via making account analysis, voucher verification, on-site investigation and other methods.

(3) During the drawing and payment of loan under this Contract, Party B shall have the right to negotiate with Party A to add conditions for drawing and payment of loan, or regard the plot to stop the drawing and payment of loan funds in following cases:

(i) Credit standing deteriorates, and business profitability becomes weak.

(ii) The use of loan funds does not follow the purpose under this Contract.

(iii) Split the payment of loan into smaller amount to avoid entrusted payment as authorized by Bank in violation of this Contract.

5.8 Other agreements

Article 6 Repayment

6.1 The loan under this Contract shall be repaid by __ (1) __ of the following:

(1) Repay interests on the fixed term and the principal on the maturity date.

(2) Repay the loan in full with the accrued interests outright.

(3) Other Payment methods: _____

6.2 Party A shall the principal pursuant to the following repayment schedule:

Order of repayment	Repayment date	Amount of repayment
	03/29/2016	20,000,000 ¥

6.3 For the repayment of the principal, Party A shall deposit, prior to the repayment date, no less than the principal and interests into the account that opens within Party B (account number: 7381310182600083815) to be Party B's repayment account. Herein Party A authorizes Party B to deduct the principal and interests for the loan from the mentioned account.

6.4 In case that Party A's repayment or payment fund is insufficient to repay or pay the sum of fund for this period, the repayment fund shall be settled as follows:

(1) Pay for various accrued charge, default fine, compensatory payment in relation with this Contract and relevant laws and regulations;

(2) Pay for penalty interests payable, compound interests;

(3) Pay for interests payable;

(4) Pay for principal payable.

In case that the repayment fund is insufficient to repay or pay all the funds according to this sequence, the fund shall be repaid for the funds following priority order of their due date.

6.5 Voluntary prepayment

6.5.1 Party A shall meet any following condition to repay the loan in full or by part in advance:

- (1) Party A shall pay all the matured funds payable prior to the prepayment date.
- (2) Party A shall, at least twenty banking days prior to the planned date for prepayment, submit to Party B a written application for prepayment date and receive the written approval of Party B.
- (3) The amount of prepayment fund shall be the integral multiple of _____ 500,000 RMB, and each amount of prepayment fund shall be not less than _____ 500,000 RMB in addition to the prepayment of total loan under this Contract.
- (4) Party B shall have the right to charge the default fine at the rate of __20.00_% from Party A's prepayment date based on the interest rate according to the amount of prepayment fund, the rest term of loan, this Contract and prepayment date. The default fine calculating formula: default fine = the amount of prepayment fund × the rest term of loan (by year) × the interest rate of loan corresponding to the prepayment date as agreed in this Contract × rate.
- (5) Party A shall repay Party B the relevant interests and other expenses payable in advance with the amount of repayment.

6.5.2 Except for the written approval of Party B, the times of prepayment shall be more than _____ times within the term of loan. The principal of prepayment shall be repaid by the inverted order, namely, the principal shall be repaid by the reverse order of repayment schedule as agreed in this Contract.

6.5.3 The application for the pre-repayment is irrevocable. Party A should repay the load under this Contract according to the amount and date noted in the pre-repayment application if Party B provides the written agreement for pre-repayment. If Party B provides the written agreement to pre-repayment while Party A does not conduct it in time, Party B is entitled to treat this loan as overdue.

6.5.4 In case of the written approval of application for prepayment, Party B shall calculate the interest rate of loan based on the actual using days of part of the loan involved in the prepayment fund.

Article 7 Loan Restructuring

7.1 In case Party A fails to return due loan on schedule, it shall put forward written application of loan restructuring to Party B one month before due date of loan. If Party B agrees on Party A's application, both parties shall sign agreement of loan restructuring. In case Party B does not agree, Party A shall repay due loan by the time agreed in this agreement. Otherwise, Party B has right to deal with this loan as past due loan.

Article 8 Guaranty of loan

8.1 Loan under the Contract adopts _1.2_ guarantee type:

- (1) Security guarantee contract
 - (2) Highest amount warranty contract
-

During the loan period, if the guarantee methods mentioned above have underwent certain alternations or the specific guarantee registration still fails to be finished when signing the Contract, Party A could not withdraw their promise and have to agree: Party A promises to change the guarantee method according to the agreement between both parties in time and would urge the next Warrantor to sign the relevant guarantee files and/or urge the Warrantor to complete the guarantee registration in 3 days after they meet the requirement of the guarantee registration, otherwise, Party A would be deemed to break this Contract and Party B is entitled to investigate the responsibility of Party A and to take corresponding remedy measures.

Article 9 Representations and Warranties of Party A

9.1 Party A is Chinese corporate body or other organization legally founded according to law of the People's Republic of China, which has civil right and civil capacity to sign and fulfill this Contract and can bear civil liabilities independently. Party has gained all necessary and legal internal and external approval and authorization to sign this agreement.

9.2 All documents, reports and statements provided by Party A according to law and requirement of Party B are valid, lawful, true, correct and complete.

9.3 The act that Party A signs and implement this Contract would not violate the law, regulations and other disciplines that would have legally binding effect to it, would not go against the articles of incorporation of Party A and other agreements and documents signed with the third party. The representative who signs on this Contract and relative files has received necessary authorization of the Party A and has the power to sign such Contract or document.

9.4 Except this Contract or the guarantee agreed by Party B in written, Party A and its Warrantor have never set any other guarantee on the guaranteed assets under this Contract, and such assets are not associated with any third party right which would not harm Party B's interest. The assets would not be seized, detained, frozen and preserved.

9.5 Apart from the breaches and the litigation, arbitration and administrative penalty procedure, Party A has never committed any other breaches or potential breaches, and has not been involved with any other ongoing or possible litigation, arbitration and administrative penalty procedure.

Article 10 Commitment of Party A

10.1 Party A should provide Party B with reports and other documents really reflecting its operational and financial states regularly or according to Party B's requirement. Party A guarantees that provided materials are all valid, true and complete.

10.2 In loan term, in terms of great changes about Party A's managerial decisions, including but not limited to share transfer, reorganization, amalgamation, discrete, shareholding reform, joint venture, cooperation, joint operation, Contracting lease, investments abroad, substantial increase of debt financing and scope of business and alteration of registered capital as well as other situations that may affect Party B's rights and interest, Party A shall provide Party B with a written notice at least thirty days in advance and get written consent from Party B, practice liability for satisfaction of loan or pay off loan in advance or provide warranty approved by Party B.

10.3 Party A shall positively coordinate with Party B to make management on business condition and payment of loan and management after loan, including the understanding and supervision on fundamental state of enterprise, service condition of loan, major items of operating management, financial operation condition, condition of balancing accounts and contacting, etc. Any expense arising from obstruction of Party A shall be paid by Party A.

10.4 Without prior written permission of Party B, Party A is not allowed to transfer or covertly transfer debts under this Contract in any way.

10.5 In case Party A's transfers, hires or deals with complete or major part of significant property or operation revenue in the way of setting warranty for debts outside of debts under this Contract, Party A shall provide Party B with written notice at least thirty days in advance and get written consent from Party B.

10.6 If any event below happens, Party A should provide written notice to Party B and hand in relevant information in three days:

(1) Force-majors or the breaches related with the loan;

(2) Party A or its controlling shareholders involved in the litigation, arbitration, criminal investigation, administrative penalty, closure, shutdown, regrouping, dissolve, bankruptcy petition, accepting the application for bankruptcy, being declared bankrupt, losing its business licenses, being repealed and deteriorative financing condition;

(3) The member of Party A's board as well as their senior management have been involved in important cases or economic dispute or suffered administrative penalty given by relative departments;

(4) Resulting in liability accidents, caused by the violation of related laws and regulations, supervising rules or industry standard about food security, safety production, environmental protection, that have already or may lead to bad impact on the implementing the obligation under this Contract.

10.7 In case Warrantor encounters situations including but not limited to termination of business, close of a business, dissolution, adjudication of bankruptcy, revoking license, revocation and loss of business, partly or completely losing guarantee ability corresponding to this loan or decrease of value of pledge, hostage and pledge right as loan guarantee under this agreement, Party A shall provide Party B with new guarantee approved by Party B.

10.8 In loan term, in case Party A changes title of corporate body, legal representative, principal, address, telephone, fax, etc, Party A shall notice Party B in written form within seven days after alternation.

10.9 Party A should make written report to Party B about occurred or impending related party transaction that occupied 10% of Party A net asset (including 10%) including but not limited to transaction parties' relevance relationship, transaction project and nature, transaction amount or the corresponding ratio, pricing policy (including transaction without amount or with nominal amount).

10.10 The production and management as well as relative behaviors of Party A should conform to but not limited in the regulation for industrial policy, fiscal and taxation policy, market access, environment evaluation, energy conservation and emission reduction, energy dissipation and pollution control, resource utilization, land and city planning and labor safety.

Article 11 Rights and Obligations of Both Parties

11.1 Party A has the right to draw and use loan according to the deadline and purpose agreed in this Contract.

11.2 Party A shall pay off the capital and interest of loan according to agreement in this Contract.

11.3 Party A agrees that Party B could provide credit information to the Financial Credit Information Database and /or credit reporting system approved by People's Bank of China, authorized and agreed Party B to inquire, download, copy, print and utilize their credit information for Financial Credit Information Database and /or credit reporting system approved by People's Bank of China or the relative organizations and department websites and apply them to the legal purpose only if it would benefit to this Contract. But if Party A could not repay the principal and interest according to the Contract, it has to bear the impact of the disadvantageous.

11.4 Party A agrees that Party B is entitled to transfer the creditor's rights and its corresponding guarantee right to a third party without the agreement of Party A during loan duration. When Party A offers the guarantee independently, it still has to bear corresponding guarantee responsibility for the creditor's rights transferee even if it agrees to transfer the creditor's rights to others. Party A could not revoke the Contract signed by the Party B with the third party when it has authorized Party A as its agent.

11.5 Party A agrees that Party B is entitled to be the sponsoring organizations of securitization of credit assets and entrust the creditor's rights under this Contract and its corresponding guarantee rights to the trustee organizations to set up the trust with special purpose and let the trustee organizations issue the asset to support the security. When Party A offers the guarantee independently, it agrees to continue to bear the relative responsibilities to the trustee organizations mentioned above. Party A agrees that if Party B issues the transferring creditor's rights and its corresponding guarantee rights through the trust with special purposes in announcement (either newspaper or websites), it means they have been informed.

11.6 When Party A offers the guaranty by itself, Party A understands and agrees that it bears the obligation to coordinate with Party B and pays for the relative costs according to the principles to finish guarantee transfer affairs when Party B needs to transfer or entrust the creditor's rights under the Contract to the third party. If Party A does not finish the guarantee registration, it also promises to give up the due counter-argument right. If Party A could not finish the transfer registration affairs according to the law, the principles of registration and management administration or Party B's requirement, Party B would be entitled to ask Party A to bear the breach responsibilities and all the spending (including but not limited in cost for litigation, lawyers and travelling).

11.7 Party B has the right to carry out the investigation, supervision and acquaintance to the business situation, loan utilization and related transactions of Party A. It is also entitled to conduct investigation and acquaintance to the business situation and loan utilization quarterly and decide whether it should stop offering the loan or stop handling the business under the Contract according to the result of the investigation.

11.8 Party B should issue a loan if Party A fulfills the obligation mentioned in the Contract and satisfies the loan-issuing condition proposed by Party B.

11.9 Party B has the right to require Party A to provide relevant files based on the investigating need of loan issuing. Party B has to keep the data, files and information provided by Party A in secret except the materials requested by the law, regulation or the government.

11.10 Party B has the right to withdraw part of or all of loans ahead of time according to the fund recovery situation of Party A.

Article 12 Account

Party A will open the No. (i) account in Party B (multi-choices available)

(i) Balance account, account number: 7381310182600083815; both parties make the following agreement on this account:

(ii) Funds withdrawal account, account number is _____,

Both parties make the following agreement on this account:

Article 13 Liability for breach of Contract

13.1 After execution of Contract, both parties shall fulfill the obligations agreed in this Contract. Either party violating any agreement, commitment or guarantee of this Contract shall bear corresponding responsibility for breach of Contract.

13.2 Without Party B's written consent, in case Party A fails to draw loan in date of draft agreed in Contract, Party B has the right to take default fine by overdue days according to rate agreed in Contract.

13.3 In case one of the following situations happens, Party B has right to stop or end any term of loan has not been drawn and require Party A to immediately repay all drawn loan, interest in red and other expense as well as take corresponding measures. The date when Party B requires Party A to repay the above mentioned term of loan is the day of acceleration of maturity of debts under this Contract. Party B has the right to directly deduct money from any account of Party A opened in Party B and its affiliated agency to compensate for debts of Party A under this Contract.

13.3.1 Certification and documents as well as representations and warranties of article 9 related to this loan submitted by Party A to Party B are demonstrated inauthentic, inaccurate, and imperfect or intentionally lead to others' misunderstanding.

13.3.1 Party A fails to pay off the capital and interest of loan under the Contract on schedule.

13.3.2 Party A fails to pay the capital of loan according to article 5.7 of this Contract.

13.3.2 Party A fails to fulfill any obligation agreed in the Contract.

13.3.3 Party A fails to use loan according to agreed purpose; change the use of loan funds arbitrarily, embezzle the loan or use the loan to take illegal transaction.

13.3.4 Party A does not repay the principal and interest of the loan as well as other payables according to the Contract, or could not (including unable of) implementing the obligation according to the Contract.

13.3.5 Party A conceals important operational and financial facts to Party B.

13.3.6 Party A takes advantage of the false Contract with controlling shareholders and other affiliated companies to extract the loan.

13.3.6 Party A stops to pay off due debt or disable to pay off debt.

13.3.7 Party A transfers its properties with low price or for fee; reduces the debt of the third party; is negligent in exercising the creditor's rights or other rights; has unusual fund fluctuation in any account of Party A (including but not limited in fund recovery account); through supervision and investigation, Party B finds that the profitability of Party A's main business has decreased and would bring bad effect to the realization of Party B's creditor's rights; there is unusual phenomenon showing in the utilization of loan fund; violates the supervising requirement to fund recovery account proposed by Party B.

13.3.8 Party A encounters termination of business, close of a business, dissolution, adjudication of bankruptcy, revoking license, revocation, deterioration of financial conditions or any litigation, arbitration or criminal and administrative punishment that are harmful to state of operation or property condition of Party A.

13.3.9 The matters of industrial and commercial registration such as Party A's address, business scope and legal representative change or produce great investments and other situations, which lead to serious influence or threat on Party B's creditor's rights.

13.3.9 Changes to the industrial and commercial registration of residence, business range, legal representatives, principal and managing partner of Party A or the controlling shareholders/ actual controller or the external investment cause bad influence or threat to the realization to the Party B's creditor's rights.

13.3.10 Party A encounters great financial loss, loss of assets or other capital loss caused by foreign guarantee or other financial crisis and Party B considers that it may or has affected or harmed Party B's interest under this Contract.

13.3.11 There is great crisis on operation or finance of Party A controlling shareholder and other affiliated companies or Party A has greatly related transaction with controlling shareholder and other affiliated companies, affecting normal operation of Party A or Party A leads to serious influence or threat on Party B's creditor's rights by the related transaction with controlling shareholder and other affiliated companies.

13.3.12 The business Party A is in suffers unfavorable changes, which seriously affects or threatens the achievement of creditor's rights of Party B. Beyond doubt, conditions stated in this article do not belong to events of force majeure.

13.3.13 Cross default: if Party A defaults under other debt documents and has not corrected within grace period and lead to any one of the following cases, it is also a kind of default, i.e. cross default.

(i) Debts under other debt documents are announced or may be announced acceleration of maturity and the amount of accumulative capital of this kind of debt exceeds threshold amount of cross default.

(ii) Though debts under other debt documents are not announced or may not be announced acceleration of maturity, there is payment default and the amount of accumulative capital of this kind of debt exceeds original amount of cross default.

Other debt documents refer to loan Contract, bond and guarantee agreement signed by Party A and creditor (including Party B and other third parties), public or non public bond project document of Party A.

13.3.14 Party A refuses to accept Party B's supervision and investigation on the service condition of the loan and relevant operational and financial activities.

13.3.15 Higher-level management personnel of Party A is suspected of being involved in significant corruption, bribe-taking, fraudulent practices or illegal business cases and Party B considers that it may or has affected or harmed its rights and interests under the Contract.

13.3.16 Warrantor of Party A violates agreement of warranty Contract or cause default matters under the warranty Contract.

13.3.17 In case that pledge and collateral security under the Contract encounter foreclosure, detention, and report for loss, countermand of payment or compulsory measures, there is dispute on ownership and suffer or may suffer the infringement and the safety and serviceable conditions suffer or may suffer adverse influences, Party A has not provided new warranty required by Party B.

13.3.18 Party A causes the liability accident because of violating the laws and regulations, supervising principles or industrial standard for food security, safety production and environmental protection.

13.3.19 Party A causes other matters endangering and damaging or may endanger and damage Party B's rights and interests.

13.3.20 Other cases: _____

13.4 In case any above-mentioned breach happens, Party B has the right to conduct following remedy measures:.

13.4.1 Unilateral stop or end issuing any fund (including the load that Party A has handed in the application but still not drawn by them) covered in this Contract but not drawn by the Party A;

13.4.2 Party B could announce the loan covered in the Contract has expired immediately unilaterally and ask Party A to repay the fund without Party A's agreement. And the date required by Party B to repay the fund would be the pre-repayment date of this Contract.

13.4.3 Implementing this Contract and conducting the guarantee to the mortgage, pledge covered in the files or other guarantees.

13.4.4 Party B has the right to deduct the money from any account of Party A opened in China CITIC Bank to compensate for the debt of Party A mentioned in this Contract.

13.4.5 Achieving any other rights and remedy measures according to the laws and regulations.

13.5 If the principal cannot be paid by Party A according to this Contract, Party B has right to exercise its rights agreed in Article 13.4 and to take penalty interest by % compound interest rate according to actual overdue days. Party A agrees that the above penalty interest calculation is subject to Party B's calculation result.

13.6 In case Party A fails to use loan according to the agreed purpose in Contract, besides the rights agreed in Article 13.4, Party B has right to surcharge % of default interest rate to take interest on the part used in default by loan rate at appointed time according to used days since the date of diverting.

13.7 For the loan which is over due and is not used according to this Contract at the same time, Party B has the right to use the penalty interest in Article 13.5 and 13.6 whichever is higher to collect penalty interest..

13.8 As for the interest (including the interest resulting from the principal that Party B has announced expired) and default interest that have not been paid in time, Party B would charge the compound interest based on the rate of default interest of overdue loan and the interest settlement regulated in this Contract since the date of the overdue to the date of paying off; as for the Party A who neither repays the fund in time nor utilize the loan as the Contract asking, Party B would select the most serious case to charge the compound interest, and no one could enjoy the concurrent preference.

13.9 The spending (including but not limited in the cost for litigation, arbitration, implementation, insurance, traveling, lawyers, property preservation, notarial certification, translation and assessment and auction) used for the realization of Party B's creditor's rights should be paid by Party A.

Article 14 Continuity of obligations

14.1 All obligations of Party A under this Contract has continuity, which have force of constraint on successor, receiver, assignee and main body after amalgamation, reorganization and change of title, regardless of influences of any dispute, claim and legal procedure, command of superior unit and any Contract and document signed by and between main debtor of Contract and any natural person or legal person nor change with bankruptcy of main debtor of Contract, disability of paying debt, loss of qualification of enterprise and alternation of articles of association as well as any change in essence.

Article 15 Notarization

15.1 In case either party puts forward requirement of notarization, this Contract shall be notarized in notary organs regulated by state.

15.2 In case Party B requires transacting notarization that has force of compulsory execution, with the permission of Party A, Party B can apply notary organ to issue notarization that has force of compulsory execution with this Contract. If capital and interest of loan and relevant expense of Party B cannot be fully paid in repayment duration agreed in the Contract, Party B can apply compulsory execution in local people's court with this notarization.

Article 16 Notice and Delivery

16.1 The notices and demands under this Contract, the legal instrument for debt collection and litigation (arbitration) or other messages should be handed in or sent to the address or contact way appointed by the heading of the Contract.

16.2 Upon the notices, demands, debt collection letters or other communication to Party A given by Party B through the telex, phone-call, fax and e-mails being sent out, both parties agree that they have reached Party A; if they are sent through mail, both parties tend to agree that they would reach Party B in three days; if they are sent by the individual purposely, the date of Party A's signature would be viewed as the proof of reaching and if Party A refuse to receive the letters, process server could use photos or videos to record the delivering process and withholding the letters which would also be regarded as reaching the destinations.

16.3 Both judicial and arbitrary authority could send relevant (legal) instrument to Party A according to the address and contact information appointed by the heading in the Contract. If no one receives or Party A refuses to receive the (legal) instruments, the date of returning would be viewed as the date of reaching the destinations; if Party A refuses to receive the instruments delivered by the individuals, process server could use photos or videos to record the delivering process and withholding the (legal) instruments would also be regarded as reaching the destinations. If the (legal) instrument could not reach the destination and is returned since the incorrect contact information provided by Party A or not being informed in time after the alternation of the contact information, the date of returning would be viewed as the date of reaching the destinations.

16.4 Both parties should inform each other in written within three days after alternating the contact information mentioned above; when the debt under this Contract enters into the litigation or arbitration period, the written message should be sent to the trial authority. Otherwise, if the notification or other instruments have been sent out to the original contact ways, even though the party which has alternated the relevant information does not receive them, they would also be viewed as has already reached the destinations.

Article 17 Other agreed items

Party A promised will not violate the law to inject any of banks credit funds into stock market or real estate through Party A's bank accounts or any other third parties' bank accounts, or shall bear all the losses of Party B.

In case of conflicts between agreement of this article and other provisions, this article shall prevail.

Article 18 Application of law and arbitration

18.1 This Contract is suitable for law of People's Republic of China.

18.2 All disputes arising from this Contract and related, both parties shall negotiate in a friendly manner; if failed, both parties agree to adopt the following second method to solve.

(1) Submit to _____ / _____ arbitration committee to apply for arbitration.

(2) Institute legal proceedings or apply for compulsory execution to local people's court of Party B.

Article 19 Force Majeure

19.1 Force majeure in this Contract refers to unforeseeable, unavoidable and insurmountable objective circumstances that lead to the failure of any party performing this Contract, including war, strike, state of siege, severe flood, fire, wind damage, earthquake and other events that both parties consider belonging to force majeure after consultation.

19.2 In case any party fails to perform the Contract due to force majeure, its responsibilities or obligations under this Contract can be exempted partly or completely, but it shall notice the other party in writing timely, so as to relieve the loss caused to the other party, and it also shall provide appropriate evidence of force majeure during the happening and duration period within reasonable time limit. At the same time, the party which encounters force majeure shall try its best to reduce the influence caused to the other party.

19.3 In case of force majeure, both parties shall immediately consult with each other within reasonable time limit, so as to seek for fair and reasonable solution, and try their best to reduce the impact of force majeure to minimum level.

Article 20 Accumulation of Party B's rights

Party B's rights under this Contract are accumulative, without affecting and rejecting any rights from Party A according to laws and other Contracts. Only if Party B indicates in written form that it does not use, partly use or postpone using its rights, none compose the surrender or part surrender of the right nor affect, stop and obstruct Party B to continue to use this right or use any other rights.

Article 21 Execution, alternation and dissolution of the Contract

21.1 This Contract comes into force after legal representative or authorized agent of Party A and legal representative or principal or authorized agent of Party B signs or seals their name and stamp official seal special seal of Contract.

21.2 After execution of Contract, apart from existing agreements of this Contract, either party is not allowed alternating or terminating the Contract; in case need to alternate or terminate this Contract, both parties shall negotiate and reach written agreement.

21.3 After execution of Contract, Party B completely or partly transfers the creditor's rights under the Contract to the third man, dispense with Party A's permission but shall notice Party A in written form.

21.4 After execution of Contract, In case Party A completely or partly transfers the creditor's rights under the Contract to the third man, it shall provide written document indicating that warrantor agrees to transfer and continue to bear the obligation of warranty or provide new warranty and get written consent from Party B.

Article 22 Others

22.1 For the purpose of this Contract, "workday of bank" refers to banking day when the bank transacts the corporate business externally.

22.2 If the Contract remains the unperfected parts, both parties shall reach written agreement separately as the attachment of the Contract. Any attachment, modification or supplements compose an indivisible part of the Contract, with same legal force as the Contract.

22.3 In case some provision of the Contract or part content of some provision is approved invalid, this invalid provision or invalid part does not affect the availability of this Contract, other provisions of the Contract or other contents of the provision.

22.4 This Contract is made in two copies: Party A holds one copy (copies) and Party B holds one copy (copies) and the department concerned retains / _ copy (copies).

22.5 Party B has adopted reasonable method to submit Party A to pay attention to provisions about preventing or limiting its responsibilities under this Contract and provided full illustration about relevant provisions according to the requirement of Party A. Both parties have no objection on comprehension of all provision contents of this Contract.

Party A (official seal or special seal of Contract)
Legal representative:
(or authorized agent)

Party B (official seal or special seal of Contract)
Legal representative/principal:
(or authorized agent)

Attachment 1:

Specimen signature reserved by Party A

Specimen signature 1 reserved by Party A: _____

Specimen signature 2 reserved by Party A: _____

Specimen signature 3 reserved by Party A: _____

Party A (official seal or special seal of Contract)

Legal representative (or authorized agent):

Attachment 2: Format of payment order

Payment order

(Applicable to the entrusted payment by the bank)

Sub-branch _____ China Citic Bank

In accordance with No. _____ RMB Working Capital Loan Contract ("Loan Contract"), we hope to use the loan, of which the amount is RMB (Amount in words) _____ (Amount in figures) _____ ("loan") on date _____ for the purpose specified in the loan Contract. The specific using plan of loan: _____. The relevant transaction Contracts are respectively shown in the attached documents.

Hereby entrusting the bank to transfer this amount of principal of loan to the following account of the company's counterparty from the company's special account for loan issuing.

Full name of counterparty 1		Full name of counterparty 2	
Opening bank:		Opening bank:	
Account number:		Account number:	
Amount of payment:		Amount of payment:	
Full name of counterparty 3		Full name of counterparty 4	
Opening bank:		Opening bank:	
Account number:		Account number:	
Amount of payment:		Amount of payment:	
Full name of counterparty 5		Full name of counterparty 6	
Opening bank:		Opening bank:	
Account number:		Account number:	
Amount of payment:		Amount of payment:	

We confirm:

- (1) The representations and warranties made by the company in this loan Contract are still true and accurate on the day of announcing this notice;
- (2) Any default or potential default specified in this loan Contract doesn't happen.
- (3) This entrust is not withdrawable.

Company name: _____ (official seal or reserved specimen signature (if any))
 Legal representative or authorized agent : _____ (signature)
 Date: _____ month _____ day _____ year

Attachment: _____ Commercial Contract

RMB Working Capital Loan Contract**Borrower: Wuhan Kingold Jewelry Co., Limited****(Hereinafter Party A)**

Address: 15# Huangpu Science and Technology Park, Jiang'an District, Wuhan, Hubei Province, PRC

Postal code:

Tel:

Fax:

Legal representative: Zhihong Jia

Deposit bank & Account number: 7381310182600083815

Lender: Wuhan Branch China CITIC Bank Corporation Limited (Hereinafter Party B)

Address: No.747 Jianshe Road, Hankou District, Wuhan, Hubei Province

Postal code: 430015

Tel: 027-85355272

Fax:

Legal representative/Principal: Xuemin Xu

Place of Contract: Wuhan

Date of signature: 5 (Month) 29 (Day) 2015 (Year)

In accordance with Contract Law of the People's Republic of China and Interim Measures on Management of Working Capital Loans and other relevant laws, regulations and rules and based on the principles of equality and friendly consultation, Party A and Party B agree to enter into this Contract.

Article 1 Loan type

1.1 In accordance with this Contract, Party B agrees to provide working capital loans for Party B.

Article 2 Allocated loan amount (Principal, similarly hereafter) & loan term

2.1 The Currency under this Contract is RMB

(Amount in words): Twenty Million RMB(Amount in figures): ¥20,000,000.

2.2 The loan term under this Contract is from ___6___ (Month)___1___(Day)___2015___(Year) to ___3___(Month)___1___(Day)___2016___(Year).

2.3 The payment actual term, withdrawal actual date and allocated loan amount shall follow the term, date and loan specified on this Contract. A certificate of indebtedness is an integral part of this Contract. The certificate and this Contract are equally valid.

Article 3 Purpose of loan

3.1 The loan under this Contract is to be used for **capital turnover**. Party A shall not change the purpose of loan without the written permission from Party B. Party A shall not invest the mentioned loan into fixed assets and securities, nor use the loan for any banned production and operation, nor misuse the loan at will.

Article 4 Interest rate and Interest on loan

4.1 Loan Interest

4.1.1 In case that the time interval between the first withdrawal actual date and date of signature is within six months, the interest rate under this Contract shall be determined in line with ___(1)___ of the following:

(1) The interest rate shall raise (raise/cut) by 20 (%/BPs) based on the benchmark interest rate announced by the People's Bank of China for loans of the same term and priority as the withdrawal actual date.

(2) The interest rate shall / (raise/cut) by / (%/BPs) based on the benchmark interest rate announced by the People's Bank of China for loans of the same term and priority as the date of signature, namely the interest rate under this Contract shall be / %.

In case that the time interval between the first withdrawal actual date and date of signature is beyond six months, Party B shall have the right to adjust the interest rate of this loan based on Party B's relevant interest rate policy at the appointed time. But Party A shall need the written notification from Party B.

4.1.2 The interest rate under this Contract shall apply the ___(1)___ mode of the following to be readjusted:

(1) Fixed interest rate. The interest rate shall remain unchanged within the term of loan.

(2) Floating interest rate. The interest rate under this Contract shall be determined according to the / mode of the following items. The interest rate of this loan after readjustment shall be the benchmark interest rate announced by the People's Bank of China for loans of the same term and priority as the adjustment date in accordance with the definite interest rate after readjustment via the way specified in 4.1 under this Contract.

(i) The interest rate shall be readjusted for every / (in capital form) (month/quarter/year) from the withdrawal actual date. The readjustment date shall be that in the readjustment month corresponding to the withdrawal actual date. If there is no date in the readjustment month corresponding to the withdrawal actual date, the readjustment date shall be the last date in the readjustment month.

(ii) The initial interest rate shall be on / (Month) / (Day) / (Year) from the withdrawal actual date and for every / (in capital form) (month/quarter/year) from the readjustment date. The readjustment date shall be that in the readjustment month corresponding to the initial readjustment date. If there is no date in the readjustment month corresponding to the initial readjustment date, the readjustment date shall be the last date in the readjustment month.

(iii) From the withdrawal actual date, the readjustment date of the interest rate under this Contract shall be the readjustment date of the benchmark interest rate.

4.1.3 The benchmark interest rate applied on the loan on the date of the Contract signing, the final date for withdraw load and the reset date of interest rate should be decided based on (1).

- (1) Benchmark interest rate of RMB among the institutions with the same level and at the same period issued by People's Bank of China that day.
- (2) The average one-year benchmark interest rate issued by the National Inter-Bank Funding Center one business day before.
- (3) The one-year RMB benchmark interest rate issued by China CITIC Bank one business day before.

4.1.4 If the benchmark interest rate of RMB among the institutions with the same grade and at the same period issued by People's Bank of China that day has been selected, during the floating interest rate period, supposing that People's Bank of China announced cancelling (or not updating any more) the RMB benchmark interest rate of the corresponding-level financial institutions, the loan rate under this Contract would take the average one-year benchmark interest rate issued by the National Inter-Bank Funding Center currently as benchmark interest rate. What's more, the adjustment to the load rate under this Contract would be negotiated and redefined by both parties or conducted based on the unified suggestions given by the authorities such as People's Bank of China. If the average one-year benchmark interest rate issued by the National Inter-Bank Funding Center has cancelled (or not updating any more) the average benchmark interest rate, then the one-year benchmark interest rate issued by Party B would be taken as the benchmark interest rate. Also, the adjustment to the load rate under this Contract would be negotiated and redefined by both parties or conducted based on the unified suggestions given by the authorities such as People's Bank of China.

The confirmation prescription of loan rate and adjustment redefined by both parties should keep the rate of the loan applied with the first rate reset date, after the announcement made by People's Bank of China that cancelling (or not updating any more) benchmark interest rate of the corresponding-level financial institutions, under this Contract higher than or at least equal to the following loan rate:

The current effective RMB benchmark interest rate of the corresponding-level financial institutions adjusted by the People's Bank of China before the announcement made by People's Bank of China that cancelling (or not updating any more) benchmark interest rate of the corresponding-level financial institutions should be regarded as the benchmark interest rate based on the loan rate defined by Item 4.1.1 and 4.1.2 in this Contract.

Here, Party B could reserve the right of announcing the loan under this Contract would be due ahead of time, if the negotiation for the confirmation prescription and adjustment to the loan rate failure.

4.2 Settlement Interest

4.2.1 The interests shall be calculated from the withdrawal actual date. The interest calculating formula shall be as: $\text{interests} = \text{actual balance of loan} \times \text{actual days within interest period} \times \text{annual interest rate} / 360 \text{ days}$.

4.2.2 In case that the loans and the accrued interest outright shall not be once repaid, the initial expiry date for interest shall be on

__6__(Month)__20__(Day)__2016__(Year) based on __1__ of the following settlement:

- (1) The interests shall be settled on a monthly basis. The 20th day of each month shall be the date of interest settlement.
 - (2) The interests shall be settled on a quarterly basis. The 20th day of the last month in each quarter shall be the date of interest settlement.
 - (3) Other date as agreed by both parties shall be: ____/____.
-

4.2.3 Party A, no later than each interest settlement date, deposit adequate funds into the account opened by Party B (account number: __7381310182600083815__) for Party B to deduct interest timely from this account. Party A shall make it sure to repay the interests in time if choosing other repayment method. If the interest settlement date is non-banking days, the interests shall be deposited a banking day in advance. If Party A fails to repay the agreed interests within the interest settlement date, Party B shall have the right to regard it as overdue interests.

4.3 The loan in full with any interest accrued shall be repaid on the maturity date. If the maturity date is on official holidays or public holidays, the loan shall be repaid on the last banking day before official holidays or public holidays. The interests shall be calculated by the interest rate specified in this Contract and it shall deduct the interests within the days between the repayment date and maturity date calculated by the interest rate specified in this Contract. In case of repaying the loan on the first banking day after official holidays or public holidays, the interests for the overdue loan shall be charged according to the interests between maturity date and actual repayment date calculated by the interest rate specified in this Contract. If the loan is failed to be repaid on the first banking day after official holidays or public holidays, the interests for the overdue loan shall be charged from this date.

Article 5 Drawing and payment of the loan

5.1 Conditions precedent for the initial drawing

Party A shall meet the following conditions before drawing loan for the first time:

/

5.2 Conditions precedent for each drawing

For each drawing (including initial drawing) under this Contract, Party A shall meet the following conditions except conditions precedent for the initial drawing as agreed in 5.1:

- (1) Party A shall have no violation against the duty and responsibility under this Contract and guaranty documents.
- (2) Guaranty documents shall be persistently valid and the guaranty has no adverse changes that Party B believes may be disadvantageous for it to achieve its credit.
- (3) The financial position of Party A has no changes that are likely to harm, delay or hinder the performance of duty and responsibility under this Contract and guaranty documents.
- (4) Party A has signed or provided the documents as agreed or required by Party B.
- (5) Party A has opened relevant account in accordance with this Contract or Party B's requirements.
- (6) _____
- (7) Other conditions required by Party B:

5.3 Plan of drawing

5.3.1 Party A shall draw based on the following plan, and the withdrawal due date shall be on the banking days.

Withdrawing date	Amount of withdrawing
6/1/2015	20,000,000 ¥

5.3.2 Party B is entitled to carry out the audit to credit line every (capital) / months (no more than 12 months) since the Contract signing date to decide whether to provide or adjust unused credit line.

5.4 If Party A or guaranty party fails to perform the duties as agreed in this Contract or the laws and regulations, including but being not constrained by that Party A fails to provide complete documents for loans with the time permit as agreed by Party B, and that guaranty party fails to check in for guaranty within the fixed date and other situations, Party A shall agree that Party B has the right to change the mentioned plan. In case that the change of plan of drawing results in the change of the term of loan, it shall be settled based on 2.3 under this Contract.

5.5 Party A shall draw in accordance with plan of drawing under this Contract. Without the written permission of Party B, Party A shall not change the plan of drawing. If it needs to change withdrawal date and/or amount of drawing, Party A shall notify Party B by written form in advance ___Three___ banking days prior to the withdrawal date as agreed in this Contract. Party B agrees that Party A shall have ___Seven___ banking days of grace period for drawing. If Party A fails to draw the loan within the due grace period, Party B shall regard that Party A automatically cancels this loan and has no right to draw this loan. And Party A shall undertake the violation responsibility as agreed in 13.2 under this Contract.

5.6 In case situation under Article 5.5 happens and causes the change of actual principal delivered by Party B, the principal under this Contract shall follow the certificate of indebtedness produced under this Contract.

5.7 Drawing and paying of the loan

5.7.1 Application for drawing

Party A shall, ___30___ banking days prior to each drawing, submit to Party B a written application for drawing, the certificate of the loan and the relevant documents for drawing as agreed in this Contract and required by Party B. Party A can retain the specimen seal impression that it authorizes the staff to use for drawing (Appendix I). The staff of Party A shall issue and retain the seal impression corresponding to specimen seal impression when they put up with application for business. Party B shall be responsible for auditing in form the seal impression provided by the staff of Party A through contrasting with specimen seal impression. Party B can approve the application for business of Party A after checking. In case of changing the specimen seal impression, Party A shall submit to Party B a written notification under the original specimen seal impression on the date of changing. In case of Party B's loss resulting from the overdue notification, Party A shall undertake relevant liability for compensation.

If there is no specimen seal impression from Party A, the staff of Party A shall use official seal for business or submit a separate application for the use of their company's other seal impressions (special financial seal and other seals).

Party A shall not withdraw the application for drawing. With the approval of Party B, Party has obligation to draw in accordance with the mentioned application for drawing.

Party B shall transfer the loan funds to the account of Party A that opens within Party B (account number: 7381310182600083815) within the time permit on the application for drawing or to the counter party of Party A by entrusted payment as agreed, after Party B checks and considers the conditions precedent for drawing to be in accordance with that as agreed in this Contract.

5.7.2 Method of loan payment

Methods of loan payment can be divided into direct payment and entrusted payment. The conditions for entrusted payment as agreed by Party A and Party B shall be (2):

(1) All the loan funds payment shall adopt the entrusted payment by the lender;

(2) When single amount of foreign payment is \geq RMB 5 million, we should adopt entrusted payment as the payment method, and the proportion of the entrusted payment should not smaller than 75% of the total loan.

In case of the entrusted payment by the lender, Party B shall check that whether the payment counterpart, amount of payment and other information within the application for payment provided by Party A is in accordance with relevant business Contract and other certificates prior to transferring the loan funds. After the approval, Party B shall transfer the loan funds to the account of Party A's counterpart as listed in Party A's payment order via the account that opens within Party B (account number: 7381310182600083815_).

The investigation in form to above business Contracts conducted by Party B neither means Party B confirming the authenticity and legality of the relative trade nor it would interfere in the dispute between Party A and its counterpart or third party and the responsibility and obligation of the Party A.

If the loan could not pay to the specified counterpart's bank account in time successfully resulting from the events like the bank of Party A's counterpart refunds the money or the information provided by the Party A turns to be wrong, Party B does not have to bear any responsibility, furthermore, the risks, responsibility and loss to the both parties should be undertaken by Party A only. Party A should not use the money refunded by the bank of Party A's counterpart without the investigation and agreement of the Party B.

5.7.3 Payment management

(1) After the drawing of loan, Party B shall have the right to check whether the use of loan funds by Party A is in accordance with the agreement in this Contract through periodical or non-periodical inspection and monitoring, and Party A has obligations to be fully cooperated. In case that the use of loan funds is not in accordance with the agreement in this Contract with the inspection, Party B shall have the right to require Party A to correct within a time limit. If Party A refuses to correct, Party B shall have the right to regard the plot to settle in accordance with 13.4 and 13.6 in this Contract.

(2) In case of the direct payment by Party A, Party A shall submit to Party B the business Contract related with the payment of loan funds corresponding to the last quarter and other business documents for the evidence of loan funds, and give a report of the payment of loan funds no later than the 10th day of the next month in each quarter. Party B shall have the right to check whether the payment of loan is in accordance with the purpose as specified in this Contract and whether the payment for program keeps pace with the program via making account analysis, voucher verification, on-site investigation and other methods.

(3) During the drawing and payment of loan under this Contract, Party B shall have the right to negotiate with Party A to add conditions for drawing and payment of loan, or regard the plot to stop the drawing and payment of loan funds in following cases:

(i) Credit standing deteriorates, and business profitability becomes weak.

(ii) The use of loan funds does not follow the purpose under this Contract.

(iii) Split the payment of loan into smaller amount to avoid entrusted payment as authorized by Bank in violation of this Contract.

5.8 Other agreements

Article 6 Repayment

6.1 The loan under this Contract shall be repaid by ___(1)___ of the following:

(1) Repay interests on the fixed term and the principal on the maturity date.

(2) Repay the loan in full with the accrued interests outright.

(3) Other Payment methods: _____

6.2 Party A shall the principal pursuant to the following repayment schedule:

Order of repayment	Repayment date	Amount of repayment
	03/01/2016	¥20,000,000

6.3 For the repayment of the principal, Party A shall deposit, prior to the repayment date, no less than the principal and interests into the account that opens within Party B (account number: 7381310182600083815) to be Party B's repayment account. Herein Party A authorizes Party B to deduct the principal and interests for the loan from the mentioned account.

6.4 In case that Party A's repayment or payment fund is insufficient to repay or pay the sum of fund for this period, the repayment fund shall be settled as follows:

(1) Pay for various accrued charge, default fine, compensatory payment in relation with this Contract and relevant laws and regulations;

(2) Pay for penalty interests payable, compound interests;

(3) Pay for interests payable;

(4) Pay for principal payable.

In case that the repayment fund is insufficient to repay or pay all the funds according to this sequence, the fund shall be repaid for the funds following priority order of their due date.

6.5 Voluntary prepayment

6.5.1 Party A shall meet any following condition to repay the loan in full or by part in advance:

- (1) Party A shall pay all the matured funds payable prior to the prepayment date.
- (2) Party A shall, at least twenty banking days prior to the planned date for prepayment, submit to Party B a written application for prepayment date and receive the written approval of Party B.
- (3) The amount of prepayment fund shall be the integral multiple of _____, and each amount of prepayment fund shall be not less than _____ in addition to the prepayment of total loan under this Contract.
- (4) Party B shall have the right to charge the default fine at the rate of __20.00__% from Party A's prepayment date based on the interest rate according to the amount of prepayment fund, the rest term of loan, this Contract and prepayment date. The default fine calculating formula: default fine = the amount of prepayment fund × the rest term of loan (by year) × the interest rate of loan corresponding to the prepayment date as agreed in this Contract × rate.
- (5) Party A shall repay Party B the relevant interests and other expenses payable in advance with the amount of repayment.

6.5.2 Except for the written approval of Party B, the times of prepayment shall be more than _____ times within the term of loan. The principal of prepayment shall be repaid by the inverted order, namely, the principal shall be repaid by the reverse order of repayment schedule as agreed in this Contract.

6.5.3 The application for the pre-repayment is irrevocable. Party A should repay the loan under this Contract according to the amount and date noted in the pre-repayment application if Party B provides the written agreement for pre-repayment. If Party B provides the written agreement to pre-repayment while Party A does not conduct it in time, Party B is entitled to treat this loan as overdue.

6.5.4 In case of the written approval of application for prepayment, Party B shall calculate the interest rate of loan based on the actual using days of part of the loan involved in the prepayment fund.

Article 7 Loan Restructuring

7.1 In case Party A fails to return due loan on schedule, it shall put forward written application of loan restructuring to Party B one month before due date of loan. If Party B agrees on Party A's application, both parties shall sign agreement of loan restructuring. In case Party B does not agree, Party A shall repay due loan by the time agreed in this agreement. Otherwise, Party B has right to deal with this loan as past due loan.

Article 8 Guaranty of loan

8.1 Loan under the Contract adopts _1.2_ guarantee type:

- (1) Security guarantee contract
- (2) Highest amount warranty contract

During the loan period, if the guarantee methods mentioned above have underwent certain alternations or the specific guarantee registration still fails to be finished when signing the Contract, Party A could not withdraw their promise and have to agree: Party A promises to change the guarantee method according to the agreement between both parties in time and would urge the next Warrantor to sign the relevant guarantee files and/or urge the Warrantor to complete the guarantee registration in 3 days after they meet the requirement of the guarantee registration, otherwise, Party A would be deemed to break this Contract and Party B is entitled to investigate the responsibility of Party A and to take corresponding remedy measures.

Article 9 Representations and Warranties of Party A

9.1 Party A is Chinese corporate body or other organization legally founded according to law of the People's Republic of China, which has civil right and civil capacity to sign and fulfill this Contract and can bear civil liabilities independently. Party has gained all necessary and legal internal and external approval and authorization to sign this agreement.

9.2 All documents, reports and statements provided by Party A according to law and requirement of Party B are valid, lawful, true, correct and complete.

9.3 The act that Party A signs and implement this Contract would not violate the law, regulations and other disciplines that would have legally binding effect to it, would not go against the articles of incorporation of Party A and other agreements and documents signed with the third party. The representative who signs on this Contract and relative files has received necessary authorization of the Party A and has the power to sign such Contract or document.

9.4 Except this Contract or the guarantee agreed by Party B in written, Party A and its Warrantor have never set any other guarantee on the guaranteed assets under this Contract, and such assets are not associated with any third party right which would not harm Party B's interest. The assets would not be seized, detained, frozen and preserved.

9.5 Apart from the breaches and the litigation, arbitration and administrative penalty procedure, Party A has never committed any other breaches or potential breaches, and has not been involved with any other ongoing or possible litigation, arbitration and administrative penalty procedure.

Article 10 Commitment of Party A

10.1 Party A should provide Party B with reports and other documents really reflecting its operational and financial states regularly or according to Party B's requirement. Party A guarantees that provided materials are all valid, true and complete.

10.2 In loan term, in terms of great changes about Party A's managerial decisions, including but not limited to share transfer, reorganization, amalgamation, discrete, shareholding reform, joint venture, cooperation, joint operation, Contracting lease, investments abroad, substantial increase of debt financing and scope of business and alteration of registered capital as well as other situations that may affect Party B's rights and interest, Party A shall provide Party B with a written notice at least thirty days in advance and get written consent from Party B, practice liability for satisfaction of loan or pay off loan in advance or provide warranty approved by Party B.

10.3 Party A shall positively coordinate with Party B to make management on business condition and payment of loan and management after loan, including the understanding and supervision on fundamental state of enterprise, service condition of loan, major items of operating management, financial operation condition, condition of balancing accounts and contacting, etc. Any expense arising from obstruction of Party A shall be paid by Party A.

10.4 Without prior written permission of Party B, Party A is not allowed to transfer or covertly transfer debts under this Contract in any way.

10.5 In case Party A's transfers, hires or deals with complete or major part of significant property or operation revenue in the way of setting warranty for debts outside of debts under this Contract, Party A shall provide Party B with written notice at least thirty days in advance and get written consent from Party B.

10.6 If any event below happens, Party A should provide written notice to Party B and hand in relevant information in three days:

- (1) Force-majors or the breaches related with the loan;
- (2) Party A or its controlling shareholders involved in the litigation, arbitration, criminal investigation, administrative penalty, closure, shutdown, regrouping, dissolve, bankruptcy petition, accepting the application for bankruptcy, being declared bankrupt, losing its business licenses, being repealed and deteriorative financing condition;
- (3) The member of Party A's board as well as their senior management have been involved in important cases or economic dispute or suffered administrative penalty given by relative departments;
- (4) Resulting in liability accidents, caused by the violation of related laws and regulations, supervising rules or industry standard about food security, safety production, environmental protection, that have already or may lead to bad impact on the implementing the obligation under this Contract.

10.7 In case Warrantor encounters situations including but not limited to termination of business, close of a business, dissolution, adjudication of bankruptcy, revoking license, revocation and loss of business, partly or completely losing guarantee ability corresponding to this loan or decrease of value of pledge, hostage and pledge right as loan guarantee under this agreement, Party A shall provide Party B with new guarantee approved by Party B.

10.8 In loan term, in case Party A changes title of corporate body, legal representative, principal, address, telephone, fax, etc, Party A shall notice Party B in written form within seven days after alternation.

10.9 Party A should make written report to Party B about occurred or impending related party transaction that occupied 10% of Party A net asset (including 10%) including but not limited to transaction parties' relevance relationship, transaction project and nature, transaction amount or the corresponding ratio, pricing policy (including transaction without amount or with nominal amount).

10.10 The production and management as well as relative behaviors of Party A should conform to but not limited in the regulation for industrial policy, fiscal and taxation policy, market access, environment evaluation, energy conservation and emission reduction, energy dissipation and pollution control, resource utilization, land and city planning and labor safety.

Article 11 Rights and Obligations of Both Parties

11.1 Party A has the right to draw and use loan according to the deadline and purpose agreed in this Contract.

11.2 Party A shall pay off the capital and interest of loan according to agreement in this Contract.

11.3 Party A agrees that Party B could provide credit information to the Financial Credit Information Database and /or credit reporting system approved by People's Bank of China, authorized and agreed Party B to inquire, download, copy, print and utilize their credit information for Financial Credit Information Database and /or credit reporting system approved by People's Bank of China or the relative organizations and department websites and apply them to the legal purpose only if it would benefit to this Contract. But if Party A could not repay the principal and interest according to the Contract, it has to bear the impact of the disadvantageous.

11.4 Party A agrees that Party B is entitled to transfer the creditor's rights and its corresponding guarantee right to a third party without the agreement of Party A during loan duration. When Party A offers the guarantee independently, it still has to bear corresponding guarantee responsibility for the creditor's rights transferee even if it agrees to transfer the creditor's rights to others. Party A could not revoke the Contract signed by the Party B with the third party when it has authorized Party A as its agent.

11.5 Party A agrees that Party B is entitled to be the sponsoring organizations of securitization of credit assets and entrust the creditor's rights under this Contract and its corresponding guarantee rights to the trustee organizations to set up the trust with special purpose and let the trustee organizations issue the asset to support the security. When Party A offers the guarantee independently, it agrees to continue to bear the relative responsibilities to the trustee organizations mentioned above. Party A agrees that if Party B issues the transferring creditor's rights and its corresponding guarantee rights through the trust with special purposes in announcement (either newspaper or websites), it means they have been informed.

11.6 When Party A offers the guaranty by itself, Party A understands and agrees that it bears the obligation to coordinate with Party B and pays for the relative costs according to the principles to finish guarantee transfer affairs when Party B needs to transfer or entrust the creditor's rights under the Contract to the third party. If Party A does not finish the guarantee registration, it also promises to give up the due counter-argument right. If Party A could not finish the transfer registration affairs according to the law, the principles of registration and management administration or Party B's requirement, Party B would be entitled to ask Party A to bear the breach responsibilities and all the spending (including but not limited in cost for litigation, lawyers and travelling).

11.7 Party B has the right to carry out the investigation, supervision and acquaintance to the business situation, loan utilization and related transactions of Party A. It is also entitled to conduct investigation and acquaintance to the business situation and loan utilization quarterly and decide whether it should stop offering the loan or stop handling the business under the Contract according to the result of the investigation.

11.8 Party B should issue a loan if Party A fulfills the obligation mentioned in the Contract and satisfies the loan-issuing condition proposed by Party B.

11.9 Party B has the right to require Party A to provide relevant files based on the investigating need of loan issuing. Party B has to keep the data, files and information provided by Party A in secret except the materials requested by the law, regulation or the government.

11.10 Party B has the right to withdraw part of or all of loans ahead of time according to the fund recovery situation of Party A.

Article 12 Account

Party A will open the No. (i) account in Party B (multi-choices available)

(i) Balance account, account number: 7381310182600083815; both parties make the following agreement on this account:

(ii) Funds withdrawal account, account number is _____,

Both parties make the following agreement on this account:

Article 13 Liability for breach of Contract

13.1 After execution of Contract, both parties shall fulfill the obligations agreed in this Contract. Either party violating any agreement, commitment or guarantee of this Contract shall bear corresponding responsibility for breach of Contract.

13.2 Without Party B's written consent, in case Party A fails to draw loan in date of draft agreed in Contract, Party B has the right to take default fine by overdue days according to rate agreed in Contract.

13.3 In case one of the following situations happens, Party B has right to stop or end any term of loan has not been drawn and require Party A to immediately repay all drawn loan, interest in red and other expense as well as take corresponding measures. The date when Party B requires Party A to repay the above mentioned term of loan is the day of acceleration of maturity of debts under this Contract. Party B has the right to directly deduct money from any account of Party A opened in Party B and its affiliated agency to compensate for debts of Party A under this Contract.

13.3.1 Certification and documents as well as representations and warranties of article 9 related to this loan submitted by Party A to Party B are demonstrated inauthentic, inaccurate, and imperfect or intentionally lead to others' misunderstanding.

13.3.1 Party A fails to pay off the capital and interest of loan under the Contract on schedule.

13.3.2 Party A fails to pay the capital of loan according to article 5.7 of this Contract.

13.3.2 Party A fails to fulfill any obligation agreed in the Contract.

13.3.3 Party A fails to use loan according to agreed purpose; change the use of loan funds arbitrarily, embezzle the loan or use the loan to take illegal transaction.

13.3.4 Party A does not repay the principal and interest of the loan as well as other payables according to the Contract, or could not (including unable of) implementing the obligation according to the Contract.

13.3.5 Party A conceals important operational and financial facts to Party B.

13.3.6 Party A takes advantage of the false Contract with controlling shareholders and other affiliated companies to extract the loan.

13.3.6 Party A stops to pay off due debt or disable to pay off debt.

13.3.7 Party A transfers its properties with low price or for fee; reduces the debt of the third party; is negligent in exercising the creditor's rights or other rights; has unusual fund fluctuation in any account of Party A (including but not limited in fund recovery account); through supervision and investigation, Party B finds that the profitability of Party A's main business has decreased and would bring bad effect to the realization of Party B's creditor's rights; there is unusual phenomenon showing in the utilization of loan fund; violates the supervising requirement to fund recovery account proposed by Party B.

13.3.8 Party A encounters termination of business, close of a business, dissolution, adjudication of bankruptcy, revoking license, revocation, deterioration of financial conditions or any litigation, arbitration or criminal and administrative punishment that are harmful to state of operation or property condition of Party A.

13.3.9 The matters of industrial and commercial registration such as Party A's address, business scope and legal representative change or produce great investments and other situations, which lead to serious influence or threat on Party B's creditor's rights.

13.3.9 Changes to the industrial and commercial registration of residence, business range, legal representatives, principal and managing partner of Party A or the controlling shareholders/ actual controller or the external investment cause bad influence or threat to the realization to the Party B's creditor's rights.

13.3.10 Party A encounters great financial loss, loss of assets or other capital loss caused by foreign guarantee or other financial crisis and Party B considers that it may or has affected or harmed Party B's interest under this Contract.

13.3.11 There is great crisis on operation or finance of Party A controlling shareholder and other affiliated companies or Party A has greatly related transaction with controlling shareholder and other affiliated companies, affecting normal operation of Party A or Party A leads to serious influence or threat on Party B's creditor's rights by the related transaction with controlling shareholder and other affiliated companies.

13.3.12 The business Party A is in suffers unfavorable changes, which seriously affects or threatens the achievement of creditor's rights of Party B. Beyond doubt, conditions stated in this article do not belong to events of force majeure.

13.3.13 Cross default: if Party A defaults under other debt documents and has not corrected within grace period and lead to any one of the following cases, it is also a kind of default, i.e. cross default.

(i) Debts under other debt documents are announced or may be announced acceleration of maturity and the amount of accumulative capital of this kind of debt exceeds threshold amount of cross default.

(ii) Though debts under other debt documents are not announced or may not be announced acceleration of maturity, there is payment default and the amount of accumulative capital of this kind of debt exceeds original amount of cross default.

Other debt documents refer to loan Contract, bond and guarantee agreement signed by Party A and creditor (including Party B and other third parties), public or non public bond project document of Party A.

13.3.14 Party A refuses to accept Party B's supervision and investigation on the service condition of the loan and relevant operational and financial activities.

13.3.15 Higher-level management personnel of Party A is suspected of being involved in significant corruption, bribe-taking, fraudulent practices or illegal business cases and Party B considers that it may or has affected or harmed its rights and interests under the Contract.

13.3.16 Warrantor of Party A violates agreement of warranty Contract or cause default matters under the warranty Contract.

13.3.17 In case that pledge and collateral security under the Contract encounter foreclosure, detention, and report for loss, countermand of payment or compulsory measures, there is dispute on ownership and suffer or may suffer the infringement and the safety and serviceable conditions suffer or may suffer adverse influences, Party A has not provided new warranty required by Party B.

13.3.18 Party A causes the liability accident because of violating the laws and regulations, supervising principles or industrial standard for food security, safety production and environmental protection.

13.3.19 Party A causes other matters endangering and damaging or may endanger and damage Party B's rights and interests.

13.3.20 Other cases: _____ / _____

13.4 In case any above-mentioned breach happens, Party B has the right to conduct following remedy measures.:

13.4.1 Unilateral stop or end issuing any fund (including the load that Party A has handed in the application but still not drawn by them) covered in this Contract but not drawn by the Party A;

13.4.2 Party B could announce the loan covered in the Contract has expired immediately unilaterally and ask Party A to repay the fund without Party A's agreement. And the date required by Party B to repay the fund would be the pre-repayment date of this Contract.

13.4.3 Implementing this Contract and conducting the guarantee to the mortgage, pledge covered in the files or other guarantees.

13.4.4 Party B has the right to deduct the money from any account of Party A opened in China CITIC Bank to compensate for the debt of Party A mentioned in this Contract.

13.4.5 Achieving any other rights and remedy measures according to the laws and regulations.

13.5 If the principal cannot be paid by Party A according to this Contract, Party B has right to exercise its rights agreed in Article 13.4 and to take penalty interest by % compound interest rate according to actual overdue days. Party A agrees that the above penalty interest calculation is subject to Party B's calculation result.

13.6 In case Party A fails to use loan according to the agreed purpose in Contract, besides the rights agreed in Article 13.4, Party B has right to surcharge % of default interest rate to take interest on the part used in default by loan rate at appointed time according to used days since the date of diverting.

13.7 For the loan which is over due and is not used according to this Contract at the same time, Party B has the right to use the penalty interest in Article 13.5 and 13.6 whichever is higher to collect penalty interest..

13.8 As for the interest (including the interest resulting from the principal that Party B has announced expired) and default interest that have not been paid in time, Party B would charge the compound interest based on the rate of default interest of overdue loan and the interest settlement regulated in this Contract since the date of the overdue to the date of paying off; as for the Party A who neither repays the fund in time nor utilize the loan as the Contract asking, Party B would select the most serious case to charge the compound interest, and no one could enjoy the concurrent preference.

13.9 The spending (including but not limited in the cost for litigation, arbitration, implementation, insurance, traveling, lawyers, property preservation, notarial certification, translation and assessment and auction) used for the realization of Party B's creditor's rights should be paid by Party A.

Article 14 Continuity of obligations

14.1 All obligations of Party A under this Contract has continuity, which have force of constraint on successor, receiver, assignee and main body after amalgamation, reorganization and change of title, regardless of influences of any dispute, claim and legal procedure, command of superior unit and any Contract and document signed by and between main debtor of Contract and any natural person or legal person nor change with bankruptcy of main debtor of Contract, disability of paying debt, loss of qualification of enterprise and alternation of articles of association as well as any change in essence.

Article 15 Notarization

15.1 In case either party puts forward requirement of notarization, this Contract shall be notarized in notary organs regulated by state.

15.2 In case Party B requires transacting notarization that has force of compulsory execution, with the permission of Party A, Party B can apply notary organ to issue notarization that has force of compulsory execution with this Contract. If capital and interest of loan and relevant expense of Party B cannot be fully paid in repayment duration agreed in the Contract, Party B can apply compulsory execution in local people's court with this notarization.

Article 16 Notice and Delivery

16.1 The notices and demands under this Contract, the legal instrument for debt collection and litigation (arbitration) or other messages should be handed in or sent to the address or contact way appointed by the heading of the Contract.

16.2 Upon the notices, demands, debt collection letters or other communication to Party A given by Party B through the telex, phone-call, fax and e-mails being sent out, both parties agree that they have reached Party A; if they are sent through mail, both parties tend to agree that they would reach Party B in three days; if they are sent by the individual purposely, the date of Party A's signature would be viewed as the proof of reaching and if Party A refuse to receive the letters, process server could use photos or videos to record the delivering process and withholding the letters which would also be regarded as reaching the destinations.

16.3 Both judicial and arbitrary authority could send relevant (legal) instrument to Party A according to the address and contact information appointed by the heading in the Contract. If no one receives or Party A refuses to receive the (legal) instruments, the date of returning would be viewed as the date of reaching the destinations; if Party A refuses to receive the instruments delivered by the individuals, process server could use photos or videos to record the delivering process and withholding the (legal) instruments would also be regarded as reaching the destinations. If the (legal) instrument could not reach the destination and is returned since the incorrect contact information provided by Party A or not being informed in time after the alternation of the contact information, the date of returning would be viewed as the date of reaching the destinations.

16.4 Both parties should inform each other in written within three days after alternating the contact information mentioned above; when the debt under this Contract enters into the litigation or arbitration period, the written message should be sent to the trial authority. Otherwise, if the notification or other instruments have been sent out to the original contact ways, even though the party which has alternated the relevant information does not receive them, they would also be viewed as has already reached the destinations.

Article 17 Other agreed items

Party A promised will not violate the law to inject any of banks credit funds into stock market or real estate through Party A's bank accounts or any other third parties' bank accounts, or shall bear all the losses of Party B.

In case of conflicts between agreement of this article and other provisions, this article shall prevail.

Article 18 Application of law and arbitration

18.1 This Contract is suitable for law of People's Republic of China.

18.2 All disputes arising from this Contract and related, both parties shall negotiate in a friendly manner; if failed, both parties agree to adopt the following second method to solve.

(1) Submit to _____ / _____ arbitration committee to apply for arbitration.

(2) Institute legal proceedings or apply for compulsory execution to local people's court of Party B.

Article 19 Force Majeure

19.1 Force majeure in this Contract refers to unforeseeable, unavoidable and insurmountable objective circumstances that lead to the failure of any party performing this Contract, including war, strike, state of siege, severe flood, fire, wind damage, earthquake and other events that both parties consider belonging to force majeure after consultation.

19.2 In case any party fails to perform the Contract due to force majeure, its responsibilities or obligations under this Contract can be exempted partly or completely, but it shall notice the other party in writing timely, so as to relieve the loss caused to the other party, and it also shall provide appropriate evidence of force majeure during the happening and duration period within reasonable time limit. At the same time, the party which encounters force majeure shall try its best to reduce the influence caused to the other party.

19.3 In case of force majeure, both parties shall immediately consult with each other within reasonable time limit, so as to seek for fair and reasonable solution, and try their best to reduce the impact of force majeure to minimum level.

Article 20 Accumulation of Party B's rights

Party B's rights under this Contract are accumulative, without affecting and rejecting any rights from Party A according to laws and other Contracts. Only if Party B indicates in written form that it does not use, partly use or postpone using its rights, none compose the surrender or part surrender of the right nor affect, stop and obstruct Party B to continue to use this right or use any other rights.

Article 21 Execution, alternation and dissolution of the Contract

21.1 This Contract comes into force after legal representative or authorized agent of Party A and legal representative or principal or authorized agent of Party B signs or seals their name and stamp official seal special seal of Contract.

21.2 After execution of Contract, apart from existing agreements of this Contract, either party is not allowed alternating or terminating the Contract; in case need to alternate or terminate this Contract, both parties shall negotiate and reach written agreement.

21.3 After execution of Contract, Party B completely or partly transfers the creditor's rights under the Contract to the third man, dispense with Party A's permission but shall notice Party A in written form.

21.4 After execution of Contract, In case Party A completely or partly transfers the creditor's rights under the Contract to the third man, it shall provide written document indicating that warrantor agrees to transfer and continue to bear the obligation of warranty or provide new warranty and get written consent from Party B.

Article 22 Others

22.1 For the purpose of this Contract, "workday of bank" refers to banking day when the bank transacts the corporate business externally.

22.2 If the Contract remains the unperfected parts, both parties shall reach written agreement separately as the attachment of the Contract. Any attachment, modification or supplements compose an indivisible part of the Contract, with same legal force as the Contract.

22.3 In case some provision of the Contract or part content of some provision is approved invalid, this invalid provision or invalid part does not affect the availability of this Contract, other provisions of the Contract or other contents of the provision.

22.4 This Contract is made in two copies: Party A holds one copy (copies) and Party B holds one copy (copies) and the department concerned retains / _ _ copy (copies).

22.5 Party B has adopted reasonable method to submit Party A to pay attention to provisions about preventing or limiting its responsibilities under this Contract and provided full illustration about relevant provisions according to the requirement of Party A. Both parties have no objection on comprehension of all provision contents of this Contract.

Party A (official seal or special seal of Contract)
Legal representative:
(or authorized agent)

Party B (official seal or special seal of Contract)
Legal representative/principal:
(or authorized agent)

Attachment 1:

Specimen signature reserved by Party A

Specimen signature 1 reserved by Party A: _____

Specimen signature 2 reserved by Party A: _____

Specimen signature 3 reserved by Party A: _____

Party A (official seal or special seal of Contract)

Legal representative (or authorized agent):

Attachment 2: Format of payment order

Payment order

(Applicable to the entrusted payment by the bank)

Sub-branch _____ China Citic Bank

In accordance with No. _____ RMB Working Capital Loan Contract ("Loan Contract"), we hope to use the loan, of which the amount is RMB (Amount in words) _____ (Amount in figures) _____ ("loan") on date _____ for the purpose specified in the loan Contract. The specific using plan of loan: _____. The relevant transaction Contracts are respectively shown in the attached documents.

Hereby entrusting the bank to transfer this amount of principal of loan to the following account of the company's counterparty from the company's special account for loan issuing.

Full name of counterparty 1		Full name of counterparty 2	
Opening bank:		Opening bank:	
Account number:		Account number:	
Amount of payment:		Amount of payment:	
Full name of counterparty 3		Full name of counterparty 4	
Opening bank:		Opening bank:	
Account number:		Account number:	
Amount of payment:		Amount of payment:	
Full name of counterparty 5		Full name of counterparty 6	
Opening bank:		Opening bank:	
Account number:		Account number:	
Amount of payment:		Amount of payment:	

We confirm:

- (1) The representations and warranties made by the company in this loan Contract are still true and accurate on the day of announcing this notice;
- (2) Any default or potential default specified in this loan Contract doesn't happen.
- (3) This entrust is not withdrawable.

Company name: _____ (official seal or reserved specimen signature (if any))
 Legal representative or authorized agent : _____ (signature)
 Date: _____ month _____ day _____ year

Attachment: _____ Commercial Contract

Gold Lease Agreement

Type: AU9999
Weight per gram: 195000
Goods attribute: Buy in goods right
Start Date: 2016-1-11
End Date: 2017-1-10
Days: 365 days
Interest Rate: 5.7%
Unit Price (Yuan/Gram) 233.54
Charging Standard: Actual days/360
Gold Leasing Fees: ¥2631849.84
Account Payable:
Rental Purposes: Production and Process

Borrower: Wuhan Kingold Jewelry Co., Ltd.
Legal representative (person in charge):
Contactor:
Telephone:

Lender: China Construction Bank Wuhan Jiang An Branch
Legal representative (person in charge):
Contactor:
Telephone:

Gold Lease Agreement

Type: AU9999
Weight per gram: 375000
Goods attribute: Buy in goods right
Start Date: 2016-1-19
End Date: 2017-1-18
Days: 365 days
Interest Rate: 5.7%
Unit Price (Yuan/Gram) 231.70
Charging Standard: Actual days/360
Gold Leasing Fees: ¥5021373.44
Account Payable:
Rental Purposes: Production and Process

Borrower: Wuhan Kingold Jewelry Co., Ltd.
Legal representative (person in charge):
Contactor:
Telephone:

Lender: China Construction Bank Wuhan Jiang An Branch
Legal representative (person in charge):
Contactor:
Telephone:

Gold Lease Agreement

Type: AU9999
Weight per gram: 245000
Goods attribute: Buy in goods right
Start Date: 2016-1-25
End Date: 2017-1-24
Days: 365 days
Interest Rate: 5.7%
Unit Price (Yuan/Gram) 232.50
Charging Standard: Actual days/360
Gold Leasing Fees: ¥329157.81
Account Payable:
Rental Purposes: Production and Process

Borrower: Wuhan Kingold Jewelry Co., Ltd.
Legal representative (person in charge):
Contactor:
Telephone:

Lender: China Construction Bank Wuhan Jiang An Branch
Legal representative (person in charge):
Contactor:
Telephone:

Contract No.: AXXT[2016]JHXT01-DK01

Trust Loan Contract

Anxin Trust Co., Ltd.

January of 2016

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This Contract of Trust Loans numbered AXXT[2016]JHXT01-DK01 is concluded of and between the following two parties in Shanghai in _____.

Lender: Anxin Trust Co., Ltd.
Legal Representative: Wang Shaoqin
Address: Room 301, Tower A, No. 1553-1555 of Kongjiang Road, Shanghai City
Contact Address: 29th Floor of Haitong Securities Tower, No. 689 of Guangdong Road, Shanghai City
Contact Person: Lian Bo
Postcode: 200001
Fax: 021-63410309
Tel: 021-63410777

Borrower: Wuhan Kingold Jewelry Co., Ltd.
Legal Representative: Jia Zhihong
Address: Special No. 15 of Huangpu Science and Technology Park, Jiang'an District, Wuhan City
Contact Address: Special No. 15 of Zhongshan Western Huangpu Science and Technology Park, Jiang'an District
Contact Person:
Postcode: 430023
Fax: 027-65694977
Tel: 027-65694977

The parties involved above is separately referred to as "one party" and collectively known as "both parties".

WHEREAS:

- (1) The lender is a validly existing financial institution established with approve of authorities concerned in accordance with the laws of the People's Republic of China and has Financial License as well as Business license, with business scope of trust service cooperation and it mainly cooperates trust business. The lender plans to set up a "Loan and assembled fund trust plan of Anxin-win-win of Kingold Jewelry Company" and promises to use the trust funds under such assembled fund trust plan to make loans for the borrower, which shall be used by the borrower to purchase raw materials— AU9999 Standard Gold which purity is 999.9(the gold content is not lower than 999.9‰);
- (2) The borrower is a company limited by shares with valid existence established in accordance with the laws of the People's Republic of China. Due to the need of manufacture and operation, the borrower applies to the lender for loans no more than 3 billion Yuan (Capital: Three Billion Yuan Only);
- (3) According to the stipulation of Trust Contract, the lender agrees to offer trust loans for the borrower;
- (4) At the time of signing the contract, the borrower has been aware of and recognized that the loan funds under this contract are from the trust funds which the lender is trusted to manage. Except for opposite provisions, the loans under this contract referred to "trust loans".

Hereby, according to the current law of the People's Republic of China and on the basis of fairness principle, the borrower and the lender reach an agreement and conclude this contract to comply with.

1 Definition and Explanation

In the contract, except that there are other explanations or implications in the context, the following words and phrases bear the following meanings:

- 1.1 **The borrower/ Wuhan Kingold Jewelry Company:** refers to Wuhan Kingold Jewelry Co., Ltd. and its legal successor.
- 1.2 **The lender/ Anxin Trust:** refers to Anxin Trust Co., Ltd. and its legal successor.
- 1.3 **Both parties:** refers to the borrower and the lender.
- 1.4 **This contract:** refers to the loan contract signed between the borrower and the lender as well as its enclosures and any valid change or supplementary agreement of it.
- 1.5 **Contract of Guaranty:** refers to the contract of guaranty signed between the borrower and the guarantor numbered AXXT(2016)JHXT01-BZ01 as well as any valid change or supplementary agreement of it.
- 1.6 **Pledge contract of Gold:** refers to the Pledge contract of gold signed between the borrower and the guarantor numbered AXXT[2016]JHXT01-ZY01 as well as its enclosures (include but not limited to the pledged property listing) together with any valid change or supplementary agreement of it.
- 1.7 **Insurance Contract:** refers to the insurance contract and the insurance policy (property insurance) together with any of its valid change or supplementary agreement, signed between the borrower and the PICC Property and Casualty Company Limited (hereinafter referred to as PICC P&C) on pledge gold, with the lender as the only beneficiary. The term of the insurance contract (including renewed term) shall cover the whole pledge term.
- 1.8 **Security file:** the contract of guaranty and the pledge contract of gold under this contract are jointly called security file.
- 1.9 **Pledgor:** the pledgor and borrower under this contract is the same person, namely Wuhan Kingold Jewelry Co., Ltd. and its legal successor.
- 1.10 **Guarantor:** refers to Mr. Jia Zhihong, the real controller of the loan.
- 1.11 **Guarantor:** the pledger and the warrantor under this contract are collectively called as the guarantor.
- 1.12 **Standard gold:** refers to the AU9999 Standard Gold which purity is 999.9(the gold content is not lower than 999.9‰).
- 1.13 **Pledge gold:** refers to the standard gold which the borrower owns legally and can be pledged legally, is obtained from the warehouse of Shanghai Gold Exchange according to relevant regulations and procedures, and is promised to pledge to the lender in accord with this contract and the pledge contract of gold.
- 1.14 **Gold price:** Except for special agreements, it refers to the afternoon closing price of standard gold in Shanghai Gold Exchange. Except for additional implication, the pledge gold price in this contract has the same meaning as gold price.
- 1.15 **Pledge Date:** refers to the day when each batch of pledge gold is stocked in the pledged property safe box rented by the borrower.
- 1.16 **Trust loan:** refers to the loans that the lender offers to the borrower according to this contract and trust funds under the trust plan it is trusted to manage. Except for additional reference, the "loan" in this contract has the same meaning as trust loan.
- 1.17 **Loan period:** refers to the loan period stipulated in the article 2.1 in this contract.
- 1.18 **Repayment:** refers to the repayment of any principal amount and interest of the trust loan stipulated in this contract.

- 1.19 **Value date for interest:** refers to the day when the lender offers each loan funds to the borrower's special loan account. In regard to the specific date, the date on the receipt for the loan shall prevail (format of receipt for a loan see appendix 1). Conditions such as article 6.2.5 in this contract happens, the value date for interest of each trust loan corresponds to the effective date of the trust beneficial right of each trust loan (specific date subject to the lender's date of announcement).
- Expiry date for interest:** refers to the accounting date of the interest of each trust loan, namely, (i) during the existence period of trust plan, every six month calculated from corresponding value date for interest of each trust loan; (ii) the expiry date of each trust loan or all trust loans (including advances to the expiry date).
- 1.20 **Interest payment date:** refers to (i) article 1.19 in this contract (i) any day within the first five working days of each expiry date for interest under each fund; (ii) article 1.19 in this contract (ii) the expiry date for interest under funds. Any interest payment date which is not a working day, shall be extended to the next succeeding working day.
- 1.21 **Trust plan/ this trust plan:** refers to "Loan and assembled fund trust plan of Anxin-win-win of Kingold Jewelry Company", subject to the name regulators approve.
- 1.22 **Precedent conditions for lending:** refers to the premise condition for lender to offer loans to the RMB loan account of the borrower according to article 3 in this contract.
- 1.23 **Accrued fees:** refers to all expenses that the borrower shall pay to the lender including but not limited to all principal amount of the trust loans under this contract (no more than 30 billion Yuan), interest, liquidated damages produced when the borrower violates this contract, overdue interest, penalty interest, damage awards, compound interest, related expenses paid in advance by the lender, etc. as well as all reasonable fees for the lender to realize the creditor's rights. Thereinto, all reasonable fees for the lender to realize the creditor's rights include but not limited to the following fees: legal fare, arbitration fee, property preservation fee, execution fee, valuation fee, auction fee, fees related to exercising security right, transaction handling fee, agent fee, registration fee, appraisal fee, safekeeping fee, insurance premium, notice fee, enquiry fee, attorney fees, notary fees, delivery fee, travel expense, communication fee, and all kinds of taxes and other related expense as well as the responsibility of invalid contract that the borrower shall bear as the contract stipulates.
- 1.24 **All payment liabilities:** refers to the liability that the borrower shall pay all the accrued fees to the lender according this contract.
- 1.25 **Default events:** refers to any default event stipulated in article 14.1 in this contract.
- 1.26 **The expiration or the mature:** refers to the following situations: (1) the expiration of payment date for principle amount and interest of any trust loan stipulated in this contract; (2) Partial or overall advance of expiration of any trust loan announced by the lender.
- 1.27 **Remainder days/ existing days:** days accumulated from the disbursement date of any trust loan to the payment date of all principal amounts and interest of any trust loan.
- 1.28 In this contract when it mentions **Business day/ Working day:** it shall be explained as any day on which the lender is open to conduct business except for legal holidays. **Year:** refers to every calendar year. **Month:** refers to every calendar month. **Quarter:** refers to every nature quarter.

- 1.29 **Assurance fund:** According to the *Regulations* and relevant regulations of supervision department, the borrower shall subscribe Chinese Trust Fund according to one percent of the principal amount of the trust loans as the obligation subscriber.
- 1.30 **Assurance fund company:** refers to the Chinese Security Trust Fund Co., Ltd established according to the *Regulations* as well as other companies which inherent its legal obligations.
- 1.31 **The Regulations:** refers to Trust Industry Security Fund Management Regulation as well as relevant regulations revised, supplemented and replaced by supervision department.
- 1.32 **Supervision department:** refers to China Banking Regulatory Commission as well as other government departments which bear the same obligations of supervision.
- 1.33 **Yuan:** refers to the legal currency unit of People's Republic of China, RMB, Yuan.
- 1.34 **Laws:** the laws under this contract refer to laws, administrative regulations, department rules as well as local laws and regulations and policies with legal binding. Except for additional stipulations in laws and regulations or requirements in context, whenever this contract mentions any article of "laws", it shall be explained as the effective law text timely revised or newest publicized.
- 1.35 **Subject:** the subjects of any article and enclosure under this contract are made for convenience and only for reference, which shall never be considered as the explanation of that article or enclosure.

2 Trust loans

2.1 Amount and term of trust loans

- 2.1.1 The trust loans under this contract are RMB loans. The principal amount of loans is no more than 3 billion Yuan (capital: three billion Yuan only). The trust loans are disbursed separately. Each loan shall not be more than 400 million Yuan (capital: four hundred million Yuan). The specific disbursement of each loan shall be determined on the basis of the borrower's capital needs and the condition of capital use. The specific amount of each loan is subject to the real amount disbursed (specifically subject to the receipt for the loan).
- 2.1.2 The total term of loans under this contract is 60 months, calculating from the first day when the first sum of trust loan fund is disbursed to the borrower's special loan account (specifically subject to the receipt for the loan). It is expected to be from ____ 2016 to ____ 2021 (specifically subject to the receipt for the loan). If the condition agreed in article 6.2.5 occurs, the term of trust loans shall be calculated from the setup of the trust plan.
- 2.1.3 Except for additional agreement, when the starting day of the term of trust loans does not comply with the actual disbursement day under this contract, the actual disbursement day shall prevail. Besides, the expiry date of loans agreed in article 2.1.2 in this contract shall also be adjusted accordingly.
- 2.1.4 The lender is entitled to disburse the loans in batch. The term of each loan is 36 months, which shall not exceed 36 months.
Hereinto:
(1) For any loan which is disbursed within the first existing 24 months calculated from the value date for interest of the first loan in the whole trust loan term, the term is 36 months, which is calculated from the day when that batch of loan is disbursed to the borrower's special loan account (the specific date is subject to the receipt for the loan at that time);

(2) For any loan which is disbursed after the first existing 24 months calculated from the value date for interest of the first loan in the whole trust loan term, the term shall be calculated from the date when that batch of loan is disbursed to the borrower's special loan account (the specific date is subject to the receipt for the loan at that time) up till to the expiry date of the total trust loans, namely 60 months.

Despite the agreements above, anything occurs as what is agreed in article 6.2.5 in this contract, the term of each trust loan shall be calculated from the effective date of each trust benefits conforming to each trust loan fund. (specifically subject to the announcement date of the lender)

2.1.5 If any agreed condition in this contract occurs, the lender is entitled to announce the acceleration of maturity for partial or whole loans.

2.2 The expansion of term

2.2.1 The term of the trust loans under this contract shall not be expanded. If both party negotiates and agrees to expand the term, additional agreement to this contract shall be signed.

2.3 Payment in advance

2.3.1 When the term of each loan expires 24 month, the borrower can pay back the total sum of the trust loan with written application 10 working days in advance and written approval of the lender; If the term of any batch of trust loan is less than 24 months calculated from the date of disbursement of the total loan to the expiry date of the total trust loans, the borrower shall give written application 10 working days in advance and get a written application of the lender. Then the borrower can pay back the total trust loans three months in advance from the expiry date of the total loan.

Once the application for payment in advance is submitted, it is irrevocable. When such application is approved by the lender in written form, the borrower shall pay back the total loans one for all to the specific account of the lender on the advanced date which the lender approves to become the payment date. After the lender receives the payments, the corresponding loans all end in advance. The trust loan interest shall be calculated according to the actual loan days, with repayment of principal with interest.

2.3.2 The borrower shall pay back both of the principal amount and the corresponding interest of all trust loans as stipulated in article 2.3.1 in this contract. Then, the loans end in advance.

3 Precedent condition of disbursement

3.1 Unless all the precedent conditions stipulated in this contract are all met or given up by the lender in written form, the lender has no obligation to disburse any loan under this contract to the borrower.

3.2 After the lender meets all of the following precedent conditions, trust loans shall be disbursed to the borrower according to the ways stipulated in this contract.

3.2.1 This trust plan has established special account of the trust properties and has enough funds to disburse the first batch of trust loan.

- 3.2.2 The trust plan has been approved and recorded by the Shanghai Regulatory Authority of the China Banking Regulatory Commission.
- 3.2.3 This contract has been duly signed and notarized. If this contract is signed by people other than the legal representative of the borrower, a *Power of Attorney* stamped with the seal of the borrower and signed or sealed by the legal representative shall be submitted.
- 3.2.4 The borrower has received decision, authorization, approval and consent on the signature of this contract as well as the transactions carried in the contract by the powerful policy-making bodies within the company which includes but not limit to general meetings of shareholders and shareholders' decisions. In addition, the lender has received the effective copies of such authorization, approval and consent. (stamped with the seal of the borrower)
- 3.2.5 *The contract of Guaranty, Pledge Contract of Gold and Insurance Contract* all have been duly signed and notarized. All the parties are entitled to get the effective resolution, authorization, approval and agreement provided by the executive department of the company according to the related laws and legislation or the regulations, and the lender has obtained the *Insurance Contract* as well as the copies of the above documents (stamped with the seal of the borrower)
- 3.2.6 Before the issue of the trust loans, the borrower has provided all the pledged gold as the pledge guarantee which is calculated by the loan-to-value ratio to the lender and has met the following demands: (i) to have deposited the pledge gold into the safe of Wuhan branch of the Industrial Bank or other safes rent by the lender in other banks (hereinafter referred to as pledge safe) (the password of the pledge safe and one of the keys are kept by the lender, and the other by PICC P&C), and before depositing the pledge gold into the safe, the related insurance is bound to be bought for the pledge gold according to the contract. (ii) the related procedures have been gone through in the Jiang'an branch of Wuhan Finance Bureau and the lender has gotten the *Certificate of Registration of Real Estate Mortgage*.
- 3.2.7 Up till to the disbursement of each loan, *the Contract of Guaranty, Pledge Contract of Gold and Insurance Contract* all have been duly signed and notarized. Nothing may lead the borrower and guarantor to make unreal and ineffective articles of statement or guaranty under this contract, guaranty documents and *Insurance Contract*.
- 3.2.8 Up till to the disbursement of each loan, there is no event of default or expected event of default for the borrower and the guarantor. Besides, each loan that the guarantor provides guaranty for the lender will have no event of default.
- 3.2.9 The real controller Jia Zhihong promises to remain the shareholding position of the borrower before the disbursement of trust loans and promises to remain the final principal of the operation and management of the borrow during the existing period of the trust plan.

3.2.10 Laws and regulations, rules and supervision departments do not forbid and restrict the lender to disburse trust loans under this contract.

3.2.11 Other loan conditions reasonably required by the lender.

4 Disbursement of loans

4.1 According to articles in this contract, the lender is supposed to grant the loans to the loan account of the borrower who has been confirmed to be in accord with the credit terms.

4.2 If confirmed by the borrower, the lender is entitled to grant the credit loans on installments according to the capital arrangements, the actual fund raising situation, control standard, the borrower's capital needs as well as fund position in the trust investment plan. The lender is also entitled to decide the amount of the trust loans and the day of granting the trust loans unilaterally. Meanwhile, the lender is entitled to reduce the trust loans or even refuse to grant part or all of the trust loans based on the management situation and bail payment of the borrower. The lender is not considered to have broken the contract in the above situations; therefore, the borrower cannot require the lender to shoulder the responsibility.

4.3 Regardless of the above initiating loan prerequisites, the lender is entitled to initiate the loan ahead of the time when all the prerequisites have not been fully met; if the lender initiate the loans ahead of time, it neither means that the lender gives up the obligations in the contract nor the security does not fully or partially carries out the obligation and the security document of the contract. The lender is entitled to raise a plea, pursue legal actions and take a legal action against the borrower and the security at any time if they do not carry out or fully carry out the obligations in the contract as well as in the security document.

5 The usage of trust loan

5.1 The borrower shall use the trust loans under this contract to supplement circulating funds and purchase raw materials of AU9999 Standard Gold which purity is 999.9(the gold content is not lower than 999.9%).

5.2 The trust loans in the contract cannot be embezzled by the borrower. The borrower is supposed to promise that the trust loans shall be used according to the contract, which does not cover the overseas investment, stock investment, the real estate investment as well as steel trade. The investment of the trust loans cannot break the laws, legislations and cannot be invested in all the projects that the government prohibits and the government has not confirmed. The trust loans cannot be applied to the project that the trust loans have not been included.

5.3 The lender is entitled to ask the borrower to issue the related documents and information according to the laws and the stipulation issued by regulatory authorities, which include but not limited to the contract/agreement, invoice/receipt, voucher and warehouse warrant of gold. The borrower shall grantee that the provided material should be real, correct, complete and effective so that the lender can supervise and verify the usage condition of the trust loans in the contract.

6 Interest

6.1 Trust loan interest rate

The trust loan interest rate under this contract is annual interest rate 14.8%.

The trust loan interest rate under this contract is fixed, within the validity of the contract, trust loan interest rate shall not be adjusted.

6.2 Interest calculation

6.2.1 The trust loan interest under this contract is calculated by day, day interest rate

6.2.2 The interest of each trust loans under this contract is calculated from their Respective value date for interest..

6.2.3 Each loan interest under this contract is calculated separately. The interest corresponding to each loan is calculated from its corresponding value date for interest. And the interest is calculated and collected according to the actual working days of the trust loan fund.

6.2.4 The calculating formula of interest each day is: interest each day= principal balance of this day's trust loan*day interest rate.

6.2.5 If any sum of trust loan is failed to be paid to the Borrower on corresponding effective day of trust beneficiary right not due to the Lender (includes but no limited to that the Lender fails to realizing loan prerequisite agreed in Article 3.2 of this Contract), the Borrower agrees to calculate corresponding anticipated interest losses during trust fund is not paid as scheduled according to loan rate agreed in this Contract and compensate the borrower. Base on this, both parties agree that in above-mentioned case both parties acknowledge the value date for interest of every sum of trust loan is the effective day of corresponding trust beneficiary right (subject to the day announced by the Loan).

6.3 Payment of interest

6.3.1 Unless otherwise agreed in the contract, if the trust loan granting date is between January 1st to July 30th and December 21st to November 31st in some year, then during trust loan duration, the borrower should pay the payable interest of various trust loans under this contract according to the following arrangement and should pay unpaid trust loan principals and remaining interest to the lender on the due date of various trust loans or on the due date of all trust loans(including advanced due date). The details are as follows:

Within five days before the first day after each trust loan is issued, the interest amount the borrower should pay to the lender=the principal amount of the trust loan*annual interest rate*duration date from interest-calculating date(including) to the interest-settling date(excluding) of the trust loan/360.

On the due date of each trust loan(including advanced due date), the borrower should pay the remaining interest and unpaid principals of the trust loan to the lender, paying amount=the principal amount of the trust loan*(1 + annual interest rate of the loan*duration days of the trust loan/360) - interest paid for the trust loan by the borrower.

On the due date of all trust loans(including advanced due date), the borrower should pay remaining interest and outstanding principals of all trust loans to the lender , paying amount \sum principal amount of each trust loans*(1 + annual interest rate of the loan*duration date of each trust loans/360)- interest already paid by the borrower- principal already paid by the borrower.

- 6.3.2 If the trust loan granting date is some day between July 1st to December 20th every year, during the trust loan duration, the borrower should, within 5 days after December 20th every year, pay interest calculated by 3% of the total amount of the principal of the trust loan granted from July 1st to December 20th that year to the lender.

The borrower should pay the payable interest of each trust loans under this contract to the lender as per the following arrangements on each interest-paying date, and should pay outstanding trust loan principals and remaining interest to the lender on the due date of each trust loans or all trust loans. The details are as follows:

Within five working days before the first interest-settling date after the grant of each trust loan, the interest amount the borrower should pay to the lender =the principal of the trust loan*(annual interest rate of the loan - 3%)*duration date from interest-calculating date(including) to interest-settling date(excluding) of the trust loan/360.

On interest-paying date of every other trust loan except for trust loan stipulated in previously-stated loans during the duration of the trust loans, the interest the borrower should pay to the lender=the remaining amount of the trust loan principal*(annual interest of the loan-3%)* duration date of the trust loan from the last interest-settling date(including) to this interest-settling date(excluding) /360.

On the due date of each trust loan(including advanced due date), the borrower should pay the remaining interest and outstanding principal of the trust loan to the lender, paying amount=principal of the trust loan*(1 + annual interest rate of the loan*duration of the trust loan/360) -the interest the borrower paid for the trust fund.

On the due date of all trust loans(including advanced due date), the borrower should pay remaining interest and outstanding principals of all trust loans to the lender, paying amount= \sum principal of various trust loans*(1 + annual interest rate of the loan*duration of various trust loans/360)-the interest already paid by the borrower- the principal already paid by the borrower.

6.4 Overdue interest

If the borrower doesn't pay the principal and interest of the loan according to the contrast, then during the loan's overdue period, besides continuing calculating and collecting loan interest according to the Article 6.3, the lender has the right to collect overdue loan interest during overdue period. The overdue loan interest is calculated and collected everyday automatically according to one in a thousand of the remaining of the loan principal from its overdue date

7 Repayment

- 7.1 The lender should repay each batch of trust loan principal and/or interest to the account specified by the lender according to the contract. Unless otherwise agreed in the contract, the date which the trust loan principal or interest arrive at the designated account is the actual repayment date.

- 7.2 The trust loan principal and interest repaid by the borrower should be remitted to the following account specified by the lender:

Account name: Anxin Trust Co., Ltd.

Deposit bank: Shanghai Pudong Subbranch of China Construction Bank

Account number: 3105016136400000891

If the lender adjusts the above repayment account, the repayment account should be subject to *Paying Notice* sent by the lender.

7.3 The money repaying the trust loan comes from the sales income of the borrower, cash flow produced through processing Standard Gold which purity is 999.9 into cash or other capital which can be used to repay the loan.

7.4 **Insurance fund**

The borrower knows and understands provisions in *Managing Methods*, and knows that he is the subscription obligor of the insurance fund, and agrees to pay the insurance fund according to *Managing Methods*.

7.4.1 Payment of insurance fund

The borrower, as the subscription obligor of the insurance fund, should conform to provisions in *Managing Methods*. He should pay the insurance fund timely and sufficiently. The detailed arrangements by which the borrower pays the insurance fund are as follows:

(1) Amount paid

The insurance fund the borrower should pay= principal amount of various trust fund actually granted by the lender*1%

(2) Paying method

Within 30 working days from the date each trust loan is granted, the borrower should pay insurance fund to the specified account which is opened in insurance fund custodian bank by the lender. The detailed information of the account is as follows:

Account name: Anxin Trust Co., Ltd.

Account number:

Deposit bank:

The borrower is only responsible for opening, paying and checking above-mentioned account according to Management Method, the above-mentioned behaviors of the Borrower shall not be deemed as to take any joint liability or warranty liability for the obligation of the Lender to purchase insurance funds, the borrower takes no joint obligation, supplementary obligation or payment obligation for the obligation of the Lender to purchase insurance funds. Meanwhile, the borrower ascertains that, under no circumstances should the borrower delay or refuse to perform the loan clear-off obligation on account of insurance fund loss or not timely paid insurance fund.

7.4.2 Process of insurance fund principal and income

The lender should, according to *Managing Methods* and related provisions of supervising departments, put the money paid by the borrower into insurance fund special account Natural quarterly. Before the fund goes into insurance fund special account, its income is calculated in bank current deposit interest rate. After the fund goes into insurance special account, the formula for calculating the insurance fund income is as follows:

Insurance fund income=Insurance fund principal*One-year annual interest rate(percentage) *days/365

The aforementioned "One-year annual interest rate" means financial institutions RMB one year fixed deposit benchmark interest rate published by People's Bank of China. If interest rate adjustment is encountered, calculate and pay the interest according to one year fixed deposit benchmark interest rate publicized on income distribution day, do not calculate by segment. For days count the starting date not the ending date, namely from the day when the insurance fund custodian bank special account is paid to the day before settling.

7.4.3 After the completion of trust plan clearance, the lender should settle with insurance fund company according to *Managing Methods* and related provisions of supervisory departments. After the completion of settling, the lender should return insurance fund and pay the insurance fund income to the borrower.

The borrower agrees and authorizes that, within the term of trust plan, the lender has the right to put all or part of the insurance fund principal and income which should be paid to the borrower to trust property special account and to deduct from that account, so as to pay off any payable fund of the borrower/guarantor under this contract.

8 Loan Guarantee

8.1 The borrower's payment obligations for principal and interests of all trust loans as well as other payables (including but not limited to payment obligations for overdue interests, default interests, liquidated damages, damage awards, all expenses incurred for the Lender's credit realization, and payables by all other borrowers), shall be guaranteed by the borrower with its legally owned and pledged standard gold, with the Guarantor offering personal joint liability guaranty. In case the borrower fails to fulfill or incompletely fulfill principal and interest payment obligations for any trust loan hereunder or part or all of payment obligations for other payables, or in case of other default circumstances under this Contract or *Gold Pledge Contract*, the Lender shall be entitled to implement the right of pledge for all gold pledged it will occupy on the occasion, and request the guarantor to bear joint liability guaranty.

8.2 Gold pledge guarantee

8.2.1 The borrower shall properly sign *Gold Pledge Contract* with the Lender and handle notarial acts upon signature of this Contract, and provide pledged gold in relevant sum calculated according to pledge rate of such loans as pledge guarantee, and store such pledged gold into hostage safe box; the specific amount of pledged gold in all batches shall be subject to *Hostage List* attached to *Gold Pledge Contract*, the Parties shall sign a *Hostage List* for every follow-up loan except for the first loan. All hostage lists serve as an integral part of this Contract with the same legal force. The Lender shall release corresponding trust loans upon registration of pledge for gold in each batch, any batch of pledged gold shall be guaranteed with all payment obligations hereunder.

8.2.2 The sum of gold to be pledged for each loan shall be determined by the gold price on the previous trading day of the pledge day for the pledged gold in related batch, under the premise of loan pledge rate not exceeding 80% (matching with insurance amount as agreed under Article 8.2.3 hereof).

For convenience of gold amount calculation, the pledge rate of each loan shall be separately calculated, that is $\text{Loan pledge rate} = \frac{\text{Sum of principal balance of such trust loan and one year's loan interests}}{(\text{Amount of pledged gold in related batch} * \text{Price of pledged gold})} \leq 80\%$. In case the gold price falls below margin line (inclusive) of each loan for 3 consecutive trading days during existence of this Contract, the short position shall be covered based on stipulations of Article 8.3 hereof.

To avoid ambiguity, "price of pledged gold" as stated herein is real-time gold price, i.e. the gold price on the previous trading day of that day pledging such batch of pledged gold in case of pledge of pledged gold in any batch, the gold price on the previous trading day of covering day in case of super addition/short coverage of any trust loan, and gold price on the previous trading day of the return day in case of return of pledged gold/cash deposit added for each trust loan, and so on.

8.2.3 The borrower shall properly sign *Insurance Contract* with PICC regarding pledged gold upon signature of this Contract and handle notarial acts, and purchase property insurance from PICC with the borrower as sole beneficiary for quality, purity, weight and risks on damages, loss, robbery of pledged gold in related batch (including those added) during the pledge period prior to delivery of any batch of pledged gold to hostage safe box (i.e. prior to the Lender's release of any loan by this Contract), or prior to provision of adding pledged gold to the Lender by this Contract; the amount of insurance claims = Gold price on the previous trading day of gold pledge * 80% of weight of such gold. The insurance period of any batch of pledged gold is one year (inclusive) from its pledge day, the Lender needs to renew the insurance 1 month before expiry of its insurance period, which shall be no less than 1 year, so as to guarantee to hold a guarantee slip with remaining validity no less than 6 months in case of each application for loans. Where the borrower uses any reasons to refuse or fail to extend the insurance period of any batch of pledged gold within stipulated term, or the extended period is less than one year, the borrower shall be entitled to announce early expiry of all trust loans hereunder, and fulfill right of pledge against all gold pledged.

8.3 Additional Pledge Gold or Additional Cash

8.3.1 The borrower is obligated to provide additional Pledge Gold (hereinafter referred to as "additional Pledge Gold") and / or call margin by corresponding money (hereinafter referred to as "additional margin "). Every sum of loan shall set up individual call margin line, the computing standards of all call margin lines shall be conformed, that is 82% of Gold Price on previous day of Pledge Day of corresponding Pledge Gold plus 1 Yuan/gram. If the Gold Price dropped below call margin line (included) of any sum of loan for three continuous transaction days, the borrower shall complement additional Pledge Gold or additional margin within 2 working days after above-mentioned event, and keep the pledge rate of this sum of loan be not higher than 80%. If the Gold Price rise again above call margin line (excluded) for three continuous transaction days, according to the written application of the borrower, the Lender may return partial or the whole additional margin or remove the ledge of and release partial or the whole additional Pledge Gold, however after returning corresponding part of additional margin or additional Pledge Gold, the pledge rate of this sum of loan shall be lower than 80% (included).

The borrower acknowledges that, any batch of additional Pledge Gold under this Contract shall be the guarantee for the borrower to perform all the payment obligations together with other Pledge Gold. At the same time, in order to avoid ambiguity, all the "Pledge Gold" said in this Contract includes additional Pledge Gold (if any).

8.3.2 The computing methods for the amount of the additional margin (see detail in formula 1) and the quantity of the additional Pledge Gold (see detail in formula 2), and the conditions that shall be satisfied when calling margin by additional Pledge Gold and additional margin (see detail in formula 3) at the same time are as follows:

(1) Formula 1: Computational Formula for Amount of Additional Margin

$$\frac{\text{Summation of principal balance of this sum of trust loan and annual interest} - \text{balance of additional margin paid for this sum of trust loan before calling margin day} - \text{payable additional margin amount}}{\text{Gold Price on the transaction day before calling margin day} * \text{quantity of the Pledge Gold provided for this sum of trust loan before calling margin}} = 80\%$$

The additional margin = Summation of principal balance of this sum of trust loan and annual interest - balance of additional margin paid for this sum of trust loan before calling margin day - Gold Price on the transaction day before calling margin day * quantity of the Pledge Gold provided for this sum of trust loan before calling margin * 80%.

The additional margin shall be paid to the account appointed by the Lender. In order to avoid ambiguity, in this Contract, the "call margin day" of additional margin corresponded to any sum of trust loan is the day when all amount of this sum of additional margin is remitted to the account appointed by the Lender, "return day" is the day when all amount of this sum of additional margin is remitted to the account appointed by the borrower.

(2) Formula 2: Computation Formula for Quantity of Additional Pledge Gold

$$\frac{\text{Summation of principal balance of this sum of trust loan and annual interest} - \text{balance of additional margin paid for this sum of trust loan before calling margin day}}{\text{Gold Price on the transaction day before calling margin day} * (\text{quantity of the Pledge Gold provided for this sum of trust loan before calling margin} + \text{quantity of additional Pledge Gold that shall be offered})} = 80\%$$

Quantity of Additional Pledge Gold = (Summation of principal balance of this sum of trust loan and annual interest - balance of additional margin paid for this sum of trust loan before calling margin day) ÷ 80% ÷ Gold Price on the transaction day before calling margin day - quantity of Pledge Gold provided for this sum of trust loan before calling margin day.

Before providing any batch of additional Pledge Gold, the borrower shall update and sign new Hostage List together with the Lender, and register the pledge for this batch of additional Pledge Gold at Jiang'an Substation of Wuhan Industrial and Commercial Bureau, and purchase corresponding insurance product for this batch of additional Pledge Gold according to agreement of this Contract immediately. The time and quantity of additional Pledge Gold shall be subject to the records of Chattel Mortgage Registration Certificate obtained by the Lender.

The borrower shall deposit the additional Pledge Gold in the hostage safe box, in order to avoid ambiguity, in this Contract, the "call margin day" of additional margin corresponded to any sum of trust loan is the day when all amount of this sum of additional Pledge Gold is remitted to the account appointed by the Lender, "return day" is the day when all amount of this sum of additional Pledge Gold is remitted to the account appointed by the borrower (namely the Lender notifies the borrower to go to the bank of the safe deposit box and deliver the Pledge Gold to the borrower directly on the same day).

(3) Formula 3: If call margin by additional Pledge Gold and additional margin at the same time, following conditions shall be satisfied after calling margin:

$$\frac{\text{Summation of principal balance of this sum of trust loan and annual interest} - \text{balance of additional margin paid for this sum of trust loan before calling margin day} - \text{payable additional margin amount}}{\text{Standard Gold Price on the transaction day before calling margin day} * (\text{quantity of the additional Pledge Gold provided for this sum of trust loan before calling margin} + \text{quantity of additional Pledge Gold that shall be offered})} \leq 80\%$$

8.3.3 For any reason, if the borrower refuses to and fails to fully compensate additional margin or additional Pledge Gold, or compensate other mortgage and pledge that is accepted by the Lender and has equal estimated value to corresponding additional margin and additional Pledge Gold according to agreements of this Contract, the Lender is entitled to declare that all trust loan(s) under Main Contracts are due in advance, and require the borrower to perform all the payment obligations under Main Contracts immediately, otherwise, the Pledgor is entitled to exercise mortgage to all the Pledge Gold, and use funds gained from realizing hostage to pay off all unpaid payable amounts of the borrower under Main Contracts for priority; if the income is insufficient to pay off above-mentioned amount, then Borrower shall directly complement the Lender, if the income is more than above-mentioned amount, the excess shall be return to the borrower.

If the pledge gold of any sum of loan is in the condition that the pledge preservation is delayed and not timely, additional margin or additional pledge gold is compensated insufficiently, the Lender it entitled to declare that all loans are due in advance, exercise mortgage to all the pledge gold, and take priority in compensation from income of exercising mortgage.

8.3.4 The additional margin paid by the borrower shall be paid into following bank account of the Lender:

Account Name: Anxin Trust Co., Ltd.
Opening Bank:
Account No.:

If the above-mentioned bank account is needed to be changed, the Lender shall notify the borrower in written 5 working days in advance.

8.3.5 If the borrower completes all the gold pledge, insurance obligations and corresponding complements and call margin obligations according to the agreements of this Contract, after the principal and interest of any sum of loan has been fully paid and the borrower has performed all the payment obligations corresponded to the loan, the Lender is entitled to decide release the pledge of corresponding gold provided by the borrower in advance, however, the pledge rate of this loan shall be below 80% (included) after discharging the gold.

8.4 Warranty

Mr. Jia Zhihong, the actual control of the Borrower, provides irrevocable joint liability guarantee for all payment obligations under this Contract.

9 Payment

9.1 The lender and the borrower shall pay relevant taxes and fees in accordance with the provisions of the law in China.

9.2 Trust loans cost involved under this contract including but not limited to notary fees, legal fees, audit fees, rent, insurance fee, registration fee, enquiry fee and service fee shall be bear and paid by the borrower.

9.3 The borrower under this contract shall pay all the money that should be paid in full and should not be attached to any claim or limit and shall not have any nature of tax deduction or withholding under this contract.

9.4 When the borrower pay a certain sum of accounts payable to the lender according to the provisions of this contract (including but not limited to breach of contract, damage awards, penalty interest, interest, principal), if the day of accounts payable is not the day of the working day of the lender, it will postpone to the next succeeding working day. Trust loan principal and interest will continue to calculate the interest during expansion period in accordance with this contract.

9.5 When the borrower pay a certain sum of accounts payable to the lender according to the provisions of this contract (including but not limited to breach of contract, damage awards, penalty interest, interest, principal), the borrower should pay to the account designated by the lender in the day of the cash payment and send a copy of the payment voucher copy or the copies of the seal of the unit to the lender on the same day.

9.6 When the borrower's repay money is not enough to pay off all the due payable amount under this contract (including but not limited to the trust loan principal, interest, default interest, liquidated damages, damages, the cost of the creditor's rights, etc.), the lender shall have the right to use the money to return the other payables (including the cost of the creditor's rights, penalty interest, damages, liquidated damages, etc.), interest and principal and etc. in order.

10 Capital Regulation

10.1 In order to ensure the trust loans under this contract on the use of the funds in accordance with the contract is applied, the borrower shall open a loan account by the lender in the designated bank according to the requirements.

10.1.1 Trust Loans Special Account

Account name: Wuhan Kingold Jewelry Co., Ltd.
 Bank: Wuhan Jiangan sub-branch bank of China Construction Bank
 Account No. : 42001116208053017159

The trust loans account opened for lenders in a designated bank by the borrower in accordance with the requirements , special to receive loans under this contract. The lender shall have the right to require the borrower to adjust the loan special account, and open the new loans account in the designated bank. The new loans account should fit *Loan account change confirmation letter* send by the borrower.

11 Representations and Warranties matters

11.1 The borrower make the following statement and guarantee to the lender in the date of this contract signed , and confirm that the lender conclude the following contract relying on the representations and warranties, and these statements and guarantee are continuous effective during the effective period of this contract and the subordinate contracts.

11.1.1 The established and validly existing enterprise as a legal person according to the laws and regulations of the People's Republic of China, the borrower system has the right to punish all its property completely and engage in its business license in the rules of business; As of each loan issuing date of this contract, the borrower is in normal operation condition. There is no any existing or reasonable expectations that may lead to the borrower in the trust loan term cannot continue to operate normally.

11.1.2 The borrower shall have the right to sign and perform this contract and the relevant financing documents. All the necessary measures and other action has taken, making it have all the necessary rights and authorization to sign and perform this contract.

- 11.1.3 Signing and performing this contract is voluntary by borrowers, is their true meaning, and passes all the necessary legal authorization. the authorization and authorization to sign and perform not contrary to the borrower under the articles of association or any laws and regulations or the contract binding upon the borrower. The formalities that used to sign and perform this contract by the borrower are to be completed legally and fully effective.
- 11.1.4 Except that has disclosed to the lender and the lender in writing to sign for the situation of the disclosure document records, borrowers did not hide any that has occurred or is about to occur may make lenders don't agree to grant trust loans under this contract of the following events:
- (1) There is no event of default has occurred by the borrower and no event of default reasonably expected for any withdrawal under this contract ;There is no other binding agreement or other documents constitute a default under, and may cause serious adverse effects of other events or circumstances;
 - (2) The borrower violate the obligations that signed by him and other creditors under this credit and debt agreement;
 - (3) Any pending litigation, arbitration, administrative procedures, judicial execution of the program /or the administrative authority of similar nature/or other legal process;
 - (4) The borrower and its shareholders, actual controllers do not have the illegal/unlawful behavior and other events that Can be reasonably expected by the borrower and its shareholders, actual controllers, their actions fault caused by it in the process of litigation, arbitration and administrative, judicial and/or administrative organs of the executable program and/or other legal proceedings with similar properties ;
 - (5) The borrower bear debt, contingent liabilities, or to a third person to provide mortgage, pledge, and other guarantee;
 - (6) Other financial condition affecting the borrower and solvency.
- 11.1.5 All documents, data, reports and documents to the lender for the trust loans under this contract provided by the borrower are accurate, true, complete and effective; There are no misleading and no any missing important facts.
- 11.1.6 The obligation is the duty of legal and valid under this contract of the borrower and it has the legally binding; the borrower did not involved any liquidation, dissolution, merger, division or similar legal process; The borrower did not involved in that has a significant adverse effect of civil, criminal, administrative litigation or arbitration proceeding to the borrower's ability that perform this contract.
- 11.1.7 Whether the borrower has been or will counter guarantee agreement or similar agreement with the guarantor for its warranty obligations under this contract. The agreement will not damage the lender in any of the rights and interests under this contract on the law or fact.

- 11.1.8 Any important asset of the borrower is not involved in any enforcement, property preservation, sealing up, distraining, lien, regulation, or deduct the deposit by financial institutions.
- 11.1.9 The borrower, guarantor should provide the last quarter financial reports to the lender after the expiry of each natural quarter within 15 days; The borrower, guarantor guarantee the all financial statements and audit report is submitted in accordance with relevant laws and the report indicate their financial condition, etc. truly, fairly.
- 11.1.10 The borrower promise that they will not allocate profit or pay off debt to its share holders in trust loans surviving period.
- 11.1.11 The borrower promises that its creditor's rights of the guarantor/issuer is inferior to creditor's rights of the guarantor by the borrower in trust loans surviving period.
- 11.1.12 The borrower agrees that the lender inquire the borrower's credit standing in the People's bank of China and approved by the competent department of credit investigation to establish credit database or the relevant units and department sand agrees that the lender provide the borrower information to the People's bank of China and approved by the competent department of credit investigation to establish credit database. And borrower agrees that the lender can reasonable use and disclose the borrower's information for business needs.
- The borrower guarantees that they repay the full specified amount trust loan principal and interest in accordance with the contract on time; The lender shall have the right to be notified to the relevant department or unit, has the right to make announcement collection through the news media for borrowers default loan principal and interest of the trust or other default situation.
- 11.1.13 The borrower promise that they were aware and fully understand the *Management Method* and regulatory rules, and guarantee that they will pay full assurance fund amount on schedule.
- 11.2 The borrower hereby further represents and warrants from the day of signing this contract to the day of all payments are paid off under this contract that will observe each item stipulated in article 11.1 above statement and guarantee correctly and fully in accordance with the situation at that time unless the lender in writing to give up.

12 The Agreed Items

In addition to the other terms and conditions of this contract, during the period of the trust loan, the following items will be further agreed between the borrower and lenders:

- 12.1 The lender can check and understand the use of the loan at any time in a variety of reasonable ways; the borrower have to actively cooperate with the lender to make the lender understand the usage of the loan and their operating conditions according to the reasonable requirements of the lender to provide the relevant materials.

- 12.2 During the period of the credit loan, without the prior written consent of the lender, the borrower could not use their legal standard gold to provide a guaranty to other people except the lender. When the borrower dispose of the major material assets, and change the practical control right and so on, they should get the written consent of the lender in advance.
- 12.3 Before the borrower repay all the trust loan principal and interest under this contract, such as taking actions like contracting, leasing and the reform of the shareholding system, joint, combination, merger, division, joint venture, material assets transferring, control rights transferring, application for closure, application for dissolution, application for bankruptcy, and other actions which enable to cause the changes of creditors' rights and debt relations or the influences on the implementation of the creditors' rights of the lender, they should give written notice to the lender in advance, and obtain the consent of the lender, at the same time, carry out the liquidation liabilities or debts in advance, otherwise they can not take the above listed actions.
- 12.4 The borrower should ensure that the submitted financial statements to the lender are drawn up in accordance with Chinese accounting standards.
- 12.5 The borrower should promise that they will not dissolve, liquidate, and influence the lender's rights and interests before they make the preserved measures on the loan creditor's rights without the prior written consent made by the lender.
- 12.6 The repayment order of the debt under the items of this contract is prior to the debts of the borrower to its shareholders, at the same time, the borrower pledge that they will not violate the normal repayment order to pay off the other loans preferentially. What's more, they will not sign any contract or agreement which will make the trust loans under this contract lie in a subordinate or inferior position at present and in the future.
- 12.7 If the following situations occur, the borrower should notify the lender in 5 business days:
- 12.7.1 The events, such as major legal litigation, arbitration or administrative disposal programs or deduction of the deposits by the financial institutions which influence the lender's interests;
- 12.7.2 If any default event appears under this contract, the borrower should explain the nature and duration, and explain what action has been taken or what measures will take;
- 12.7.3 When the borrower is aware of himself or any important assets having been involved in any legal proceedings or arbitration proceedings, enforcement or seizure or detainment or other similar measures, the borrower should inform the lender in written notice according to the provisions of this article, besides, they should also list the constituted influences or the possible influences in detail and the remedial measures which have been taken or planned to take;
- 12.7.4 If the borrower have economic disputes with a third person for the economic activities or accidental events which affect the borrower to carry out business activities normally, such as production halts, closure, the cancellation of registration, revoking the business license, engagement in the illegal activities of the legal representatives or the principal persons, involving major litigation activities, appearance of the serious difficulties in the production and business operation, deterioration of the financial conditions, etc;
- 12.7.5 Any event that may happen or has happened, which has an effect on the borrower' normal repayment;
- 12.7.6 If the borrower need to change the legal representatives, the authorized representatives, correspondence address, name of the unit, or the major changes in the financial and personnel aspects, and the changes in the articles of association of the borrower;

- 12.7.7 If the guarantor under this contract appear the situations of production halts, closure, the cancellation of registration, revoking of the business license, bankruptcy and operating loss, and loss the corresponding guaranteed capabilities related to this loan partly or completely, the borrower should timely provide the other guaranteed measures approved by the lender.
- 12.8 Without the written consent of the opposite side, both sides should not disclose the opposite side's business secrets to third parties, including operating information, management information, technical information, customers' information and other business information which can bring economic benefits and are not known by the public.
- 12.9 The borrower state here in particular, once the borrower breach the contract or the borrower do not repay the trust loan principal and interest stimulated by the contract, and the borrower themselves have no enough property to repay the debt, with regard to any creditor's right, receivables, and other property rights possessed by the borrower in allusion to the third party, the lender has the preferred subrogation to reimburse rights.

13 Events of default

- 13.1 Any one of the following events shall form the borrower' default of this contract:
- 13.1.1 If the borrower appear the big earnings volatility and significant legal litigation which affect the abilities of the borrower to perform the obligations under this contract;
- 13.1.2 If the borrower violates the provisions of this contract, without the written consent of the lender, arbitrarily uses or transfers loan funds in the special account;
- 13.1.3 If the borrower fails to repay the credit loan principal and interest, overdue interest, default interest, liquidated damages and any other payables in accordance with the provisions of this contract, the cognizance of such default is applicable to any loan. That is to say, the delay or underpay of any loan's principal and interest, overdue interest, penalty interest, liquidated damages and any other payables under this contract shall constitute a fundamental default of this contract, and the lender have the right to take measures according to the article 14;
- 13.1.4 If any important asset of the borrower has been involved in any enforcement, sealing up, distraint, lien, regulated measures or similar measures;
- 13.1.5 If the borrower do not totally disclose all the debts connected with the company, such as the lender' compulsory enforcement by other creditors' applying to the people's court due to the borrower or other persons' debts, the borrower shall bear the liability for default of the contract, and pay liquidated damages to the lender according to five percent of the total trust loans' principal.
- 13.1.6 Any representation or warranty made by the borrower under the items of this contract is incorrect, untrue, misleading, violated, or the representation or warranty has been proved to be incorrect, untrue, misleading, and violated when they are made or considered to be made, and has caused that the reasonably expected trust loan principal and interest can not be fully repaid.
- 13.1.7 Because of the changes in the laws or the executive orders of any government, the business situations of the borrower or any of their important assets have changed significantly or possible events or situations which may lead to the big changes. However, the changes, events, or situations have been considered by the lender reasonably to have constituted or possibly constitute the significant adverse impacts on the borrower' repaid capabilities under the items of the contract;
- 13.1.8 The borrower do not materially comply with or perform any one of its commitments and obligations under the items of this contract;
- 13.1.9 Without the written consent of the lender, the borrower sets the guaranteed interests on the fixed assets formed by main assets or the trust loans under the items of this contract happened some events which have produced significant adverse impacts on the performed capabilities on the obligations under the items of this contract;

- 13.1.10 The borrower are ordered to terminate the business due to going out of business, dissolution, cancellation, closure of the business, bankruptcy and other reasons;
- 13.1.11 The borrower's legal representatives or the principal persons escape, disappear, suspect of a crime, and be taken compulsory measures;
- 13.1.12 The borrower or the guarantor have involved in or is about to involve in major litigation, arbitration, and other legal disputes;
- 13.1.13 The borrower appears some big events or situations of cross default which fail to perform the borrowing or financing made with other financial institutions or the obligations of guaranty contracts, etc.;
- 13.1.14 Without the lender's consent, the borrower change the purpose of the loan arbitrarily, or use the loan to proceed illegal and improper tradings;
- 13.1.15 The borrower uses the false contract with the related party to discount or pledge to the banks, and withdraw the bank capital illegally or extend the credit based on the creditors' rights like receivables and notes receivable which have no real trade backgrounds;
- 13.1.16 The borrower who refuses to accept the supervision and inspection of the lender on the usages of the loans and the related business financial activities;
- 13.1.17 The borrower appears situations of the major merger, acquisition and reorganization, transfer of equity, and the sale of real estate, etc., which have affected or may affect the loan security.
- 13.1.18 The borrower deliberately evades the debts of financial enterprises through the related party transactions;
- 13.1.19 Other situations considered by the lender which can lead to the failure to repay the loan principal and interest on time under the items of this contract;
- 13.1.20 Other defaulted behaviors according to the relevant laws and regulations of this contract.
- 13.2 If the guarantor appears one of the following circumstances, the borrower shall be considered to default under this contract, and the lender shall have the right to take relieved measures stipulated by this contract:
- 13.2.1 The guarantee which are not established, inactive, invalid, being dismantled and lifted under the items of this contract; the guarantors default or clearly indicate or show that they will not fulfill the guaranteed responsibility; or the guarantor or warrantor loss part or all of the guaranteed qualifications; the collateral value reduces or appear some other changes; what's more, within the time schedule made by the lender, the borrower does not supple according to this contract's stipulation or fail to timely provide new collateral or take other preserved measures of creditors' rights approved by the lender;
- 13.2.2 The borrow underwrites insurance for the pledge gold and renew in time, which is not in accordance with the contract;
- 13.2.3 The guarantor do not substantially comply with or carry out any commitment or obligation under the items of the guarantee files; or any representation or warranty made by the guarantor under the items of the guarantee files is incorrect, untrue, misleading, violated; or the representation or warranty has been proved to be incorrect, untrue, misleading, and violated when they are made or considered to be made.

- 13.3 Cross default
The guarantor who appears the below or any kind of situation in the agreement of 13.1 or 13.2 in this contract shall be regarded as the borrower's default of this contract, and the lender has the right to call in the loan ahead of the contract's schedule and require the borrower to take the defaulting responsibilities:
- 13.3.1 Any loan, financing or debt has defaults;
- 13.3.2 Any guarantee or similar obligation is not performed;
- 13.3.3 Failing to perform or violate the relevant debt guarantees and other legal documents or contracts having similar obligations;
- 13.3.4 Appearances of the situations being unable to repay the expiring debtor borrowing/financing;
- 13.3.5 Bankrupt which has been declared or is about to be declared through the legal procedure;
- 13.3.6 Transferring the assets or property to other creditors;
- 13.3.7 Other situations which endanger the safety of loan principal and interest under this contract.

14 Liabilities for default

- 14.1 If one or several default items occur listed in article 13 of this contract, the lender has the right to take one or more remedial measures according to the actual situation of the borrower's default. The borrower should bear the corresponding responsibilities for default of the contract.
- 14.1.1 If the borrower fails to fully repay any loan's principal and interest or the other payables in time under the items of this contract in accordance with the stipulation of this contract; or fail to fully supply any additional gold pledge and margin in time, or fail to timely buy insurance or extend insurance time limit for any pledged gold; and fail to correct the defaulting behaviors and remedy according to the requirements of the lender within the time limit specified by the lender, the lender shall have the right to declare all trust loans under the items of this contract expire in advance immediately, and withdraw all the trust loans' principal balance and the unpaid part in all the interest payable according to the calculation stipulated by this contract, overdue interest, penalty interest, liquidated damages and any other payables in advance from the lender, and the immediate recourse to the borrower through various forms.
- 14.1.2 If the borrower violates the provisions of this contract without the consent of the lender, and arbitrarily use or transfer the loan funds of special accounts, the lender shall have the right to take back all or part of the loan ahead of schedule. At the same time, from the date of arbitrarily use (transfer) of the loan, according to the amount of the use (transfer) and actual days of the use (transfer), the lender shall calculate and collect the penalty interest from the borrower in the light of the thousandth of the use (transfer) fund every day, until the borrower returns all the use (transfer) funds to the lender. The lender's collecting penalty interest from the borrower shall not influence the lender's any other rights under the items of this contract.
- 14.1.3 During the period of the trust loan, if the Borrower fails to pay interest within the time limit prescribed in this contract, as to the overdue interest part, during the overdue period, the Lender shall have the right to add one thousandth penalty interest every day on the basis of the original overdue loan interest stipulated in article 6.4 from the overdue date.
- 14.1.4 If the Borrower fails to repay the trust loan principal according to the stipulation of this contract, as for the overdue part of the trust loan principal, during the overdue period, the Lender shall have the right to add one thousandth penalty interest every day on the basis of the original overdue loan interest stipulated in article 6.4 from the overdue date.

- 14.1.5 According to the provisions of this contract or guaranteed documents, it requests the Guarantor to bear guaranteed responsibilities, including the ways of selling off and auctioning the pledged gold, the borrower' agreement on the discount of the pledged gold, or entrust the members in Shanghai Gold Exchange to sell the pledged gold at the market price in the open gold market to perform the right of pledge, or requests the Guarantor to bear the joint guaranteed responsibilities.
- 14.1.6 Other remedial measures stipulated by the relevant laws and regulations and this contract.
- 14.2 After the Lender took the default measures stipulated by the preceding articles, the Borrower still cannot make up for the loss to the Lender, and they have the right to continue to pursue of recovery to the Borrower about the failing repay part.
- 14.3 Because of any party's default making the opposite party adopt the litigated ways to realize the creditors' rights, the default party should bear the reasonable costs paid by the opposite party, including but not limited to legal fares, property preservation fee, auction fee, attorney fees, travel expense, copying charge, and printed materials fees, etc.

15 Special stipulations

- 15.1 When the news media, such as the documents, newspapers or web sites sponsored by the state council and its ministries and commissions, provincial government (including the municipalities directly under the central government and autonomous regions), the people's bank of China, China banking regulatory commission and other financial regulatory institutions ,report the industrial policies of the state's prohibition or restriction on the investment of the related industries or series of enterprises, the lender could suspend, discontinue, and terminate the debts' issue or recover the loan ahead of schedule to the borrower of the related industries or series of enterprises.
- 15.2 The borrower agrees that the lender could use and save credit information because of the loan application and post-loan management query.
- 15.3 The reasons, such as the irresistible forces, stoppages of the communications or network, or system faults of the lender, lead to the failures to issue loans or conduct the payments in accordance with the stipulations of this contract, the Lender shall not take the responsibility, but should promptly notify the borrower to take remedial measures.

16 Supplement, Modification and Transfer of the contract

- 16.1 After the contract entries into force, the parties can modify or supplement the contents of the contract on the basis of consensus. If the provisions of the contract are inconsistent with the regulations of the law, a supplementary contract should be timely consulted and signed to perfect the contract. For matters not covered in this contract, both parties can sign a supplementary contract. The supplementary contract is an integral part of this contract, and it has the same legal effect as the contract. If the supplementary contract is in conflict with the contract, the supplementary contract shall prevail. In this contract, when this contract is mentioned, any effective revisions and supplements to this contract should be included.
- 16.2 Without the written consent of the Lender, the borrower may not transfer any rights and obligations under this contract.

17 Notices

17.1 unless there are other provisions in the contract, otherwise, all notices between the two parties under the terms of the contract shall be in written form, which can be delivered by people, registered letters, express mail service, and fax can be as an auxiliary way, however, it must have a supplementary delivery according to the agreed ways in the contract. The notices on the following dates shall be deemed to be the dates of service:

- (1) The notices delivered by people are an effective delivery on the delivery date.
- (2) The notices delivered by registered letter (postage paid) are effective delivery on the seventh day after they are delivered (as indicated by the postmark).
- (3) The notices issued by express mail service (postage paid) are effective delivery in the third days after being delivered (as indicated by the postmark).
- (4) The notices sent by fax are effective after they are delivered.
- (5) Using the above methods to send notices at the same time, the fastest one reaches the receiver is effective.

17.2 The notices under this contract shall be delivered according to the following address; if some changes need to be done, the party who wants to change shall notify the other party in written way and three working days in advance. The losses caused by the failure to notice in time are bore by the party who changes the correspondence address or the contact ways.

Lender:	Anxin Trust Co., Ltd.
Correspondence address:	the 2nd Floor, No. 689. Guangdong Road, Shanghai City.
Postcode:	200001
Telephone numbers:	021-63410777
Fax:	021-63410309
Recipient:	Lian Bo
Borrower:	Wuhan Kingold Jewelry Co., Ltd.
Correspondence address:	Special No. 15 of Huangpu Science and Technology Park, Jiang'an District, Wuhan City
Postcode:	200001
Tel:	
Fax:	027-65694777
Recipient:	Hu Qiao

18 Grace and Partial invalidity

- 18.1 The lender does not or delay exercising any rights under this contract shall not be deemed to give up such rights, who exercises such rights alone or in part should not be rid of using any other way or exercising such rights further or other rights.
- 18.2 The rights and remedies stipulated in the contract are cumulative and any rights or remedies of the lender endowed by laws do not being ruled out.
- 18.3 A provision or some portions of one provision in this contract are now or in the future will become invalid, the invalid provision or the invalid portions do not affect the validity of the contract, the other terms of the contract and other contents of the provision.

19 Other matters

- 19.1. This contract is effective after the legal representatives or authorized representatives of both parties signed or sealed and stamped with official seal and special seal for contractual use, and it terminates until trust loan principal, interest, penalty interest, liquidated damages and all the other obligations of payment have been fulfilled.
- 19.2 If both parties produce differences to the provisions of this contract and that has come to the "significant", "substantial", "serious" standards and so on, the lender's interpretation shall prevail.
- 19.3 When disputes arise during the performance of this contract, and they can be resolved through consultation, if it doesn't work, either party shall file a lawsuit to the people's court having jurisdiction over the place where the lender has his domicile. During the proceeding, the terms that do not involve the dispute in the contract shall still be fulfilled.
- 19.4 The contracts, memos, commitments and other binding legal documents which have come into force signed by the borrower or Lender on the matters under this contract shall be an integral part of this contract.
- 19.5 Once the contract has been signed, it shows that the two parties have read this contract in full and detail, do not have any doubt and ambiguity on all terms in the contract, and have accurate and correct understanding on relevant rights, obligations and responsibilities of both parties.
- 19.6 Six copies of this contract, two copies of the lender, one copy of the borrower, and the rest are used for conducting notarization and other procedures, and each one has the same legal effect. 5 working days from the date of signing this contract, and the contract shall be notarized by the two parties to the notary organ designated by the lender.
- 19.7 Loan application form, IOU, and other relevant documents and data provided by the borrower are integral parts of this contract.

(The remainder of this page is intentionally left blank.)

Attachment 1:

Receipt for Loan
Day Month Year

Loan Contract No.: AXXT [2016]JHXT01-DK01

No.: AXXT[2016]JHXT01-DK01-JJ01

Name of Lender : Anxin Trust Co., Ltd.

Name of Borrower Unit: Wuhan Kingold Jewelry Co., Ltd.

Special Account for Loan: Wuhan Kingold Jewelry Co., Ltd.

Opening Bank:

Account No.:

Loan Amounts:

Loan Term:

Value Date: ___Day___Month,___Year

Loan Rate:

Borrower Unit (Official Seal): Legal Representative (Signature and Seal):

(No text in this page, signing page of No. AXXT [2016]JHXT01-DK01 Trust Loan Contract)

When signing this Contract, both parties have read and knew all the articles in this Contract, have no objection, and accurately understood all legal implications of all articles related to legal relations, related rights, obligations and responsibilities between both parties.

Lender: Anxin Trust Co., Ltd. (Official Seal)

Legal Representative or Authorized Representative (Signature or Seal)

Borrower: Wuhan Kingold Jewelry Co., Ltd. (Official Seal)

Legal Representative or Authorized Representative (Signature or Seal)

Signing Date: _____ Day _____ Month, 2016

Signing Place: Shanghai

Gold Lease Agreement

(Translation)

The Lessor: Wuhan Huangpu Branch of Industrial and Commercial Bank of China Co., Ltd.

The Principal: Zou Guohua Contact Person: ____/____Residence (Address): No. 260, Huangpu Street, Jiang'an District Postcode: 430000Telephone: 027-82219748 Fax: ____/____ E-mail: ____/____

Shanghai Gold Exchange Code: ____/____

The Lessee: Wuhan Kingold Jewelry Co., Ltd.Legal Representative: Jia Zhihong Contact Person: Hu QiaoResidence (Address): Special No. 15 of Huangpu Science and Technology Park, Jiang'an DistrictPostcode: 430000Telephone: 02785749123 Fax: ____/____ E-mail: ____/____

Shanghai Gold Exchange Code: ____/____

Considering that the Lessor has the ability and qualification to provide gold leasing business service under this Contract as one financial institution, the Lessee has known that the service provided by the Lessor is the compensable, legal and independent business that is not attached to other services or products of the Lessor, and acknowledged its charging standard is rational, the Lessee chooses to apply for this business voluntarily.

Through consultation on the basis of equity, the Lessee and the Lessor hereby conclude this Contract on that the Lessor leases the gold to the Lessee. In this Contract, anywhere marked with "□", please mark "√" at your chosen item, mark "x" at the item you don't choose, and blank will be deemed as you don't choose that item.

Part I Basic Agreements**Article I Purpose for Gold Lease**

Under this Contract, the gold lease is used for following purpose. Without written agreement of the Lessor, the Lessee is not allowed to use the gold lease for other purpose, and the Lessor is entitled to supervise the usage of the principal of the gold lease.

Purpose: To lease gold to be used in the jewelry production**Article II Variety, Limit and Term of the Gold Lease**

2.1 Under this Contract, the variety of the gold lease is the standard gold bar or gold ingot that may be transacted and delivered at Shanghai Gold Exchange. The gold specification is shown as / (not applicable to cyclic lease):

- (1) Au99.99, fineness 99.99%, 1 kilogram gold ingot.
- (2) Au99.95, fineness 99.95%, 3 kilograms gold ingot.
- (3) Other variety that is allowed to be transacted and delivered: /

2.2 The Lessee agrees the Lessor to deliver replaced by / gold specification (not applicable to cyclic lease) :

(1) Au99.99, fineness 99.99%, 1 kilogram gold ingot.

(2) Au99.95, fineness 99.95%, 3 kilograms gold ingot.

(3) Other variety that is allowed to be transacted and delivered: _____ / _____

(4) To disagree the alternative delivery.

2.3 Under this Contract, the principal weight of the gold lease is (in capitals) Five Hundred and Twenty Seven kilograms (in letters: 527 kilograms) (the capital amount shall prevail when there is difference between capitals and letters).

2.4 Under this Contract, the term of the gold lease starts from March 7, 2016 to September 2, 2016. The actual delivery day of gold lease principal is subject to the record of delivery certificate of material gold lease.

Article III Lease Rate, Lease Fee, Weight Difference and Liquidity Damages

3.1 Under this Contract, the annual interest rate of gold lease fee is: 2.75%

3.2 Under this Contract, the lease fee is paid according to (1) agreement:

(1) To pay in one-time gold lease when delivering the principal of the gold lease;

(2) After delivering the principal of the gold lease, charging by the day (daily rate of gold lease = annual gold lease rate/360), to pay ___/___ (monthly/quarterly).

3.3 The Lessee appoint the funds paid account listed in the delivery list as the clearing account with the Lessor, to be used to pay lease fee, liquidity damages, compensatory damages and other payables of the Lessee.

3.4 When paying according to the appointed method in Article 3.2 (1), the Lessor shall deduct the lease fee when it is paid, and if the principal of gold lease was returned in advance, the lease fee may not be returned; when paying according to the appointed method in Article 3.2 (2), the Lessee shall deposit the payable lease fee into clearing account before the due day, and the Lessor may deduct the lease fee directly from the account. Under this Contract, when the lease is due, unpaid lease fee shall be paid off once.

3.5 Under this Contract, the gold lease fee shall be calculated in RMB, and the amount of the lease fee is:

Termly payable lease fee = weight of gold lease (gram) * daily gold lease rate * actual charging days in this term * fixing price (RMB Yuan/gram)

Thereinto, the fixing price is determined by the Lessor according to the closing price of corresponding trading variety in Shanghai Gold Exchange on transaction day before delivering principal of the gold lease.

3.6 If the Lessee fails to return the gold according to the Contract when the gold lease is due (including declared acceleration of maturity), as for the overdue principal of the gold lease, the Lessor is entitled to charge additional liquidated damages equal to 5% lease fee agreed in this Contract; as for the lease fee that the Lessee failed to pay on time, 0.05% lease fee may be charged by the Lessor as the liquidity damages. From the day when the principal of the gold lease is embezzled, the Lessor is entitled to use the highest price of corresponding trading variety in Shanghai Gold Exchange on breach day as the fixing price to calculate above-mentioned liquidity damages.

3.7 If the Lessee fails to use the principal of the gold lease according to the agreed purpose of this Contract, the Lessor is entitled to charge additional liquidated damages equal to 5% lease fee rate agreed in this Contract; as for the lease fee that the Lessee failed to pay on time during breach period, 0.05% lease fee may be charged by the Lessor as the daily liquidity damages; from the day when the principal of the gold lease is embezzled, the Lessor is entitled to use the highest price of corresponding trading variety in Shanghai Gold Exchange on breach day as the fixing price to calculate above-mentioned liquidity damages.

Article IV Delivery of Principal of the Gold Lease (Not Applicable to Cyclic Lease)

4.1 The Lessor may deliver the principal of the gold lease under this Contract to the Lessee according to the (1) arrangement below:

- (1) The Lessor completes the delivery of all the principal of the gold lease once;
- (2) The Lessor completes the delivery of all the principal of the gold lease in batches according to days and weights listed in Annex 1, the principal of the gold lease delivered by the Lessor is the integral multiple of unit weight of delivery variety every time.

Article V Special Agreements for Gold Cyclic Lease (Alternative Article, " Applicable" or " Not Applicable ")

5.1 Under this Contract, the gold lease is recycling, aforesaid weight and lease term of the gold lease in Article II are the cyclic lease limit and service life of cyclic lease limit.

5.2 Every time the Lessee applies to deliver the principal of the gold lease, the Lessee shall inquire the variety and price in advance, and submit Delivery Notice for Leased Gold (Annex 3) and delivery certificate for material gold lease at least / working days in advance. Once the Delivery Notice for Leased Gold is submitted, it is not allowed to be revoked without written permission of the Lessor.

5.3 The variety of every batch of gold lease shall be subject to the agreement in the Delivery Notice for Leased Gold.

Article VI Return Principal of the Gold Lease

6.1 The Lessee shall pay full amount of the lease fee according to the agreements in this Contract, and return the principal of the gold lease under this Contract according following (1) way:

- (1) To pay all the principal of the gold lease once on contract expiry day;
- (2) To pay according to days and weights recorded in delivery certificate for material gold lease;
- (3) To pay in batches according to days and weights listed in Annex 2.

6.2 Under this Contract, in case of the gold lease is in following condition, the Lessee shall return it back immediately once the corresponding material is in place. If the payment is advanced due to this, there is no need for the Lessee to pay compensatory damages:

/

6.3 Except for agreed condition in Article 6.2, if the Lessee returned the principal of the gold lease in advance, the Lessee shall submit written application to the Lessor 3 business days earlier than the day that principal of the gold is planned to be returned, the Lessor is entitled to determine whether to agree the Lessee to return principal of the gold lease in advance according to the situation, the Lessor is also entitled to charge the Lessor compensatory damages, and the compensatory damages is calculated according to following standard: % of unpaid lease fee calculated according to Article 6.1.

6.4 If the Lessor agrees that the Lessee returns principal of the gold lease in advance, the Lessee shall pay principal of the gold lease in inverted order of returning plan. The partial gold weight that is returned in advance is the integral multiples of kilograms, and the principal of gold lease that is returned in advance completely shall be the balance of unpaid principal of the gold lease. When returning the principal of the gold lease in advance, the Lessor shall pay off all payable due principal of the gold lease and other fees according to agreement of this Contract on advanced paying day. Under non-cyclic contract, principal of the gold lease that is returned in advance is not allowed to withdraw again.

Article VII Guarantee

7.1 Under this Contract, if the gold lease is guaranteed, the guarantee way is ____/____.

7.2 Under this Contract, if the gold lease is guaranteed with maximum amount, the corresponding maximum amount guarantee contract is as follows:

Name of maximum amount guarantee contract: ____/____ (No. : ____/____)

Guarantee: ____/____

Article VIII Financial Covenants (Alternative Article, " Applicable " Not Applicable)

Within valid term of this Contract, the Lessee shall abide by following financial index covenants:

Article IX Dispute Resolution

Under this Contract, the dispute resolution method is: (2)

(1) To submit the dispute to the __/__ arbitration committee, according to the valid arbitration rule of this committee when applying, to arbitrate in __/__(arbitration place). The arbitral award is final and binding upon both parties.

(2) To solve this dispute in local court of the Lessor by the form of suit.

Article X Others

10.1 This Contract is in duplicate, and both the Lessee and the Lessor holds one copy with the same legal effect.

10. 2 The following annexes and other annexes confirmed by both parties are the inseparable component of this Contract, and own the same legal effect with this Contract:

Annex 1: The Delivery Schedule of Principal of the Gold Lease

Annex 2: The Return Schedule of Principal of the Gold Lease

Annex 3: The Delivery Notice of the Gold Lease

Annex 4: The Ownership Transferring Application for Material Leasing of the Shanghai Gold Exchange

Annex 5: The Oriented Purchasing Funds Agreement

Article XI Other Issues Agreed by Both Parties

Part II Specific Conditions

Article I Definitions

In this Contract, the following terms are defined as follows:

(1) Payment Day for Lease Fee: The day when the Lessee pays the Lessor for the lease fee.

As for the one-time payment, the payment day is the delivery day of the principal of the gold lease; as for the monthly payment, the payment day is the 21st of every month; as for the quarterly payment, the payment day is the 21st of end month of every season (namely March, June, September and December); once the lease is due, the lease fee shall be paid off correspondingly.

(2) Payment Term: The first payment term starts from the delivery day of the principal of the gold lease ends on previous day of the first payment day; the last payment term starts from previous payment day ends on previous day of returning day for the principal of the gold lease; other payment term starts from previous payment day ends on previous day of next payment day.

(3) Working Day: Legal working day and working day of the Shanghai Gold Exchange.

(4) Delivery Day of the Principal of the Gold Lease: The day when the Exchange transfers gold ownership of the Lessor to the Lessee after both parties complete lease declaration via membership service system of the Shanghai Gold Exchange. Actual delivery day of the principal of the gold lease is subject to the record of the Delivery Certificate of Material Gold Lease, the certificate is the component of this Contract with the same legal effect with this Contract.

(5) Returning Day of the Principal of the Gold Lease: The time when the principal of the gold lease is returned according to agreements in this Contract. Namely the day when the Exchange transfers gold ownership of the Lessee to the Lessor after both parties complete lease declaration via membership service system of the Shanghai Gold Exchange. Actual returning day of the principal of the gold lease is subject to the record of the Returning Certificate of Material Gold Lease, the certificate is the component of this Contract with the same legal effect with this Contract.

(6) Due Date: The date when the Lessee shall return the principal of the gold lease.

Article II Deliver the Principal of the Gold Lease

2.1 Before delivering the principal of the gold lease, the Lessee must meet following preconditions, otherwise the Lessor is not obligated to deliver any principal of the gold lease to the Lessee, unless the Lessor agrees to deliver in advance:

- (1) Except for unsecured lease, the Lessee has provided corresponding guarantee and completed related guarantee procedures according to the requirements of the Lessor;
- (2) No breach condition stipulated in this Contract or other contracts signed by the Lessee and the Lessor;
- (3) Provide certificate and materials for lease conform to agreed purpose.
- (4) Has submitted other data required by the Lessor.

2.2 All the written documents provided to the Lessor by the Lessee shall be original ones, if the originals are not available, the copies with official seal of the Lessee are acceptable after agreed by the Lessor.

2.3 Both parties shall deal with lease declaration in membership service system of the Shanghai Gold Exchange via membership unit, and submit The Ownership Transferring Application for Material Leasing of the Shanghai Gold Exchange (Annex 4) to Delivery Storage and Transportation Department of the Shanghai Gold Exchange via fax. If the Lessee is the client of the Shanghai Gold Exchange agent by the Lessor, then the Lessee entrusts the Lessor to deal with lease delivery and ownership transferring procedures via membership service system of the Shanghai Gold Exchange.

2.4 Under this Contract, after the principal of the gold lease is delivered, if the Lessee needs to deliver the cargo from storage, the stock removal procedures shall be completed according to the related rules of the Shanghai Gold Exchange, after ex-warehousing, the Lessee is responsible for the transportation.

Article III Return the Principal of the Gold Lease

3.1 The Lessee shall pay full amount of the principal of the gold lease, lease fee and other payables according to the agreements of this Contract. On every banking day of payment day, delivery day and returning day, the Lessee shall deposit the full amount of lease fee, compensatory damages other payables in the clearing account on that term, the Lessor is entitled to actively transfer and receiver on this payment day, delivery day or returning day, and require the Lessee to cooperate to handle with related transferring procedures. If the funds in the clearing account is insufficient to pay all due payables of the Lessee, the Lessor is entitled to decide the liquidation order.

3.2. The Lessee may return the gold via one or several ways as follows:

- (1) To return by gold that is deposited in the delivery storage of the Shanghai Gold Exchange and completes warehousing formalities;
- (2) To return by purchasing gold from the Shanghai Gold Exchange;
- (3) To return by purchasing gold from the Lessor at price agreed by both parties;
- (4) Other gold source acknowledged by the Shanghai Gold Exchange or the Lessor.

3.3 The gold returned by the Lessee must the gold that can be traded and delivered in the Shanghai Gold Exchange, and has the same speciation and variety with the gold agreed in Article 2.1 or Article 5.3 in Part I of this Contract, unless agreed by the Lessor.

3.4 If the Lessee chooses to return the gold according to Article 3.2 (3), after the Lessee enquires and submits irrevocably The Oriented Purchasing Funds Agreement (Annex 5) to the Lessor, the Lease may seal and sign in the application to confirm it if the Lessor agrees. The Lessee shall deposit full amount of funds in the appointed clearing account before delivery liquidation, and the Lessor shall prepare required material gold before delivery liquidation.

3.5 If the Lessee is the client of the Shanghai Gold Exchange agented by the Lessor, then the Lessee entrusts the Lessor to deal with related gold purchasing procedures in the Shanghai Gold Exchange. Both parties separately pay transaction handling charges according to standard of the Shanghai Gold Exchange and membership agency commission.

3.6 When the Lessee pay on time or in advance, the gold corresponded to principal of the gold lease shall be prepared before 16:00 on payment day. Both parties shall complete lease gold returning declaration in membership service system of the Shanghai Gold Exchange via membership unit, in order to transfer ownership of the principal of gold lease from the Lessee to the Lessor and return the principal of gold lease. If the Lessee is the client of the Shanghai Gold Exchange agented by the Lessor, then the Lessee entrusts the Lessor to deal with related lease returning and ownership transferring procedures in membership service system of the Shanghai Gold Exchange.

Article IV Cyclic Lease

4.1 Under this Contract, the gold lease is recycled, within service life of cyclic lease limit, the Lessee can cyclically use cyclic lease limit agreed in Item 5.1 of Article V of Part I in this Contract, and the a single sum is not more than one year, and the balance of gold lease is not allowed to exceed the cyclic lease limit at any time.

4.2 Under this Contract, the gold lease is recycled, the term of every sum of gold lease starts from the delivery day of principal of the gold lease ends on agreed returning day of the principal of the gold lease, but the returning day of any sum of the principal of the gold lease is not allowed to be later than due day of cyclic lease limit service life agreed in Item 5.1 of Article V of Part I in this Contract.

4.3 Under this Contract, the gold lease is recycled, from the Contract is signed, if the Lessee doesn't conduct any gold lease for continuous three months, then the Lessor is entitled to cancel the limit of the cyclic lease.

Article V Guarantee

5.1 Except for the unsecured gold lease, the Lessee shall provide legal and effective guarantee acknowledged by the Lessor for performing its obligations under this Contract. The guarantee contract shall be signed separately.

5.2 If the guaranty under this Contract is damaged, devalued, in property right dispute, closed down or detained, or the pledger disposed the guarantee arbitrarily, or the financial condition of guarantor for the surety bond changes to be disadvantageous or other condition that is disadvantageous to the creditor's right of the Lessor, the Lessee shall notify the Lessor in time, and offer other guarantee acknowledged by the Lessor.

5.3 If the gold lease under this Contract is in pledge guarantee by receivables, within effective term of this Contract, in any one of following cases, the Lessor is entitled to declare that the lease is due in advance, and require the Lessee to pay partial or all the principal of the gold lease and lease fee immediately or offer additional legal, effective and sufficient guarantee acknowledged by the Lessor:

(1) The bad debt rate of receivable of the pledgor rises for 2 months continuously;

(2) The unclaimed receivables of the pledgor is more than 5% of balance of receivables of the payer;

(3) There is trade dispute (includes but not limited to quality, technique and service dispute) or debt dispute between the pledgor of the receivable and the payer or other third-party, which results in that the receivable may not be paid on time.

5.4 Under this Contract, the gold lease is recycled, the guarantee takes warranty liability for all delivered gold lease under this Gold Lease Contract.

Article VI Statements and Guarantees

The Lessee gives following statements and guarantees to the Lessor, and these statements and guarantees are valid within valid term of this Contract:

6.1 To be qualified to be the subject of the gold lease, have the qualification and ability to sign and perform this Contract.

6.2 To have obtained necessary authorization or approval when signing this Contract, signing and performing this Contract do not breach the provisions of the Articles of Association and related laws and regulations, nor collide with any obligation that it shall undertake under other contract.

6.3 Other payable debts have already been paid on schedule, on malicious default principal and interest of bank loan, no other poor credit record.

6.4 To own sound institutional framework and financial management system, no serious illegal behavior in production and operation process in recent one year, no serious bad record of current senior managers.

6.5 All the documents and data provided to the Lessor are true, accurate, complete and valid, no false record, serious omission or misleading statement.

6.6 The financial and accounting books provided to the Lessor are compiled according to Chinese accounting standard, which truly, fairly and completely reflect the operation and liability state of the Lessee. And since the closing date of latest financial and accounting book, no great disadvantageous change happens to the financial status of the Lease.

6.7 Never to hide any lawsuit, arbitration or claim event related to it to the Lessor.

6.8 The gold price may occur strong fluctuation due to influence of all kinds of domestic and international political and economical factors and emergencies. The Lessee has sufficiently understood above-mentioned risks and potential influences.

Article VII Promise of the Lessee

7.1 To withdraw and use the principal of the gold lease according to the term and usage agreed in this Contract, the gold lease is not allowed to flow into securities market or futures market in any form, or be used in equity investment, or other purpose forbidden or limited by relater laws and regulations.

7.2 To pay off the principal of the gold lease, lease fee and other payables according to the agreements in this Contract. The specification and fineness of returned gold shall be the same with the gold delivered by the Lessor. If there is any quality problem, the Lessee shall undertake all the responsibilities.

7.3 To accept and actively cooperate with the Lessor to check and supervise the service condition of the gold lease, including purpose, in account analysis, certificate check, on-site investigation and other ways. And to regularly summarize and report service condition of the gold according to the requirement of the Lessor.

7.4 To accept the inspection of the Lessor, provide balance sheet, income statement, other financial accounting data and other data that reflecting debt paying ability of the Lessee according to the requirement of the Lessor, actively assist and cooperate with the Lessor to investigate, understand and supervise the production & operation and financial condition.

7.5 To obtain the written permission of the Lessor or arrange to realize the creditor's right of the Lessor satisfied by the Lessor in advance, when merging, dividing, reducing capital, transferring stock right, transferring serious asset and creditor's right, conducting serious foreign investment, adding materiality debt financing and having other action that may harm the equity of the Lessor

7.6 To notify the Lease if it is in any one of following cases:

Alter Articles of Association, Business Scope, Registered Capital and Legal Representative;

To be out of business, dismissed, cleared, suspended, cancelled business license, cancelled or applying (applied) bankruptcy;

To be involved or possibly involved in serious economic dispute, lawsuit and arbitration, or the property is legally sealed, detained or supervised;

Any shareholder, director or current senior manager is suspected to be involved in serious case or economic dispute.

7.7 To disclose related relationship and related transaction to the Lessor timely, comprehensively and accurately.

7.8 To timely sign in various notices sent by the Lessor in mail or other way.

7.9 Never dispose its own asset in the method reducing its debt paying ability; the warranty provided to the third-party shall not damage the interest of the Lessor.

7.10 If the gold lease under this Contract is delivered in unsecured method, to report and submit the external security condition to the Lessor completely, truly and accurately, and sign account supervision agreement according to the requirement of the Lessor. If the external security possibly affect it to perform its obligations under this Contract, it may obtain written permission of the Lessor.

7.11 To pay for the fees generated from the Lessor for realizing the creditor's rights under this Contract, include but not limited to counsel fee, evaluation fee and auction fee.

7.12 The clearing order of debts under this Contract is prior to the Lessee's debt to its shareholder, and is at least at equal status compared with its similar debt to other creditors.

7. 13 To strengthen the environmental and social risk management, and accept the inspection and check of the Lessor hereof. If it is required by the Lessor, to submit the environmental and social risk report to the Lessor.

Article VIII Promise of the Lessor

8.1 To deliver the principal of the gold lease to the Lessee according to the agreement of this Contract.

8.2 Keep private data and information provided by the Lessee as secret, unless otherwise agreed in this Contract, or required by the laws and regulation supervision, or otherwise stated by the Shanghai Gold Exchange.

Article IX Breach

9.1 If any one of following conditions happen, it will result in breach of the Lessee:

(1) If the Lessee doesn't pay the principal of the gold lease, lease fee and other payables under this Contract according to the agreements, or doesn't use the principal of the gold lease according to agreed purpose, or doesn't perform any other obligation under this Contract, or breaches its statement, warranty or promise under this Contract;

(2) If the guarantee under this Contract changes to be against the creditor's rights of the Lessor, and the Lessee doesn't provide additional guarantee acknowledged by the Lease;

(3) If any other debt of the Lessee is due (including it is declared to be due in advance), but the Lessee fails to pay off, or doesn't perform or breach its obligation under other agreement, that already affected or possibly affect it to perform its obligation under this Contract;

(4) If the profitability, debt paying ability, operation ability, cash flow and other financial index of the Lessee break through the agreed standard or worsen, that already affected or possibly affect it to perform its obligation under this Contract;

(5) If the ownership structure, production & management and external investment of the Lessee have serious unfavorable change, that already affected or possibly affect it to perform its obligation under this Contract;

(6) If the Lessee is involved or possibly be involved in serious economic dispute, lawsuit and arbitration, or its asset is closed down and detained, or it suffered compulsory execution, or legal institution or administrative organization legally place it on file and investigate it or adopt punitive measures to it, or it is disclosed by the media due to breach of related national provisions or policies, that already affected or possibly affect it to perform its obligation under this Contract;

(7) If the main individual investor or key manager of the Lessee is changed abnormally, missing, or investigated by judicial office according to the law or limited personal freedom, that already affected or possibly affect it to perform its obligation under this Contract;

(8) If the Lessee takes advantage of its false contract with the related party and the transaction without actual transaction condition, in order to extract gold, funds or loan right of the Lessor, or evade creditor's rights of the Lessor via related transaction;

(9) If the Lessee was already or possibly be out of business, dismissed, cleared, suspended, cancelled business license, revoked or applying (applied) bankruptcy;

(10) If any liability accident, serious environmental and social risk accident is due to the Lessee breaches laws and regulations, supervision regulation or industrial standard of food safety, safety production, environmental protection and other related environmental and social risks management, that already affected or possibly affect it to perform its obligation under this Contract;

(11) If the gold lease under this Contract is delivered without security, the credit rating, profitability, asset-liability ratio, net cash flow of operation activity and other index of the Lessee doesn't meet the condition of unsecured gold lease of the Lessor; or the Lessee provide mortgage /pledge guarantee to other person or provide external surety bond based on its effective operating asset without written permission of the Lessor, that already affected or possibly affect it to perform its obligation under this Contract;

(12) If the accumulative fluctuation range of gold price is over 10% for continuous three days, that seriously affect the Lessee to return the principal of the gold lease termly, after the Lessor requires, the Lessee still fails to adopt additional effective warranty or return the principal of the gold lease to eliminate the serious adverse effect;

(13) If in Article 3.2, the Lessee chooses the way stipulated in (3) to return the gold, but fails to perform transaction or delivery clearing obligation;

14) Other condition that may result in adverse effect on realizing the creditor's rights of the Lease under this Contract.

9.2 If the Lessee breaches, the Lessor is entitled to adopt one or several of following measures:

(1) To require the Lessee to correct its breach behavior in limited time;

(2) To stop delivering the principal of the gold lease to the Lessee according to this Contract and other contract between the Lessor and the Lessee, partly or wholly cancel lease limit that is not used by the Lessee;

(3) To declare that the unpaid gold lease of this Contract and other contract between the Lessor and the Lessee is due immediately, and take back unpaid principal of the gold lease immediately;

(4) To require the losses of the Lessor due to the breach of the Lessee;

(5) Other measures that are stipulated in laws and regulations, agreed in this Contract or regarded as necessary by the Lessor.

9.3 If the gold lease is due (including that is declared to be due immediately), the Lessee fails to pay according to the agreements, the Lessor is entitled to calculate and collect liquidity damages according to the agreement in Item 3.6 of Article III of Part I under this Contract.

9.4 If the Lessee doesn't use gold lease according to agreed purpose of this contract, the Lessor is entitled to calculate and collect appropriation liquidity damages according to the agreement in Item 3.7 Article III of Part I under this Contract.

9.5 If the Lessee is in the condition of Item 9.3 and 9.4 at the same time, the liquidity damages shall be calculated subject to the serious one, they may not be collected simultaneously.

9.7 If the Lessee fails to pay the principal of gold lease, lease fee(including liquidity damages) and other payables, the Lessor is entitled to announce via the media to collect.

9.8 If the control relationship between the related party of the Lessee and the Lessee, or the related party of the Lessee is in any other condition except for Item (1) and (2) of above-mentioned Article 9.1 that already affected or possibly affect it to perform its obligation under this Contract, the Lessor is entitled to adopt every measure agreed in this Contract.

Article X Deduct

10.1 If the Lessee doesn't pay due (or is declared to be due immediately) principal of the gold lease, lease fee and other payables under this Contract according to the agreements, the Lessor is entitled to deduct corresponding amount from the RMB and foreign currency account(s) set up by the Lessee in the Lessor or other branch of ICBC to purchase gold for clearing, until all debts of the Lessee under this Contract have been paid off.

10.2 If the currency of the deducting amount is different with the currency in this Contract, the amount shall be converted into RMB according to applicable exchange rate of the Lessor on deducting day. The lease fee and other fees generated during deducting day to clearing day (the date when the Lease actually pays off the gold lease under this Contract, after the deducting amount is converted into the currency of this Contract under national foreign exchange management policies) and differential section due to wave of exchange rate in this period are undertaken by the Lessee.

10.3 If the amount deducted by the Lessor is not sufficient to pay off all the debts of the Lessee, the Lessor is entitled to decide the liquidation order.

Article XI Transfer Right and Obligation

11.1 The Lessor is entitled to transfer its partial or whole of rights under this Contract to the third-party, the transferring behavior of the Lessor shall notify the Lessee, but permission of the Lessee is not required. Without written permission of the Lessor, the Lessee is not allowed to transfer its any rights and obligations under this Contract.

11.2 The Lessor or Industrial and Commercial Bank of China Co., Ltd. ("ICBC") may authorize or entrust other branch of ICBC to perform its rights and obligations under this Contract according to its operation requirement, or allocate the creditor's rights of loan under this Contract to other branch of ICBC to undertake and manage, the Lessee accepts it, no permission of the Lessee is needed for the above-mentioned behaviors of the Lessor. Other branch of ICBC that undertaking the rights and obligations of the Lessor is entitled to perform all the rights under this Contract, such as to submit a case, recourse to arbitration or apply for compulsory execution to the court, in the name of this institution, for the dispute under this Contract.

Article XII Effect, Alternation and Dissolution

12.1 This Contract is effective from the signing day, and terminates when the Lessee completes all the obligations under this Contract.

12.2 The Delivery Certificate of Material Gold Lease is effective from the day that is sealed by signature and stamp seal of the Lessee and sealed by official business seal of the Lessor, if there is any difference with this Contract, subject to the Delivery Certificate of Material Gold Lease.

12.3 Any alternation to this Contract shall be negotiated by all the parties and formulated in written form. The variation term or agreement is the component of this Contract, and owns the same legal effect with this Contract, other parts of this this Contract is still effective, and before the modified part is effective, the original term is still effective.

12.4 The alternation and dissolution of this Contract may not affect the right of either party to claim for compensating the losses. The dissolution of this Contract may not affect the validity of articles related to Dispute Resolution.

Article XIII Law Application and Dispute Resolution

The conclusion, efficacy, explanation, performance and dispute resolution of this Contract are applicable to the laws of the People's Republic of China, any controversy and dispute resulted from or related to this Contract will be negotiated by both the Lessee and the Lessor, if they fail to conclude the agreement, the controversy and dispute shall be solved in way agreed in this Contract.

Article XIV Complete Contract

The Part I Basic Agreements and Part II Specific Conditions of this Contract form this complete Gold Lease Contract together. The same words in two parts have the same meaning. The Lessee is bond by above-mentioned parts together to rent the gold from the Lessor.

Article XV Notice

15.1 All the notices related to this Contract shall be sent in written form. Unless otherwise agreed, both parties appoint the residence recorded in this Contract as communication and contact address. Either party who changes the communication address or other contact way, the party shall notify the other party in written form.

15.2 Either party of this Contract refuses to sign in the notice, or the notice fails to be sent, the informing party may send the notice by notarization or announcement.

Article XVI Others

16.1 If the Lessor doesn't or partially or laggingly perform any right of this Contract, it shall not constitute to waive or alter this right or other rights, nor affect it to perform this right or other rights further.

16.2 The invalidity or unenforceability of any item of this Contract shall not affect the validity and enforceability of other items, nor affect the effect of the whole Contract.

16.3 The Lessor is entitled to provide information related to this Contract and other information related to the Lessee to the credit reference system of People's Bank of China and other legal credit information database, in order to be enquired and used by proper qualified institution or person, according to provisions of related laws and regulation and the requirement of the financial regulators. The Lessor is also entitled to enquire the related information of the Lessee via the credit reference system of People's Bank of China and other legal credit information database, in order to conclude and perform this Contract. The Lessee agrees that Lessor provide the information related to the Lessee, obtained by the Lessor through performing this Contract, to the Industrial and Commercial Bank of China for internal use.

16.4 The "related party", "related relationship", "related transaction", "main individual investor" and "key manager" said in this Contract have the same meanings with the same words in No. 36 Accounting Standards for Business Enterprise – Related Party Disclosure (Financial Accounting [2006] No.3) and its Amendment issued by Ministry of Finance.

16.5 The environmental and social risks said in this Contract refer to the damages and related risks that possibly be brought to the environmental and society by construction, production and operation activities of the Lessee and its serious related parties, include energy consumption, pollution, earth, health, safety, resettlement of inhabitant, ecological protection, climatic variation and other environmental and social problems.

16.6 The receipts and certificates related to the gold lease and formulated and reserved by the Lessor, according to its business rules, constitute to be the effective evidence to prove debtor-creditor relationship .

16.7 In this Contract (1) the word "this Contract" include modification or supplementary of this Contract; (2) the titles of articles are just for reference, which will not constitute any explanation of this Contract not limit contents and scope under the titles; (3) if the delivery day and returning day of the principal of the gold lease is non-working days, it shall be advanced to the previous working day.

Both parties acknowledge that: both the Lessee and Lessor fully negotiate all articles of this Contract. The Lessor has proposed the Lessee to pay special attention to all articles related to rights and obligations of both parties, and understand these articles comprehensively and accurately, and made explanations and demonstrations on related articles according to the requirements of the Lessee. The Lessee has carefully read and fully understood all contract articles (including Part I Basic Agreements and Part II Specific Conditions), both parties have the same understanding to articles of this Contract without any objection.

The Lessor (Seal): _____

The Principal/Authorized Agent: _____

The Lessee (Seal): _____

Legal Representative/Authorized Agent: _____

Signing Day: March 3, 2016

Company Name	Percentage Owned	Jurisdiction of Incorporation
Dragon Lead Group Limited	100% by Kingold Jewelry, Inc.	BVI corporation
Wuhan Vogue-Show Jewelry Co., Ltd.	100% by Dragon Lead Group Limited	People's Republic of China
Wuhan Kingold Jewelry Company Limited	95.83% contractual interest owned by Wuhan Vogue-Show Jewelry Co., Ltd.	People's Republic of China
Wuhan Kingold Internet Co., Ltd.	55% by Wuhan Kingold Jewelry Company Limited	People's Republic of China
Yuhuang Jewelry Design Co., Ltd	55% by Wuhan Kingold Jewelry Company Limited through Wuhan Kingold Internet Co., Ltd.	People's Republic of China



FRIEDMAN LLP
ACCOUNTANTS AND ADVISORS

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-179260) and Form S-8 (No. 333-177661) of Kingold Jewelry, Inc. of our reports dated March 28, 2016, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appear in this Annual Report on Form 10-K of the Company for the year ended December 31, 2015.

/s/ Friedman LLP

New York, NY
March 28, 2016

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Zhihong Jia, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kingold Jewelry, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2016

/s/ Zhihong Jia

Zhihong Jia

Chairman of the Board and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Bin Liu, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kingold Jewelry, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2016

/s/ Bin Liu

Bin Liu
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Kingold Jewelry, Inc. (the "Registrant") on Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chairman of the Board and Chief Executive Officer of the Registrant, certifies, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Zhihong Jia

Zhihong Jia

Chairman of the Board and Chief Executive Officer

Date: March 28, 2016

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being "filed" as part of the Form 10-K or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.1 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Kingold Jewelry, Inc. (the "Registrant") on Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Financial Officer of the Registrant, certifies, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Bin Liu

Bin Liu
Chief Financial Officer

Date: March 28, 2016

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being "filed" as part of the Form 10-K or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.2 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.



**KINGOLD JEWELRY REPORTS FINANCIAL RESULTS
FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2015**

Company to Hold Conference Call with Accompanying Slide Presentation on March 28, 2016, at 6 p.m. ET

WUHAN CITY, China, March 28, 2016 - Kingold Jewelry, Inc. ("Kingold" or "the Company") (NASDAQ: KGJI), one of China's leading manufacturers and designers of high quality 24-karat gold jewelry, ornaments and investment-oriented products, today announced its financial results for the fourth quarter and year ended December 31, 2015.

2015 Financial and Operating Highlights (all results are compared to prior year period)

- Net sales were \$1,000.2 million compared to \$1,107.6 million; the decline was due to the decrease in total sales volume, decrease in the average unit selling price and loss in currency exchange rate
- Sold a total of 56.5 metric tons [one metric ton = 35,274 ounces] of 24-karat gold products, compared to 60.1 metric tons. This exceeded the Company's previously announced guidance of between 45 metric tons and 55 metric tons for 2015
- Gross profit decreased to \$38.3 million compared to \$76.3 million, and gross margin was 3.8% compared to 6.9%; the substantial decrease in gross profit was primarily due the decrease in gold prices, less sales in gold volume and less customized production sales during 2015
- Net income was \$21.6 million, or \$ 0.33 per diluted share, compared to \$47.3 million, or \$0.72 per diluted share
- Book value per diluted share was \$4.03 at December 31, 2015 compared to \$3.91 at December 31, 2014

2015 Fourth Quarter Financial Highlights (all results are compared to prior year period)

- Net sales were \$280.8 million, compared to \$209.3 million
- Sold a total of 16.2 metric tons of 24-karat gold products, compared to 13.2 metric tons
- Net income was \$5.6 million, or \$0.09 per diluted share, compared to \$8.1 million, or \$0.13 per diluted share

Outlook for 2016

- Company expects to process between 50 metric tons and 60 metric tons of 24-karat gold products in 2016

Mr. Zhihong Jia, Chairman and CEO of the Company, commented, "In 2015 we faced challenges from declining market price of gold which negatively impacted the Company's customers' purchase of gold and the pressure from delayed construction progress of our Jewelry Park due to harsh weather along with the Chinese New Year. We anticipate that the Jewelry Park will be finished in April 2016, and the Jewelry Park will serve as a platform to further accelerate Kingold towards the goal of becoming a leading 24-karat gold products designer, manufacturer, and a sizable supplier in Greater China."

UPDATE ON KINGOLD JEWELRY CULTURAL INDUSTRY PARK

In October 2015, the Company signed a supplemental agreement with the construction company Wuhan Wansheng to amend the original acquisition agreement dated October 23, 2013. Pursuant to this supplemental agreement, Wuhan Wansheng agreed to fully complete the construction and deliver the completed real estate property to the Company before January 15, 2016. However, due to the cold weather conditions and construction worker leave during the holiday season, the construction work on the Jewelry Park has been further delayed. In January 2016, based on the actual construction progress, the Company and Wuhan Wansheng reached a further amendment stipulating that the completion time for the construction was extended to April 2016.

2015 OPERATIONAL REVIEW

- In the fourth quarter of 2015, Kingold sold approximately 16.2 metric tons of 24-karat gold products, an increase of 22.7% over the 13.2 metric tons sold in the fourth quarter of 2014.
- For the year ended December 31, 2015, the Company sold 56.5 metric tons of 24-karat gold products, a decrease of 6.4% over the 60.1 metric tons sold in 2014.

Metric Tons of Gold Sales				
Three Months Ended:				
	December 31, 2015		December 31, 2014	
	Volume	% of Total	Volume	% of Total
Branded*	8.6	53.1%	5.7	43.2%
Customized**	7.6	46.9%	7.5	56.8%
Total	16.2	100%	13.2	100%
Year Ended:				
	December 31, 2015		December 31, 2014	
	Volume	% of Total	Volume	% of Total
Branded*	28.9	51.2%	28.8	47.9%
Customized**	27.6	48.8%	31.3	52.1%
Total	56.5	100%	60.1	100%

* Branded Production: The Company acquires gold from the Shanghai Gold Exchange to produce branded products.
 ** Customized Production: Clients who purchase customized products supply gold to the Company for processing.

For the three months ended December 31, 2015, the Company sold a total of 16.2 metric tons of gold, of which branded production was 8.6 metric tons, representing 53.1% of total gold sold, and customized production was 7.6 metric tons, representing 46.9% of total gold sold in the fourth quarter of 2015. In the fourth quarter of 2014, the Company sold a total of 13.2 metric tons, of which branded production was 5.7 metric tons, or 43.2% of the total gold sold, and customized production was 7.5 metric tons, or 56.8% of total gold sold.

For the year ended December 31, 2015, Kingold sold a total of 56.5 metric tons of gold, of which branded production was 28.9 metric tons, or 51.2% of total gold sold, and customized production was 27.6 metric tons, or 48.8% of total gold sold. In 2014, the Company sold a total of 60.1 metric tons of gold, of which branded production was 28.8 metric tons, or 47.9% of the total, and customized production was 31.3 metric tons, or 52.1% of the total.

2015 FINANCIAL REVIEW

Net Sales

Net sales for the three months ended December 31, 2015 was \$280.8 million, representing an increase of \$71.5 million or 34.2% from \$209.3 million for the same period in 2014. The increase in sales is largely due to increased sales volume from 14.3 metric tons in the three months ended December 31, 2014 to 16.2 metric tons for the three months ended December 31, 2015. The increase in market price of gold in late 2015 positively impacted consumers' perception of gold investment and they increased the gold purchase during the holiday seasons.

Net sales for the year ended December 31, 2015 was \$1,000.2 million, a decrease of 9.7% from the \$1,107.6 million reported in the year of 2014. The decrease in net sales was primarily driven by the decrease in total sales volume, decrease in the average unit selling price and loss in currency exchange rate.

Gross Profit

Gross profit for the three months ended December 31, 2015 was \$9.6 million, compared to \$13.9 million for the same period in 2014.

Gross profit was \$38.3 million year ended December 31, 2015, compared to \$76.3 million for year of 2014. The decrease in gross profit was due to the decrease in total sales volume, the decrease in unit selling price of the products, and the decrease in sales volume for customized production and the decrease in the unit selling price in customized products.

Gross Margin

The Company's gross margin was 3.4% for the three months ended December 31, 2015, compared to 6.7% in the prior year period.

The Company's gross margin for the 2015 fiscal year was 3.8%, compared to 6.9% in the prior year period. The decrease in gross margin was because (1) the Company purchased a large quantity of gold inventory at year end of 2013 and beginning of 2014 at market prices, which were much lower than in 2015, making 2014 production costs much lower than normal; (2) the Company's average unit selling price decreased by 3.8% compared to 2014; and (3) the sales orders from customized production segment decreased due to declined market price of gold in 2015.

Net Income

Net income for the three months ended December 31, 2015 was \$5.6 million, or \$0.09 per diluted share based on 66.0 million weighted average diluted shares outstanding, compared to net income of \$8.1 million in the prior year period, or \$0.13 per diluted share based on 66.0 million weighted average diluted shares outstanding in the prior-year period.

Net income for the year of 2015 was \$21.6 million, or \$0.33 per diluted share based on 66.0 million weighted average diluted shares outstanding, compared to net income of \$47.3 million in the prior year, or \$0.72 per diluted share based on 66.0 million weighted average diluted shares outstanding, in the prior-year. The decrease was primarily due to the same reasons described above regarding the decrease of gross margin from 2014 to 2015.

Balance Sheet and Cash Flow

(in millions except for percentages)

	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>% Changed</u>
Cash	\$ 3.1	\$ 1.3	138.5%
Inventories (gold)	\$ 298.3	\$ 212.4	40.4%
Working Capital	\$ 174.9	\$ 183.7	(4.8%)
Stockholders' Equity	\$ 265.6	\$ 258.2	2.9%

Net cash used in operating activities was \$(62.2) million for the year of 2015, compared with net cash provided by operating activities of \$20.3 million for the year of 2014. The change was mainly because of the decrease in net income which fell from \$47.3 million in the year of 2014 to \$21.6 million in the year of 2015, and increase in spending on purchase of inventory of \$62.4 million when market price of gold was low.

Kingold's net cash from operating activities can fluctuate significantly due to changes in inventories (principally gold). Other factors that may vary significantly include the Company's purchases of gold and income taxes. The Company expects that the net cash it generates from operating activities will continue to fluctuate as the Company's inventories, receivables, accounts payables, and the other factors described above change with increased production and the purchase of larger quantities of raw materials (principally gold).

OUTLOOK FOR 2016

Based on its existing resources and capacity along with strong demand for 24-karat gold products in China, the Company believes that its gold sales is expected to be between 50 metric tons and 60 metric tons during 2016. This guidance is based solely on current projected, organic growth. The Company anticipates narrowing this guidance throughout the year, along with providing additional metrics for investors in the coming months.

Conference Call Details

Kingold also announced that it will discuss these financial results in a conference call on March 28, 2016, at 6 p.m. ET.

The dial-in numbers are:

Live Participant Dial In (Toll Free):	877-407-9038
Live Participant Dial In (International):	201-493-6742

The conference call will also be webcast live. To listen to the call, please go to the Investor Relations section of Kingold's website at www.kingoldjewelry.com, or click on the following link: <http://kingoldjewelry.equisolvewebcast.com/q4-2015>. The Company will also have an accompanying slide presentation available in PDF format on its homepage prior to the conference call.

About Kingold Jewelry, Inc.

Kingold Jewelry, Inc. (NASDAQ: KGJI), centrally located in Wuhan City, one of China's largest cities, was founded in 2002 and today is one of China's leading designers and manufacturers of 24-karat gold jewelry, ornaments, and investment-oriented products. The Company sells both directly to retailers as well as through major distributors across China. Kingold has received numerous industry awards and has been a member of the Shanghai Gold Exchange since 2003. For more information, please visit www.kingoldjewelry.com.

Business Risks and Forward-Looking Statements

This press release contains forward-looking statements that are subject to the safe harbors created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. You can identify these forward-looking statements by words such as "expects," "believe," "project," "anticipate," or similar expressions. The forward-looking statements in this release include statements regarding Kingold's outlook with respect to its 2015 outlook for gold processing, its expectations with respect to completion of construction of the Jewelry Park and planned grand opening, as well as its ability to engage in presales and finance the remaining construction. Readers are cautioned that actual results could differ materially from those expressed in any forward-looking statements. Forward-looking statements are subject to a number of risks, including those contained in Kingold's SEC filings available at www.sec.gov, including Kingold's most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date on which they are made. Kingold undertakes no obligation to update or revise any forward-looking statements for any reason.

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KINGOLD JEWELRY, INC
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(IN U.S. DOLLARS)

	For the three months ended December 31,		For the years ended December 31,	
	2015 (UNAUDITED)	2014 (UNAUDITED)	2015	2014
NET SALES	\$ 280,782,309	\$ 209,333,026	\$ 1,000,161,294	\$ 1,107,558,544
COST OF SALES				
Cost of sales	\$ (270,862,092)	(195,023,390)	(960,562,184)	(1,030,010,474)
Depreciation	\$ (359,212)	-373827	(1,284,170)	(1,296,583)
Total cost of sales	<u>(271,221,304)</u>	<u>(195,397,215)</u>	<u>(961,846,354)</u>	<u>(1,031,307,057)</u>
GROSS PROFIT	<u>9,561,005</u>	<u>13,935,811</u>	<u>38,314,940</u>	<u>76,251,487</u>
OPERATING EXPENSES				
Selling, general and administrative expenses	1,045,785	2,025,666	8,176,710	7,343,951
Stock compensation expenses	113,071	1,310,995	530,542	3,149,980
Depreciation	19,812	37,806	104,219	130,074
Amortization	12,137	3,078	12,137	12,300
Total operating expenses	<u>1,190,805</u>	<u>3,377,545</u>	<u>8,823,608</u>	<u>10,636,305</u>
INCOME FROM OPERATIONS	<u>8,370,200</u>	<u>10,558,266</u>	<u>29,491,332</u>	<u>65,615,182</u>
OTHER INCOME (EXPENSES)				
Other Income	10,949	92,624	20,689	94,624
Interest Income	57,564	305,465	208,061	305,465
Interest expense	(1,163,475)	(307,991)	(1,819,581)	(1,847,240)
Total other income (expenses), net	<u>(1,094,962)</u>	<u>92,098</u>	<u>(1,590,831)</u>	<u>(1,447,151)</u>
INCOME FROM OPERATIONS BEFORE TAXES	<u>7,275,238</u>	<u>10,650,364</u>	<u>27,900,501</u>	<u>64,168,031</u>
INCOME TAX PROVISION				
Current	1,131,364	1,258,968	4,488,815	16,836,054
Deferred	501,729	1,301,028	1,849,910	-
Total income tax provision	<u>1,633,093</u>	<u>2,559,996</u>	<u>6,338,725</u>	<u>16,836,054</u>
NET INCOME	<u>5,642,145</u>	<u>8,090,368</u>	<u>21,561,776</u>	<u>47,331,977</u>
Add: net loss attribute to the noncontrolling interest	<u>(340)</u>	<u>-</u>	<u>296</u>	<u>-</u>
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>5,641,805</u>	<u>8,090,368</u>	<u>21,562,072</u>	<u>47,331,977</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Total foreign currency translation gain (loss)	(5,840,936)	263,125	(14,740,716)	(1,331,031)
Less: foreign currency translation loss attributable to noncontrolling interest	6,990	-	4,251	-
Foreign currency translation gains (loss) attributable to common stockholders	<u>(5,847,826)</u>	<u>263,125</u>	<u>(14,744,967)</u>	<u>(1,331,031)</u>
COMPREHENSIVE INCOME (LOSS)	<u>(198,791)</u>	<u>8,353,493</u>	<u>6,821,060</u>	<u>46,000,946</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO				
Common stockholders	(206,121)	8,353,493	6,817,105	46,000,946
Non-controlling interest	7,330	-	3,955	-
Total	<u>\$ (198,791)</u>	<u>\$ 8,353,493</u>	<u>\$ 6,821,060</u>	<u>\$ 46,000,946</u>
EARNINGS PER SHARE				
Basic	\$ 0.09	\$ 0.13	\$ 0.33	\$ 0.72
Diluted	\$ 0.09	\$ 0.13	\$ 0.33	\$ 0.72
Weighted average number of shares				
Basic	<u>65,963,502</u>	<u>65,957,499</u>	<u>65,963,502</u>	<u>65,918,768</u>
Diluted	<u>65,963,502</u>	<u>65,957,499</u>	<u>65,963,502</u>	<u>66,007,075</u>

KINGOLD JEWELRY, INC
CONSOLIDATED BALANCE SHEETS
(IN U.S. DOLLARS)

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<u>ASSETS</u>		
Cash	\$ 3,100,569	\$ 1,331,658
Restricted cash	26,649,687	14,793,632
Accounts receivable	1,624,323	503,406
Inventories	298,303,185	212,396,363
Other current assets and prepaid expenses	1,046,032	57,971
Value added tax recoverable	15,526,002	4,501,426
Total current assets	<u>346,249,798</u>	<u>233,584,456</u>
PROPERTY AND EQUIPMENT, NET	7,622,509	9,390,258
OTHER ASSETS		
Deposit on land use right-Jewelry Park	9,296,763	9,819,687
Construction in progress - Jewelry Park	105,844,259	58,310,818
Other assets	148,713	157,078
Land use right	454,180	492,027
Total long-term assets	<u>123,366,424</u>	<u>78,169,868</u>
TOTAL ASSETS	<u>\$ 469,616,222</u>	<u>\$ 311,754,324</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Short term loans	\$ 55,455,428	\$ 16,270,745
Long term loans - current maturities	-	28,844,777
Debts payable, net	61,471,962	-
Construction payables-Jewelry Park	23,876,642	-
Deposit payables-Jewelry Park	22,182,171	-
Other payables and accrued expenses	6,355,979	2,970,770
Due to related party	200,059	-
Income tax payable	1,119,918	978,713
Other taxes payable	710,104	777,537
Total current liabilities	<u>171,372,263</u>	<u>49,842,542</u>
Deferred income tax liability-Non-current	1,774,993	-
Long term loans	30,808,571	3,672,308
TOTAL LIABILITIES	<u>203,955,827</u>	<u>53,514,850</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Preferred stock, \$0.001 par value, 500,000 shares authorized, none issued or outstanding as of December 31, 2015 and December 31, 2014	-	-
Common stock \$0.001 par value, 100,000,000 shares authorized, 65,963,502 and 65,963,502 shares issued and outstanding as of December 31, 2015 and December 31, 2014	65,963	65,963
Additional paid-in capital	79,990,717	79,460,175
Retained earnings		
Unappropriated	184,564,147	163,002,075
Appropriated	967,543	967,543
Accumulated other comprehensive income (deficit)	(1,249)	14,743,718
Total stockholders' equity	<u>265,587,121</u>	<u>258,239,474</u>
Non-controlling interest	73,274	-
Total Equity	<u>265,660,395</u>	<u>258,239,474</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 469,616,222</u>	<u>\$ 311,754,324</u>

KINGOLD JEWELRY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(IN U.S. DOLLARS)

For the years ended December 31,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 21,561,776	\$ 47,331,977
Adjusted to reconcile net income to cash (used in) provided by operating activities:		
Depreciation	1,388,389	1,426,657
Amortization of intangible assets	12,137	12,300
Share based compensation for services	530,542	3,149,980
Amortization of deferred financing costs on debt payable	490,870	-
Deferred tax provision	1,849,910	-
Changes in operating assets and liabilities (increase) decrease in:		
Accounts receivable	(1,196,167)	26,053
Inventories	(101,320,758)	(38,924,060)
Other current assets and prepaid expenses	(1,032,953)	8,193,528
Value added tax recoverable	(11,739,723)	1,959,688
Increase (decrease) in:		
Other payables and accrued expenses	3,634,673	(512,197)
Customer deposits	23,118,418	-
Income tax payable	201,484	(2,273,323)
Other taxes payable	(27,126)	(66,538)
Net cash (used in)provided by operating activities	<u>(62,528,528)</u>	<u>20,324,065</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(67,190)	(19,403)
Proceeds from sale of property and equipment	-	1,970
Construction payable- Jewelry Park	24,884,408	-
Cash payment in construction in progress-Jewelry Park	(52,775,958)	(35,590,752)
Net cash used in investing activities	<u>(27,958,740)</u>	<u>(35,779,185)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital contribution by minority shareholder	69,319	-
Proceeds from bank loans-short term	89,904,958	24,000,521
Repayments of bank loans-short term	(48,139,288)	(57,031,746)
Proceeds from long term loan	64,217,827	3,672,486
Restricted cash	(13,177,515)	(2,194,663)
Proceeds from related party loan	200,015	65,082,981
Repayments of related party loan	-	(13,016,596)
Cash dividend paid	-	(5,276,277)
Net proceeds from exercise of warrants	-	10,000
Deferred financing costs on debt payable	(642,178)	-
Net cash provided by financing activities	<u>92,433,138</u>	<u>15,246,706</u>
EFFECT OF EXCHANGE RATES ON CASH	<u>(176,959)</u>	<u>(744,858)</u>
NET INCREASE (DECREASE) IN CASH	<u>1,768,911</u>	<u>(953,272)</u>
CASH, BEGINNING OF YEAR	<u>1,331,658</u>	<u>2,284,930</u>
CASH, END OF YEAR	<u>\$ 3,100,569</u>	<u>\$ 1,331,658</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest expense	<u>\$ 2,197,249</u>	<u>\$ 14,140,388</u>
Cash paid for income tax	<u>\$ 4,488,815</u>	<u>\$ 18,834,998</u>