

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

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

For the fiscal year ended: December 31, 2017

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.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth" company in Rule 12b-2 of the Act:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 \$80,862,124.2 as of June 30, 2017, 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 12, 2018 was 66,113,502.

2017 ANNUAL REPORT ON FORM 10-K

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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;
- the investment in gold may be deficient if the fair market value of the pledged gold in connection with the loans declines, then we may need to increase the pledged gold inventory for the loan collateral or add the restricted cash.
- 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

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. In April 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 and 2016. In May 2015, Kingold Internet established a 100% controlled subsidiary Yuhuang Jewelry Design Co., Ltd ("Yuhuang"). Yuhuang engages in the jewelry design business.

On December 14, 2016, Wuhan Kingold transferred its 55% ownership interest in Kingold Internet to Wuhan Kingold Industrial Group Co., Ltd., a related party, for a consideration of \$79,196 (RMB 550,000). After the transfer, Kingold Internet and Yuhuang were no longer the subsidiaries of Wuhan Kingold.

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.

Beginning in 2016, we started investing in gold, in addition to purchasing gold for inventory. We borrowed money to finance the purchase of gold, which gold was then pledged to secure the loans. In some cases, the unrestricted gold available for production was insufficient to provide adequate security for such loans, which in turn required us to lease gold from a related party to satisfy the loan conditions and conduct the operations. In 2017, we continued to expand our investment in gold, which also resulted in growing loan amount to fuel the expansion. We are expected to adjust our gold investment according to the gold market changes.

Industry and Market Overview

The Global Market

Global consumer demand for gold in 2017 reached 4,071.7 tons, a slight decrease of 7% comparing to 4,308.7 tons in 2016, however, Gold demand rallied in the closing months of 2017, gaining 6% year-on-year to 1,095.8 tons in Q4, according to the World Gold Council's Gold Demand Trends Full Year 2017. In terms of tonnage, jewelry accounted for 52.4% of total demand in 2017, while investments (mainly bars and coins) accounted for 25.3%.

According to the World Gold Council, China and India continue to consume the most jewelry of any market in the world, and in 2017 together generated 57% of total annual jewelry demand globally. China consumed a total of 646.9 tons of jewelry in 2017, while India consumed 562.7 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 6.7% in 2017 and 2016, 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 investment increased in 2017. Chinese total consumer demand for gold investment (mainly bars and coins) reached 306.4 tons in 2017. China was the world's largest bar and coin market in 2017, recording its second highest year of bar and coin demand on record. Annual demand in 2017 was 8% higher compared to 2016 and comfortably above its five-year average of 284.8 tons.

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". 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. 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 2015, we processed 24-karat gold jewelry and Chinese ornaments with a total weight of approximately 56.5 tons, which was slightly decreased as compared to prior year production of approximately 60.1 tons in 2014. In fiscal 2016, our actual production was 75.3 tons, which was substantially increased as compared to the production in 2015. In fiscal 2017, our actual production was 103.4 tons, which indicated a continuing strong increase as compared to the production in 2016 and 2015. 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, of which 2 expired in 2017, 21 will expire in 2019, and the remaining will expire in 2029. We also owned 17 trademarks at the end of 2017, of which, 1 will expire by 2019, 6 will expire by 2020, 4 will expire by 2021, 1 will expire by 2023 and 3 will expire by 2027, and 2 were registered in Hong Kong. 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 December 31, 2017, there were approximately 253 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. 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 626 company-trained employees. Our production lines include automated jewelry processing equipment and procedures that we can rapidly modify to accommodate new designs and styles.

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. We also 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 2015, 2016 and 2017.

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 490 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 and we add an additional showroom at Kingold Industrial Park in 2017. .

Major Customers

During the year ended December 31, 2015, approximately 18.8% of our net sales were 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).

During the year ended December 31, 2016, approximately 21.5% of our net sales were generated from our five largest customers. Haerbin Hengyuan Jewelry Co., Ltd was our largest customer in 2016 (4.5% of our total net sales in 2016).

During the year ended December 31, 2017, approximately 23.3% of our net sales were generated from our five largest customers. Wuhan Kingold Industrial Group Co. Ltd., a related party, was our largest customer in 2017 (6.3% of our total net sales in 2017). No customer accounted for more than 10% of annual sales for the years ended December 31, 2017, 2016 and 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, of which, 2 expired in 2017, 21 will expire in 2019 and the remaining will expire in 2029.

We currently have 15 registered trademarks in China, of which, 1 will expire in 2019, 1 will expire in 2019, 6 will expire in 2020, 4 will expire in 2021, 1 will expire in 2013, and the remaining 3 will expire in 2027. 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.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a U.S. corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings for the tax year beginning before January 1, 2018. The Company has determined that the Company's VIE in PRC does not qualify as a reportable controlled foreign corporation ("CFC") or specified foreign corporation within the meaning of the Act (collectively, a "SFC") in accordance with its understanding of the Act and guidance available as of the date of this filing and, as a result, the Company assessed there was no significant income tax impact during the period in which the legislation was enacted.

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of US GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, the Company has determined that the Company's VIE in PRC does not qualify as a reportable SFC, therefore it is not necessary to record any income tax provision in connection with the transition tax on the mandatory deemed repatriation of foreign earnings for 2017. Additional work is necessary to do a more detailed analysis of the Act as well as potential correlative adjustments. Any subsequent adjustment to these amounts will be recorded to current tax expense in fiscal 2018 when the analysis is complete.

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, 2017, we had approximately 626 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.

The PRC has 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 July 1, 2052 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.

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.

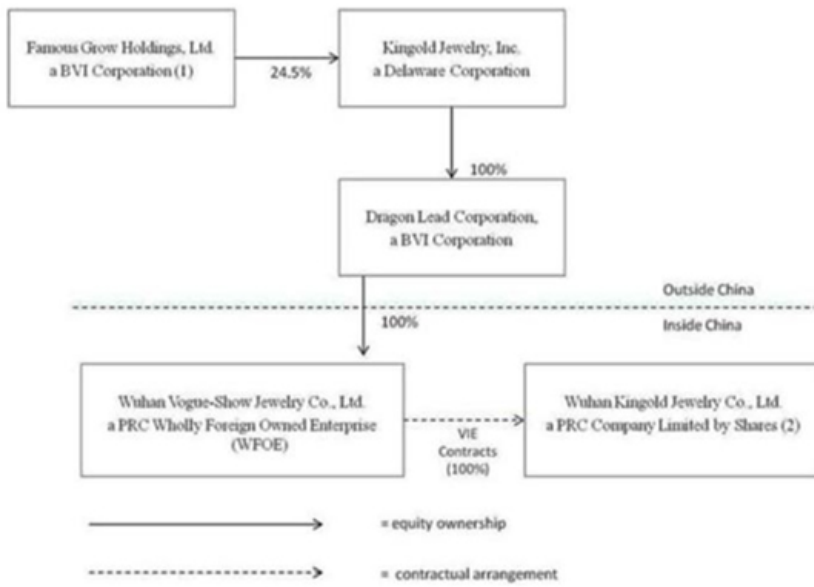
As a result of the above transactions, we ceased being a "shell company" as defined in Rule 12b-2 under the Securities Act.

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 held a 55% ownership interest and a third-party minority shareholder, Mr. Xiaofeng Lv, held 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. On December 14, 2016, Wuhan Kingold transferred its 55% ownership interest in Kingold Internet to Wuhan Kingold Industrial Group Co., Ltd., a related party, for a consideration of \$79,196 (RMB 550,000). After the transfer, Kingold Internet and Yuhuang were no longer the subsidiaries of Wuhan Kingold.

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.

Kingold, Dragon Lead, and Wuhan Vogue-Show, are hereinafter collectively referred to as the “Company.”

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

Investment in our securities involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this prospectus before making an investment decision. The risks and uncertainties described below represent our known material risks to our business. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, you may lose all or part of your investment. You should not invest in this offering unless you can afford to lose your entire investment.

Risks Related to our Business

Significant decreases in the price and availability of gold and other precious metal commodities could adversely impact our earnings, cash flows and results of operation.

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. In the past, we have not hedged our needs for gold or other raw materials through commodity purchasing or other common methods such as the use of options or forward contracts. Prior to 2016, we purchased gold in order to produce jewelry and gold products. While jewelry and gold product manufacturing is still our core business, starting in 2016, we began to purchase gold for the purposes of investment and hedging against the risks in gold and other commodity price fluctuations.

Our investment objective is to purchase gold in response to the rising price trend of gold for the recent years. By doing so, we have been able to use bank loans or other third party borrowings to finance our gold investment and repay the debts with the gold purchased upon due. The upward increases in the gold price in the last few years have enabled us to use a lesser amount of gold than originally purchased to repay the same debts. However, gold investment has exposed us to a greater degree of risks associated with any future decreases in the price of gold. When gold price decreases, we would have to use or sell a larger amount of gold to repay the outstanding borrowings when they become due. The more investment we make in gold and more loans we borrow to finance such purchases, the greater the risks we would be subject to in any future decreases in the price of gold. Any significant decreases in the price and availability of gold could weaken our cash flow position and adversely affect our costs for conducting our business and results of operation.

On the other hand, a sudden significant increase in the price of gold could increase our immediate costs for gold investment as well as production costs beyond the amount that we are able to pass on to our customers, which would adversely affect our sales and profitability. A significant disruption in our supply of gold or other commodities could decrease our production and shipping levels, materially increase our operating costs and materially and adversely affect our 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 we purchase our raw materials, may adversely affect our ability to maintain production of our products and sustain profitability. Although we generally attempt to pass increased commodity prices to our customers, there may be circumstances in which we are not able to do so. In addition, if we were to experience a significant or prolonged shortage of gold, we would be unable to meet our production schedules and to ship products to our customers in a timely manner, which would adversely affect our sales, margins and customer relations.

If we are unable to accurately manage our inventory, our reputation, earnings and results of operations could suffer.

We are faced with the increased challenge of balancing our gold inventory levels to meet gold investment needs with our ability to meet our jewelry manufacturing demands. We purchase gold based on internally generated projections, and the projections are based on many unknown assumptions around the price and price trend of gold, consumer demands, and product pricing, among other things. If these inventory projections are too high, our inventory may be too high, which may result in overstock of the amount of gold we purchase, lower sales prices and gross margins and cause harm to our financial results. Conversely, if these projections are too low, and we underestimate our inventory needs and the consumer demand for our products, we would be exposed to lost business opportunities and experience shortage in our gold inventory to meet our production, financing and investment needs. Either situation could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We may be unable to repay our debts as they become due.

Over the last two years, we have dramatically increased the amount of debts we borrowed. The borrowings were used to purchase gold, and because the price of gold has increased over the last year, we have profited by such increases. However, in the event the gold market experiences a downturn, we will find that the assets on hand (*i.e.*, gold purchased with loans) are insufficient to repay those loans. Moreover, if the price of gold decreases, banks may be unwilling to refinance our debts as they become due. In addition, a price drop could result in a default under the terms of such loans, regardless of whether we are current in our payment under such loans. If this were to happen, our business could be materially harmed.

We may need to implement additional accounting systems, procedures and controls as we grow our business and organization to satisfy the new reporting requirements.

As a public reporting company, we are required to comply with the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC, including expanded disclosures and accelerated reporting requirements and more complex accounting rules. Compliance with these new requirements may increase our costs and require additional management time and resources. In the prior two fiscal years, our management assessed and found our internal control over financial reporting to be ineffective. To remedy the material weakness of inadequate controls over cash management, our Board adopted resolutions requiring management to seek the Board's approval prior to entering into any transactions with a value in excess of a certain threshold, and we are in the process of implementing additional policies and procedures to enhance our internal controls. Notwithstanding these additional measures, we may still need to implement additional or enhance finance and accounting systems, procedures and controls to satisfy new accounting and reporting requirements. If our internal controls over financial reporting continues to be determined to be ineffective, investors could lose confidence in the reliability of our internal controls over financial reporting, which could adversely affect our stock price.

Jewelry purchases are discretionary, may be particularly affected by adverse trends in the general economy, and an economic decline will make it more difficult to generate revenue.

The success of our operations depends, to a significant extent, upon a number of factors relating to discretionary consumer spending in China. These factors include economic conditions and perceptions of such conditions by consumers, employment rates, the level of consumers' disposable income, business conditions, interest rates, consumer debt levels, availability of credit and levels of taxation in regional and local markets in China where we manufacture and sell our products. There can be no assurance that consumer spending on jewelry will not be adversely affected by changes in general economic conditions in China and globally.

While the Chinese economy has experienced rapid growth in the past decade, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. During the past two decades, the rate of inflation in China has been as high as approximately 20%. If prices for our products rise at a rate that is insufficient to compensate for the rise in the costs of supplies such as raw materials, it may have an adverse effect on our profitability. In the recent years, Chinese economic growth had been slowing down, and for example, GDP growth was only 6.7% in 2016. While the China economic growth showed a considerable improvement in 2017, should it experience another slow growth for a sustained period of time, it could substantially affect consumer demand and confidence, which could adversely impact our business, results of operation and financial condition.

Competition in the jewelry industry could cause us to lose market share, thereby materially and adversely affecting our business, results of operations and financial condition.

The jewelry industry in China is highly fragmented and very competitive. We believe that the market may become even more competitive as the industry grows and/or consolidates. We compete with local jewelry manufacturers and large foreign multinational companies that offer products that are similar to ours. Some of these competitors have larger local or regional customer bases, more locations, more brand equity, and substantially greater financial, marketing and other resources than we have. As a result of this increasing competition, we could lose market share, thereby materially and adversely affecting our business, results of operations and financial condition.

We may need to raise additional funds in the future. These funds may not be available on acceptable terms or at all, and, without additional funds, we may not be able to maintain or expand our business. The sale of additional shares or equity or debt securities could result in additional dilution to our shareholders.

Our operations require substantial funds to finance our operating expenses, to maintain and expand our manufacturing, marketing and sales capabilities and to cover public company costs. Without these funds, we may not be able to meet our goals. We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain one or more additional credit facilities. If we cannot raise additional funds when needed, or on acceptable terms, we may not be able to effectively execute our growth strategy take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. In addition, we may be required to scale back or discontinue expansion plans, or obtain funds through strategic alliances that may require us to relinquish certain rights.

We may seek additional funding through public or private financing or through collaborative arrangements with strategic partners. However, you should also be aware that in the future:

- “ we cannot be certain that additional capital will be available on favorable terms, if at all;
- “ any available additional financing may not be adequate to meet our goals; and
- “ any equity financing would result in dilution to stockholders.

In addition, the incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations.

Our ability to maintain or increase our revenue could be harmed if we are unable to strengthen and maintain our brand image.

We believe that the primary factors in facilitating customer buying decisions in China's jewelry sector include price, confidence in the merchandise sold, and the level and quality of customer service. The ability to differentiate our products from competitors' by our brand-based marketing strategies is a key factor in attracting consumers, and if our strategies and efforts to promote our brand, such as television and magazine advertising and beauty contest sponsorships fail to garner brand recognition, our ability to generate revenue may suffer. If we are unable to differentiate our products, our ability to sell our products wholesale and our planned sale of products retail will be adversely affected. If we fail to identify or react appropriately or timely to customer buying decisions, we could experience a reduction in consumer recognition of our products, a diminished brand image, higher markdowns, and costs to recast overstocked jewelry. These factors could result in lowering selling prices and sales volumes for our products, which could adversely affect our financial condition and results of operations.

There is only one source in China for us to obtain the precious metals used in our jewelry products; accordingly, any interruptions of our arrangement with this source would disrupt our ability to fulfill customer orders and substantially affect our ability to continue our business operations.

Under PRC law, the supply of precious metals such as platinum, gold, and silver is highly regulated by PRC government agencies. The Shanghai Gold Exchange ("the Exchange") is the only supplier in China for gold used for our jewelry products (including the gold we lease from leading PRC banks). We are required to obtain and maintain several membership and approval certificates from government agencies in order to do business involving precious metals. The loss of our relationship or failure to renew our membership with the Exchange, or its inability to furnish precious metals to us (or the banks we lease from) as anticipated in terms of cost, quality, and timeliness, would adversely affect our ability to fulfill customer orders in accordance with our required delivery, quality, and performance requirements. If this situation were to occur, we would not have any alternative suppliers in China to obtain our raw materials from, which would result in a decline in revenue and revenue potential, and ultimately risk the overall continuation of our business operations.

If we are not able to adapt to changing jewelry trends in China, our inventory may be overstocked and we may be forced to reduce the price of our overstocked jewelry or incur the cost to recast it into new jewelry.

Our jewelry sales depend on consumer fashions, preferences for jewelry and the demand for particular products in China. Jewelry design trends in China can and do change rapidly. The ability to accurately predict future changes in taste, respond to changes in consumer preferences, carry the inventory demanded by customers, deliver the appropriate quality, price products correctly, and implement effective purchasing procedures all have an important influence on determining sales performance and maximizing gross margin. If we fail to anticipate, identify or react appropriately to changes in styles and trends, we could experience excess inventories, higher than normal markdowns or an inability to sell our products. If such a situation were to exist, we would need to incur additional costs to recast our products to fit the demand, and the labor and manufacturing costs previously invested in the recast products would be lost.

Our failure to manage growth effectively could have an adverse effect on our employee efficiency, product quality, working capital levels, and results of operations.

We intend to develop the retail distribution of our products, which we believe will result in rapid growth, but will also place significant demands on our managerial, operational and financial resources. Any significant growth in the market for our current wholesale business and our planned retail distribution would require us to expand our managerial, operational, financial, and other resources. During any period of growth, we may face problems related to our operational and financial systems and controls, including quality control and delivery and service capabilities. We also will need to continue to expand, train and manage our employee base. If we are unable to successfully build these skills and expand our number of skilled management and staff, we may be unsuccessful in achieving our intended level of growth.

Aside from increased difficulties in the management of human resources, we may also encounter working capital issues, as we will need increased liquidity to finance the purchases of raw materials and supplies, development of new products and the hiring of additional employees. Our failure to manage growth effectively may lead to operational and financial inefficiencies that will have a negative effect on our profitability. We cannot assure you that we will be able to timely and effectively meet that demand and maintain the quality standards required by our existing and potential customers.

We maintain a relatively large inventory of our raw materials and jewelry products to support customer delivery requirements, and if this inventory is lost due to theft, our results of operations would be negatively impacted.

We purchase large volumes of precious metals and store significant quantities of raw materials and jewelry products at our warehouse and show room in Wuhan, China. Although we have an inventory security system in place, we may be subject to future significant inventory losses due to third-party or employee theft from our warehouses or other forms of theft. The implementation of enhanced security measures beyond those that we already utilize, which include onsite police station with direct deployment of officers and instant access to Wuhan city police department, security cameras, and alarm systems in our warehouse, would increase our operating costs. Also, any such losses of inventory could exceed the limits of, or be subject to an exclusion from, coverage under our insurance policies. Claims filed by us under our insurance policies could lead to increases in the insurance premiums payable by us or the termination of coverage under the relevant policy. In addition, loss of gold inventory may cause violation of our pledge agreements of loans.

We have outstanding borrowings, and if our ability to obtain new loans or to renew current loans from financial institutions or other third parties is substantially diminished, our business may be severely disrupted and the results of operations could suffer.

In the recent years, we have substantially increased our borrowings as we grew our business and expanded our operations. Almost all of our loans from financial institutions and other unrelated third-parties are secured by restricted cash on deposit at various banks, or gold we own or have leased, as we may agree from time to time with the respective lenders.

In addition, many of our loans are borrowed conditioned upon personal guarantees provided by our Chairman and CEO because of his personal credit worthiness and his reputation and expertise in the China gold industry. Thus our ability to obtain loans or credits, to a great extent, depends on the continued services of our founder, Chairman and CEO, Mr. Zhihong Jia. If Mr. Jia is unable or unwilling to continue his service with us or to provide personal guarantees for our loans, we may not be able to obtain new loans or renew existing loans, or our existing loans may be deemed in default or called for immediate repayment acceleration by the lenders.

Although we have been able to receive sufficient funding in the past, we cannot assure you that we will be able to renew our loans at maturity or obtain alternative funding on reasonable terms from banks or other parties. If we fail to do so, we would have to repay the existing borrowings with our cash or other assets, including our gold inventory, and our business may be severely disrupted and the results of operations could suffer.

Our business could be materially adversely affected if we cannot protect our intellectual property rights.

We have developed trademarks, patents, know-how, trade-names and other intellectual property rights that are of significant value to us. In particular, we have applied for patents on a limited number of designs of our jewelry products and trademarks as well. However, the legal regime governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC may differ from those in other jurisdictions. Thus, it may be difficult to enforce our rights relating to these designs as well as our trademarks. Any unauthorized use of, or other infringement upon our designs or trademarks, could result in potential sales being diverted to such unauthorized sellers, and dilute the value of our brand.

While we are not aware of any data breach in the past, any future failure to adequately maintain security and prevent unauthorized access to electronic and other confidential information could result in a data breach which could materially adversely affect our reputation, financial condition and operating results.

The protection of our customer, business partner, Company and employee data is critically important to us. Our customers, business partners, and employees expect we will adequately safeguard and protect their sensitive personal and business information. We have become increasingly dependent upon automated information technology processes. Improper activities by third parties, exploitation of encryption technology, data-hacking tools and discoveries and other events or developments may result in a future compromise or breach of our networks, payment terminals or other settlement systems. In particular, the techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognized until launched against a target; accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures. Any failure to maintain the security of our customers' sensitive information, or data belonging to ourselves, our business partners or other relationship third parties, could put us at a competitive disadvantage, result in deterioration of our customers' confidence in us, and subject us to potential litigation, liability, fines and penalties, resulting in a possible material adverse impact on our financial condition and results of operations. There can be no assurance that we will not suffer a criminal cyber-attack in the future, that unauthorized parties will not gain access to personal or business information or sensitive data, or that any such incident will be discovered in a timely manner.

We are dependent on certain key personnel, and the loss of these key personnel could have a material adverse effect on our business, financial conditions and results of operations.

Our success, to a great extent, has been attributable to the management, sales and marketing, and operational and technical expertise of certain key personnel. Moreover, our daily operation and performance rely heavily upon our senior management. There can be no assurance that we will be able to retain these officers or that such personnel may not receive and/or accept competing offers of employment. The loss of a significant number of these employees could have a material adverse effect upon our business, financial condition, and results of operations. We do not maintain key-man life insurance for any of our senior management.

We rely on our distribution network for virtually all of our sales revenues. Failure to maintain good distributor relations, or our inability to successfully execute our planned expansion of our customer base, may affect our revenues and earnings.

Our business depends directly on the performance of roughly 300 of our major distributors, which we also refer to as our customers. No customer accounted for more than 10% of annual sales for the years ended December 31, 2015 or 2016. As all purchases of our products by customers are made through purchase orders and we do not have long-term contracts with any of our customers, it is critical that we maintain good relationships with them. However, maintaining good relationships with existing distributors and replacing any distributor is difficult and time consuming. Our failure to maintain good relationships with our distributors could materially disrupt our distribution business and harm our net sales.

We may not maintain sufficient insurance coverage for the risks associated with our business operations. As a result, we may incur uninsured losses.

Except for property, accident and automobile insurance, we do not have other insurance of such as business liability or disruption insurance coverage for our operations in the PRC. As a result, we may incur uninsured liabilities and losses as a result of the conduct of our business. There can be no guarantee that we will be able to obtain additional insurance coverage in the future, and even if we are able to obtain additional coverage, we may not carry sufficient insurance coverage to satisfy potential claims. Should uninsured losses occur, it could adversely affect our business, results of operations and financial condition.

Global financial crises and economic downturns may have an adverse effect on our businesses, results of operation and financial condition.

Global economic conditions can have an effect on our business. If there is an additional global financial crisis or economic downturn, such as that which occurred in 2008, it may adversely affect economies and businesses around the world, including in China, which in turn will have an adverse impact on our business and operations.

Potential environmental liability could have a material adverse effect on our operations and financial condition.

As a manufacturer, we are subject to various Chinese environmental laws and regulations on air emission, waste water discharge, solid wastes and noise. Although we believe that our operations are in substantial compliance with current environmental laws and regulations, we may not be able to comply with these regulations at all times as the Chinese environmental legal regime is evolving and becoming more stringent. Therefore, if the Chinese government imposes more stringent regulations in the future, we may have to incur additional and potentially substantial costs and expenses in order to comply with new regulations, which may negatively affect our results of operations. Further, no assurance can be given that all potential environmental liabilities have been identified or properly quantified or that any prior owner, operator, or tenant has not created an environmental condition unknown to us. If we fail to comply with any of the present or future environmental regulations in any material aspects, we may suffer from negative publicity and be subject to claims for damages that may require us to pay substantial fines or force us to suspend or cease operations.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and related Commission regulations, have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the public markets and public reporting. Our management team will need to invest significant management time and financial resources to more fully comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

We may have additional tax liabilities.

We are subject to income and other taxes in the U.S. and China. Tax laws are complex and subject to constant changes as new laws are passed and new interpretations of the law are issued or applied. Recently, the U.S. has enacted significant tax reform which may impact our tax liabilities. Significant judgment is required in estimating our provision for income taxes. In our business operations and corporate structure, there are contractual arrangements, transactions or calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, any final determination pursuant to tax audits could be materially different from what is reflected in our consolidated financial statements. Should any tax authority disagree with our estimates and determine any additional tax liabilities, including interest and penalties for us, this could adversely impact our results of operations, financial position and cash flows.

Uncertainty in the interpretation and application of the 2017 Tax Cuts and Jobs Act could materially affect our tax obligations and effective tax rate

The 2017 Tax Cuts and Jobs Act was signed into law on December 22, 2017, and significantly affected U.S. tax law by changing how the U.S. imposes income tax on multinational corporations. The U.S. Department of Treasury has authority to issue regulations and interpretative guidance that may impact how we apply the law and impact our results of operations in the period issued and subsequently. The Act requires complex computations not previously required under U.S. tax law. As such, the application of accounting guidance for such items is currently uncertain. Further, compliance with the Tax Reform Act and the accounting for such provisions requires the accumulation of information not previously required or regularly produced. We have determined that our consolidated VIE in PRC should not be classified as a SFC for purposes of the Act based on our understanding of the Act and guidance available as of the date of this filing and concluded there was no significant income tax impact derived from the Act for the 2017 tax year. As a result, we have not provided a provisional estimate of the effect of the Tax Reform Act in our financial statements and the income from the VIE reported in our consolidated financial statements has not been included in the deferred tax calculation for the U.S. federal income tax purposes for the respective periods. As additional regulatory guidance is issued, and as we perform additional analysis on the application of the law, our final analysis may be different from our current reported amounts, which could adversely impact our results of operations, financial position and cash flows.

Risks Related to Doing Business in the PRC

Substantially all of our assets are located in China and substantially all of our revenues are currently derived from our operations in China, and changes in the political and economic policies of the PRC government could have a significant impact upon what business we may be able to conduct in the PRC and accordingly on the results of our operations and financial condition.

Our business operations may be adversely affected by the current and future political environment in the PRC. The Chinese government exerts substantial influence and control over the manner in which we must conduct our business activities. Our ability to operate in China may be adversely affected by changes in Chinese laws and regulations, including those relating to taxation, import and export tariffs, raw materials, environmental regulations, land use rights, property and other matters. Under the current government leadership, the government of the PRC has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. There is no assurance, however, that the government of the PRC will continue to pursue these policies, or that it will not significantly alter these policies from time to time without notice.

Our operations are subject to PRC laws and regulations that are sometimes vague and uncertain. Any changes in such PRC laws and regulations, or the interpretations thereof, may have a material and adverse effect on our business.

The PRC's legal system is a civil law system based on written statutes. Unlike the common law system prevalent in the United States, decided legal cases have little value as precedent in China. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our arrangements with customers in the event of the imposition of statutory liens, death, bankruptcy or criminal proceedings. The Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and judicial interpretation and their lack of force as precedents, interpretation and enforcement of these laws and regulations involve significant uncertainties. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively.

One of our principal operating subsidiaries, Vogue-Show, is considered a foreign invested enterprise under PRC laws, and as a result is required to comply with PRC laws and regulations, including laws and regulations specifically governing the activities and conduct of foreign invested enterprises. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our businesses. If the relevant authorities find us in violation of PRC laws or regulations, they would have broad discretion in dealing with such a violation, including, without limitation:

- “ levying fines;
- “ revoking our business license, other licenses or authorities;
- “ requiring that we restructure our ownership or operations; and
- “ requiring that we discontinue some or all of our business.

The scope of our business license in China is limited, and we may not expand or continue our business without government approval and renewal, respectively.

Our operating affiliate, Wuhan Kingold, can only conduct business within its business scope, as detailed on its business license. Our license permits us to design, manufacture, sell and market jewelry products to department stores throughout the PRC and to engage in the retail distribution of our products. Any amendment to the scope of our business requires further application and government approval. In order for us to expand our business beyond the scope of our license, we will be required to enter into a negotiation with the authorities for the approval to expand the scope of our business. We cannot assure you that Wuhan Kingold will be able to obtain the necessary government approval for any change or expansion of our business scope.

Our PRC stockholders are required to register with the State Administration of Foreign Exchange and their failure to do so could cause us to lose our ability to remit profits out of the PRC as dividends.

The SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

SAFE Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC subsidiary may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiary. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

These regulations apply to our stockholders who are PRC residents. As of the date of this registration statement, our Chairman and Chief Executive Officer, Zhihong Jia, has obtained his registration under Circular 75, and the other PRC residents are in the process of obtaining registrations under Circular 37. However, there is no assurance that such persons can successfully complete such registrations, and there is no assurance that all of the PRC resident stockholders and beneficiary stockholders have complied with and will comply with the SAFE registration requirements currently or in the future. In the event that these or other of our PRC-resident stockholders do not follow the procedures required by SAFE, we could (i) be exposed to fines and legal sanctions, (ii) lose the ability to contribute additional capital into our PRC subsidiaries or distribute dividends to our company, (iii) face liability for evasion of foreign-exchange regulations, and/or (iv) lose the ability to consolidate the financial statements of our PRC subsidiaries under applicable accounting principles.

PRC regulations relating to acquisitions of PRC companies by foreign entities may create regulatory uncertainties that could restrict or limit our ability to operate. Our failure to obtain the prior approval of the China Securities Regulatory Commission, or CSRC for the listing and trading of our common stock could have a material adverse effect on our business, operating results, reputation and trading price of our common stock.

On August 8, 2006, the PRC Ministry of Commerce, or MOFCOM, joined by the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission, or CSRC, and SAFE, released a substantially amended version of the Provisions for Foreign Investors to Merge with or Acquire Domestic Enterprises, or the Revised M&A Regulations, which took effect September 8, 2006. These rules significantly revised China's regulatory framework governing onshore-to-offshore restructurings and foreign acquisitions of domestic enterprises. These rules signify greater PRC government attention to cross-border merger, acquisition and other investment activities, by confirming MOFCOM as a key regulator for issues related to mergers and acquisitions in China and requiring MOFCOM approval of a broad range of merger, acquisition and investment transactions. Further, these rules establish reporting requirements for acquisition of control by foreigners of companies in key industries, and reinforce the ability of the Chinese government to monitor and prohibit foreign control transactions in key industries.

In addition, the Revised M&A Regulations include new provisions that purport to require that an offshore special purpose vehicle, or SPV, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals must obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on any non-PRC stock exchange. On September 21, 2006, the CSRC published on its official website procedures specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings. However, the application of this PRC regulation remains unclear with no consensus currently existing among the leading PRC law firms regarding the scope and applicability of the CSRC approval requirement.

Our wholly-owned BVI subsidiary, Dragon Lead, was formerly owned by eight BVI companies whose shareholders are non-PRC individuals. We understand that some of these non-PRC individuals are nominee shareholders holding shares on behalf of and for the interest of some PRC individuals and PRC companies who are also Wuhan Kingold minority shareholders. These minority Wuhan Kingold shareholders do not have experience in conducting or managing businesses outside the PRC, and therefore believe that to engage nominee shareholders to hold shares on their behalf are in their best commercial interest, and could provide them with guidance when they evaluate whether to purchase, sell or dispose of our shares after the closing.

Also, on December 23, 2009, immediately before the reverse acquisition of Vogue Show, 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 the call option with Zhihong Jia and Bin Zhao (our former general manager and former director) 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. Under the call option, as amended and restated, Fok Wing Lam Winnie granted to Zhihong Jia certain call options 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, or Call Option which was determined in an arm's length negotiation with the parties.

The PRC regulatory authorities may take the view that entry into the VIE Agreements by Vogue-Show and Wuhan Kingold and entry into the call option agreement by Zhihong Jia and Fok Wing Lam Winnie may collectively constitute an onshore to offshore restructuring and a related party acquisition under the M&A Regulations, because upon the consummation of these transactions and after the Call Option is fully exercised, PRC individuals would become majority owners and effective controlling parties of a foreign entity that acquired ownership of Wuhan Kingold. The PRC regulatory authorities may also take the view that the relevant parties should fully disclose to the Wuhan SAFE or MOFCOM the overall restructuring arrangements, the existence of the reverse acquisition and its connection with the VIE Agreement. Our PRC counsel has opined among other things that: (i) each of our VIE agreements with Wuhan Kingold are valid and enforceable under relevant PRC laws, (ii) all government authorizations for the execution, delivery, performance and enforcement of our VIE agreements have been obtained as required by PRC laws, (iii) the ownership structure of Vogue Show and Wuhan Kingold created by our VIE agreements and the call options in favor of Zhihong Jia do not violate any provisions of applicable PRC laws, and (iv) no PRC governmental approvals were required under the Revised M&A Regulations in connection with our acquisition of our current ownership interests in any of our PRC subsidiaries or in connection with the VIE agreements. Our PRC counsel has reviewed and approved of these statements.

We, however, cannot assure you that the PRC regulatory authorities, MOFCOM and CSRC will take the same view as our PRC counsel. If the PRC regulatory authorities take the view that the reverse acquisition and VIE arrangement constitute a related party acquisition under the revised M&A Regulations, we cannot assure you we will be able to obtain any approval required from the national offices of MOFCOM or otherwise.

If the PRC regulatory authorities take the view that the call options or the VIE arrangement constitutes a related party acquisition without the approval of the national offices of MOFCOM, they could invalidate the call options and VIE arrangement. We may also face regulatory actions or other sanctions from the MOFCOM or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our shares.

If we make equity compensation grants to persons who are PRC citizens, they may be required to register with the State Administration of Foreign Exchange of the PRC, or SAFE. We may also face regulatory uncertainties that could restrict our ability to adopt additional equity compensation plans for our directors and employees and other parties under PRC law.

On April 6, 2007, SAFE issued the "Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Ownership Plan or Stock Option Plan of An Overseas Listed Company," also known as "Circular 78." It is not clear whether Circular 78 covers all forms of equity compensation plans or only those that provide for the granting of stock options. For any plans that are so covered and are adopted by a non-PRC listed company, such as our company, after April 6, 2007, Circular 78 requires all participants who are PRC citizens to register with and obtain approvals from SAFE prior to their participation in the plan. In addition, Circular 78 also requires PRC citizens to register with SAFE and make the necessary applications and filings if they participated in an overseas listed company's covered equity compensation plan prior to April 6, 2007. We believe that the registration and approval requirements contemplated in Circular 78 will be burdensome and time consuming.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

As we are a Delaware corporation and a U.S. publicly listed company, we are subject to the United States Foreign Corrupt Practices Act, which generally prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Some foreign companies, including some that may compete with our company, may not be subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur from time-to-time in the PRC. We can make no assurance, however, that our employees or other agents will not engage in conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

Under the Enterprise Income Tax Law, we may be classified as a “resident enterprise” of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC stockholders.

Under the Enterprise Income Tax Law, or EIT Law, an enterprise established outside the PRC with its “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its worldwide income. The “de facto management body” is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. If the PRC tax authorities determine that we should be classified as a resident enterprise, then our worldwide income will be subject to income tax at a uniform rate of 25%, which may have a material adverse effect on our financial condition and results of operations. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company, like us, having indirect ownership interests in PRC enterprises through intermediary holding vehicles.

Moreover, under the EIT Law, foreign shareholders of an entity that is classified as a PRC resident enterprise may be subject to a 10% withholding tax upon dividends payable by such entity, unless the jurisdiction of incorporation of the foreign shareholder of such entity has a tax treaty with the PRC that provides for a reduced rate of withholding tax, and gains realized on the sale or other disposition of shares, if such income is sourced from within the PRC. It remains unclear whether the dividends payable by our PRC subsidiary or the gains our foreign shareholders may realize will be regarded as income from sources within the PRC if we are classified as a PRC resident enterprise. Any such tax will reduce the returns on your investment in our Shares.

Because our business is located in the PRC, we may have difficulty establishing adequate management, legal and financial controls, which we are required to do in order to comply with U.S. securities laws.

PRC companies have historically not adopted a Western style of management and financial reporting concepts and practices, which includes strong corporate governance, internal controls and, computer, financial and other control systems. Most of our middle and top management staff are not educated and trained in the Western system, and we may have difficulty hiring new employees in the PRC with such training. In addition, we may need to rely on a new and developing communication infrastructure to efficiently transfer our information from retail outlets to our headquarters. As a result of these factors, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet Western standards. Therefore, we may, in turn, experience difficulties in implementing and maintaining adequate internal controls as required under Section 404 of the Sarbanes-Oxley Act of 2002. This may result in significant deficiencies or material weaknesses in our internal controls, which could impact the reliability of our financial statements and prevent us from complying with Commission rules and regulations and the requirements of the Sarbanes-Oxley Act of 2002. Any such deficiencies, weaknesses or lack of compliance could have a materially adverse effect on our business.

If we continue to fail to maintain effective internal control over financial reporting or effective disclosure controls and procedures, the price of our common stock may be adversely affected.

We are required to establish and maintain appropriate internal control over financial reporting and put in place appropriate disclosure controls and procedures to allow our management to make timely decisions regarding required disclosures. Failure to establish those controls, or any failure of those controls once established, could adversely impact our public disclosures regarding our business, financial condition or results of operations. Any failure of our internal control over financial reporting could also prevent us from maintaining accurate accounting records and discovering accounting errors and financial fraud.

Since we became public, our management has continually determined that we had a material weakness in our internal control over financial reporting due to some problems with cash management, as well as continued ineffective disclosure controls and procedures, and other significant deficiencies due to inadequate controls over the appropriate approval procedures for certain material transactions, inadequate controls over certain material cash transactions, and lack of technical competency in review and recording of non-routine or complex transactions. Moreover, our management concluded that our disclosure controls and procedures continued to be ineffective this year because we continued to fail to disclose the entry into certain material agreements within the time periods required by the Commission.

Although we are evaluating how to improve the effectiveness of our disclosure controls and procedures and are evaluating additional remedial measures, such efforts may not be successful. In addition, management's assessment of internal control over financial reporting may identify additional material weaknesses or significant deficiencies that need to be addressed or other potential matters that may raise concerns for investors. Any actual or perceived material weaknesses or significant deficiencies that need to be addressed in our internal control over financial reporting, or the actual or perceived ineffectiveness of our disclosure controls and procedures could have an adverse impact on the price of our common stock.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based upon U.S. laws, including the federal securities laws, or other foreign laws against us or our management.

All of our current operations, including the manufacturing and distribution of jewelry, are conducted in China. Most of our directors and officers are nationals and residents of China. All or substantially all of the assets of these persons are located outside the United States. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon these persons. In addition, uncertainty exists as to whether the courts of China would recognize or enforce judgments of U.S. courts obtained against us or such officers and/or directors predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in China against us or such persons predicated upon the securities laws of the United States or any state thereof.

Inflation in China may inhibit our ability to conduct business in China.

In recent years, the Chinese economy has experienced periods of rapid expansion and high rates of inflation. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in the costs of supplies, it may have an adverse effect on profitability. These factors have led to the adoption by Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may, in the future, cause Chinese government to impose controls on credit and/or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products.

Governmental control of currency conversions could prevent us from paying dividends.

Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our security-holders.

Currency fluctuations and restrictions on currency exchange may adversely affect our business, including limiting our ability to convert Chinese Renminbi into foreign currencies and, if Chinese Renminbi were to decline in value, reducing our revenue in U.S. dollar terms.

Our reporting currency is the U.S. dollar and our operations in China use their local currency, the Renminbi, as their functional currency. Substantially all of our revenue and expenses are in Chinese Renminbi. We are subject to the effects of exchange rate fluctuations with respect to any of these currencies. For example, the value of the Renminbi depends to a large extent on Chinese government policies and China's domestic and international economic and political developments, as well as supply and demand in the local market. Since July 2005, the RMB is no longer pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market. We can offer no assurance that Chinese Renminbi will be stable against the U.S. dollar or any other foreign currency.

The income statements of our operations are translated into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currencies denominated transactions results in reduced revenue, operating expenses and net income for our international operations. Similarly, to the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions results in increased revenue, operating expenses and net income for our international operations. We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries' financial statements into U.S. dollars will lead to a translation gain or loss that is recorded as a component of other comprehensive income. In addition, we have certain assets and liabilities that are denominated in currencies other than the relevant entity's functional currency. Changes in the functional currency value of these assets and liabilities create fluctuations that will lead to a transaction gain or loss. We have not entered into agreements or purchased instruments to hedge our exchange rate risks, although we may do so in the future. The availability and effectiveness of any hedging transaction may be limited and we may not be able to successfully hedge our exchange rate risks.

Risks Related to the VIE Agreements

If the PRC government determines that the contractual arrangements through which we control Wuhan Kingold do not comply with applicable regulations, our business could be adversely affected.

Although we believe our contractual relationships through which we control Wuhan Kingold comply with current licensing, registration and regulatory requirements of the PRC, we 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 our structure or operating arrangements do not comply with applicable law, it could revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, require us to restructure our operations, impose additional conditions or requirements with which we may not be able to comply, impose restrictions on our business operations or on our customers, or take other regulatory or enforcement actions against us that could be harmful to our business.

The PRC government may determine that the VIE Agreements are not in compliance with applicable PRC laws, rules and regulations.

Vogue-Show manages and operates our gold jewelry business through Wuhan Kingold pursuant to the rights it holds under the VIE Agreements. Almost all economic benefits and risks arising from Wuhan Kingold's operations are transferred to Vogue-Show under these agreements.

There are risks involved with the operation of our business in reliance on the VIE Agreements, including the risk that the VIE Agreements may be determined by PRC regulators or courts to be unenforceable. Our PRC counsel has provided a legal opinion that the VIE Agreements are binding and enforceable under PRC law, but has further advised that if the VIE Agreements were for any reason determined to be in breach of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such breach, including:

- “ imposing economic penalties;
- “ discontinuing or restricting the operations of Vogue-Show or Wuhan Kingold;
- “ imposing conditions or requirements in respect of the VIE Agreements with which Vogue-Show may not be able to comply;
- “ requiring our company to restructure the relevant ownership structure or operations;
- “ taking other regulatory or enforcement actions that could adversely affect our company’s business; and
- “ revoking the business licenses and/or the licenses or certificates of Vogue-Show, and/or voiding the VIE Agreements.

Any of these actions could adversely affect our ability to manage, operate and gain the financial benefits of Wuhan Kingold, which would have a material adverse impact on our business, financial condition and results of operations.

Our ability to manage and operate Wuhan Kingold under the VIE Agreements may not be as effective as direct ownership.

We conduct our jewelry processing and sales businesses in the PRC and generate virtually all of our revenues through the VIE Agreements. Our plans for future growth are based substantially on growing the operations of Wuhan Kingold. However, the VIE Agreements may not be as effective in providing us with control over Wuhan Kingold as direct ownership. Under the current VIE arrangements, as a legal matter, if Wuhan Kingold fails to perform its obligations under these contractual arrangements, we may have to (i) incur substantial costs and resources to enforce such arrangements, and (ii) rely on legal remedies under PRC law, which we cannot be sure would be effective. Therefore, if we are unable to effectively control Wuhan Kingold, it may have an adverse effect on our ability to achieve our business objectives and grow our revenues.

As the VIE agreements are governed by PRC law, we would be required to rely on PRC law to enforce our rights and remedies under them; PRC law may not provide us with the same rights and remedies as are available in contractual disputes governed by the law of other jurisdictions.

The VIE Agreements are governed by the PRC law and provide for the resolution of disputes through court proceedings pursuant to PRC law. If Wuhan Kingold or its shareholders fail to perform the obligations under the VIE Agreements, we would be required to resort to legal remedies available under PRC law, including seeking specific performance or injunctive relief, or claiming damages. We cannot be sure that such remedies would provide us with effective means of causing Wuhan Kingold to meet its obligations, or recovering any losses or damages as a result of non-performance. Further, the legal environment in China is not as developed as in other jurisdictions. Uncertainties in the application of various laws, rules, regulations or policies in PRC legal system could limit our liability to enforce the VIE Agreements and protect our interests.

The VIE Agreements may be subject to audit or challenge by PRC tax authorities. A finding that we owe additional taxes could substantially reduce our net earnings and the value of your investment

Under PRC laws and regulations, arrangements and transactions among affiliated parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax and financial consequences if the PRC tax authorities determine that the VIE Agreements do not represent arm's-length prices. As a result of such a determination, the PRC tax authorities could adjust any of the income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions for PRC tax purposes recorded by us or Wuhan Kingold or an increase in taxable income, all of which could increase our tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties on us or Wuhan Kingold for under-paid taxes.

Our shareholders have potential conflicts of interest with us which may adversely affect our business.

Zhihong Jia is our Chief Executive Officer and our Chairman, and is also the largest shareholder of Wuhan Kingold. There could be conflicts that arise from time to time between our interests and the interests of Mr. Jia. There could also be conflicts that arise between us and Wuhan Kingold that would require our shareholders and Wuhan Kingold's shareholders to vote on corporate actions necessary to resolve the conflict. There can be no assurance in any such circumstances that Mr. Jia will vote his shares in our best interest or otherwise act in the best interests of our company. If Mr. Jia fails to act in our best interests, our operating performance and future growth could be adversely affected. In addition, some or all of our shareholders could violate the non-competition agreements they have signed with our company by diverting business opportunities from our company to others. In such event, our business, financial condition and results of operation could be adversely affected.

We rely on the approval certificates and business license held by Vogue-Show and any deterioration of the relationship between Vogue-Show and Wuhan Kingold could materially and adversely affect our business operations.

We operate our jewelry processing and sales businesses in China on the basis of the approval certificates, business license and other requisite licenses held by Vogue-Show. There is no assurance that Vogue-Show will be able to renew its license or certificates when their terms expire with substantially similar terms as the ones they currently hold.

Further, our relationship with Wuhan Kingold is governed by the VIE Agreements that are intended to provide us with effective control over the business operations of Wuhan Kingold. However, the VIE Agreements may not be effective in providing control over the application for and maintenance of the licenses required for our business operations. Wuhan Kingold could violate the VIE Agreements, go bankrupt, suffer from difficulties in its business or otherwise become unable to perform its obligations under the VIE Agreements and, as a result, our operations, reputations and business could be severely harmed.

If Vogue-Show exercises the purchase options it holds over Wuhan Kingold's share capital and assets pursuant to the VIE Agreements, the payment of the purchase price could materially and adversely affect our financial position.

Under the VIE Agreements, Wuhan Kingold's shareholders have granted Vogue-Show a ten-year option to purchase 100% of the share capital in Wuhan Kingold at a price determined by appraisal by an asset evaluation institution to be jointly appointed by Vogue-Show and Wuhan Kingold's shareholders. Concurrently, Wuhan Kingold granted Vogue-Show a ten-year option to purchase Wuhan Kingold's assets at a price determined by appraisal by such asset evaluation institution. As Wuhan Kingold is already our contractually controlled affiliate, Vogue-Show's exercising of the above two options would not bring immediate benefits to our company, and payment of the purchase prices could adversely affect our financial position.

Risks Related to Our Common Stock

Following the exercise of his Call Option, our Chairman and Chief Executive Officer would exercise significant influence over us.

Our Chairman and Chief Executive Officer, Zhihong Jia, will beneficially own or control approximately 25.6% of our outstanding shares if he chooses to fully exercise his Call Option to purchase shares of Famous Grow. Mr. Jia thereafter could possibly have a controlling influence in determining the outcome of any corporate transaction or other matters submitted to our stockholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors, and other significant corporate actions. Mr. Jia may also have the power to prevent or cause a change in control. In addition, without the consent of Mr. Jia, we could be prevented from entering into transactions that could be beneficial to us. The interests of Mr. Jia may differ from the interests of our other stockholders.

We do not foresee paying cash dividends in the foreseeable future and, as a result, our investors' sole source of gain, if any, will depend on capital appreciation, if any.

We do not plan to declare or pay any cash dividends on our shares of common stock in the foreseeable future and currently intend to retain any future earnings for funding growth. As a result, investors should not rely on an investment in our securities if they require the investment to produce dividend income. Capital appreciation, if any, of our shares may be investors' sole source of gain for the foreseeable future. Moreover, investors may not be able to resell their shares of our company at or above the price they paid for them.

Because we do not intend to pay dividends on our shares, stockholders will benefit from an investment in our shares only if those shares appreciate in value.

We currently intend to retain all future earnings, if any, for use in the operations and expansion of the business. As a result, we do not anticipate paying cash dividends in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of our board of directors and will depend on factors our board of directors deems relevant, including among others, our results of operations, financial condition and cash requirements, business prospects, and the terms of our credit facilities, if any, and any other financing arrangements. Accordingly, realization of a gain on stockholders' investments.

The market price for our shares may be volatile.

The market price for our shares is likely to be highly volatile and subject to wide fluctuations in response to factors including the following:

- “ actual or anticipated fluctuations in our quarterly operating results and changes or revisions of our expected results;
- “ changes in financial estimates by securities research analysts;
- “ conditions in the markets for our products;
- “ changes in the economic performance or market valuations of companies specializing in gold jewelry;
- “ announcements by us, or our competitors of new products, acquisitions, strategic relationships, joint ventures or capital commitments;
- “ addition or departure of senior management and key personnel; and
- “ fluctuations of exchange rates between the RMB and the U.S. dollar.

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.

	High	Low
2017		
First Quarter	\$ 1.38	\$ 1.09
Second Quarter	\$ 2.03	\$ 1.06
Third Quarter	\$ 2.06	\$ 1.53
Fourth Quarter	\$ 2.31	\$ 1.92
2016		
First Quarter	\$ 1.25	\$ 0.51
Second Quarter	\$ 1.93	\$ 1.22
Third Quarter	\$ 2.56	\$ 1.79
Fourth Quarter	\$ 2.09	\$ 1.22

Volatility in the price of our shares may result in shareholder litigation that could in turn result in substantial costs and a diversion of our management's attention and resources.

The financial markets in the United States and other countries have experienced significant price and volume fluctuations, and market prices have been and continue to be extremely volatile. Volatility in the price of our shares may be caused by factors outside of our control and may be unrelated or disproportionate to our results of operations. In the past, following periods of volatility in the market price of a public company's securities, shareholders have frequently instituted securities class action litigation against that company. Litigation of this kind could result in substantial costs and a diversion of our management's attention and resources.

SEC regulations concerning conflict minerals could negatively impact our business.

In response to provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act, in August 2013, the Securities and Exchange Commission adopted annual disclosure and reporting requirements regarding the use of certain minerals, known as "conflict minerals," mined from the Democratic Republic of Congo and adjoining countries. Conflict minerals include gold.

These requirements and the changes we may adopt as a result of compliance with them may prove both costly and time-consuming. The disclosure requirements, which began in 2014, necessitated due diligence efforts to identify the sources of conflict minerals contained in our products. Because we currently acquire our gold directly from the Exchange or leading Chinese banks, or lease it from leading Chinese banks, there is uncertainty as to the amount of diligence we may be able to do on our supply chain.

Implementation of these regulations will require us to divert management attention and resources away from our business operations. In addition, as conflict-free minerals may only be available from a limited pool of suppliers, it may or may not include the Exchange, our primary source of gold. In addition, if we are unable to sufficiently verify the origin of all conflict minerals used in our products, we may face reputational challenges with customers, stockholders, or other stakeholders.

Our quarterly results may fluctuate because of many factors and, as a result, investors should not rely on quarterly operating results as indicative of future results.

Fluctuations in operating results or the failure of operating results to meet the expectations of public market analysts and investors may negatively impact the value of our securities. Quarterly operating results may fluctuate in the future due to a variety of factors that could affect revenues or expenses in any particular quarter. Fluctuations in quarterly operating results could cause the value of our securities to decline. Investors should not rely on quarter-to-quarter comparisons of results of operations as an indication of future performance. As a result of the factors listed below, it is possible that in future periods the results of operations may be below the expectations of public market analysts and investors. This could cause the market price of our securities to decline. Factors that may affect our quarterly results include:

- “ vulnerability of our business to a general economic downturn in China;
- “ fluctuation and unpredictability of costs related to the gold, platinum and precious metals and other commodities used to manufacture our products;
- “ seasonality of our business;
- “ changes in the laws of the PRC that affect our operations;
- “ competition from our competitors; and
- “ our ability to obtain all necessary government certifications and/or licenses to conduct our business.

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.

After the Jewelry Park transfer, our ownership interests in the land use right to the Jewelry Park has been transferred, and we no longer own the office, factory and store spaces located in the Jewelry Park. On June 27, 2016, Wuhan Kingold signed certain 5 years lease agreements with Wuhan Huayuan, a related party which is controlled by the CEO and Chairman of the Company, to rent office and store space at the Jewelry Park, commencing in July 2016 and October 2016, respectively, with aggregate annual rent of approximately \$0.3 million (RMB 2.3 million). On July 1, 2017, Wuhan Kingold signed another 5 years lease agreement with Wuhan Huayuan to rent additional office space at the Jewelry Park commencing in July 2017 with aggregate annual rent of approximately \$85,245 (RMB 576,000). The lease agreement with Wuhan Huayuan has been amended on November 16, 2017, pursuant to which two office spaces and a dormitory were no longer leased.

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.

	High	Low
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Second Quarter	\$ 1.93	\$ 1.22
Third Quarter	\$ 2.56	\$ 1.79
Fourth Quarter	\$ 2.09	\$ 1.22

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 12, 2018, the closing sale price of our shares of common stock was \$1.50 per share and there were 66,113,502 shares of our common stock outstanding. On that date, our shares of common stock were held by approximately 73 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.

Purchases of Equity Securities

During the year ended December 31, 2017, we did not purchase any of our equity securities, nor did any person or entity purchase any of our equity securities on our behalf.

Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that KGJI specifically incorporates it by reference into such filing.

The following graph compares the total cumulative stockholder return on the Company's common stock with the total cumulative return of the NASDAQ Market Index and the S&P Emerging Asia Consumer Index for the five-year period ended on December 31, 2017. Historical stock price performance should not be relied upon as an indication of future stock price performance. The comparison of the cumulative total returns for each investment assumes that \$100 was invested in KGJI's common stock and the respective indices on December 31, 2012 through December 31, 2017.



ITEM 6. SELECTED FINANCIAL DATA

The following table presents a summary of our selected historical financial data derived from our last 5 years of Financial Statements. Because this information is only a summary and does not provide all of the information contained in our Financial Statements, including the related notes, you should read "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Financial Statements for each year for more detailed information including,

KINGOLD JEWELRY, INC.
Five-Year Summary of Selected Financial Data
(in millions, except for the per share data)

	As of and for the years ended December 31,				
	2017	2016	2015	2014	2013
Consolidated Statement of Operations Data:					
Net sales	\$ 2,009.7	\$ 1,420.6	\$ 1,000.1	\$ 1,107.5	\$ 1,189.9
Cost of sales	(1,809.8)	(1,274.2)	(961.8)	(1,031.3)	(1,142.9)
Gross profit	199.9	146.4	38.3	76.2	47.0
Operating expenses	(13.9)	(12.4)	(8.3)	(10.6)	(6.5)
Other expenses, net	(150.6)	(8.4)	(2.1)	(1.5)	(1.0)
Income tax provision	(9.2)	(32.6)	(6.3)	(16.8)	(11.2)
Net income	26.2	92.9	21.6	47.3	28.3
Share data					
Weighted average shares - basic	66,050,498	65,991,487	65,963,502	65,918,768	63,495,520
Weighted average shares - diluted	66,472,046	66,337,129	65,963,502	66,007,075	63,902,912
Per share data					
Earnings per share - basic	\$ 0.40	\$ 1.41	\$ 0.33	\$ 0.72	\$ 0.45
Earnings per share - dilute	\$ 0.39	\$ 1.40	\$ 0.33	\$ 0.72	\$ 0.44
Selected Consolidated Balance Sheet Data:					
Cash	\$ 5.0	\$ 21.3	\$ 3.1	\$ 1.3	\$ 2.3
Restricted cash - current	5.5	52.8	26.6	14.8	12.7
Restricted cash - non-current	7.4	7.6	-	-	-
Inventory	135	119.4	298.3	212.4	174.4
Investments in gold - current	1,562.9	281.9	-	-	-
Investments in gold - non-current	957.1	1,493.9	-	-	-
Total assets	\$ 3,042.3	\$ 2,262.4	\$ 469.6	\$ 311.7	\$ 301.1
Short term loans	962.1	234.7	55.5	45.1	49.6
Long term loans	789.4	1,224.8	30.8	3.7	29.0
Related parties loans - short term	307.4	-	-	-	-
Related parties loans - long term	567.8	460.8	-	-	-
Total liabilities	\$ 2,652.1	\$ 1,979.9	\$ 203.9	\$ 53.5	\$ 86.2
Total stockholders' equity	\$ 390.2	\$ 282.5	\$ 265.7	\$ 258.2	\$ 214.9

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 have developed our investments in gold as a 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. We 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, 2017 and 2016, we had approximately 3.7 and 3.5 metric tons of gold in our inventory for production, 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.

Principles of Consolidation

On December 14, 2016, Wuhan Kingold transferred its 55% ownership interest in Kingold Internet to Wuhan Kingold Industrial Group Co., Ltd., a related party, for a consideration of \$79,196 (RMB 550,000). After the transfer, Kingold Internet and Yuhuang were no longer the subsidiaries of Wuhan Kingold. Our consolidated financial statements include the financial statements of Kingold, Dragon Lead, Wuhan Vogue-Show and Wuhan Kingold. All inter-company balances and transactions have been eliminated in consolidation.

Inventories

Inventory is stated at the lower of cost and net realizable 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 assessment 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.

Investments in Gold

We pledged the gold leased from related party and part of our own gold inventory to meet the requirements of bank loans. The pledged gold will be available for sale upon the repayment of the bank loans. We classified these pledged gold as investments in gold, and carried at fair market value, with the unrealized gains and losses, included in the determination of comprehensive income and reported in shareholders' equity. The fair market value of the investments in gold is determined by quoted market prices at Shanghai Gold Exchange. Since the investments in gold are pledged for the bank loans, any material decrease in market value may negatively impact the loan covenants.

Comprehensive Income (Loss)

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

Fair Value of Financial Instruments

We follow 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, and inputs derived from or corroborated by observable market data.

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

The carrying value of all current assets and liabilities approximate their fair values because of the short-term nature of these instruments. We 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. We use quoted prices in active markets to measure the fair value of investments in gold.

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 2016 and 2015, 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, 2017, 2016 AND 2015

The following table sets forth information from our statements of income and comprehensive income for the years ended December 31, 2017, 2016 and 2015 in U.S. dollars.

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

	For the years ended December 31,		
	2017	2016	2015
NET SALES	\$ 2,009,732,643	\$ 1,420,624,970	\$ 1,000,161,294
COST OF SALES			
Cost of sales	(1,808,612,014)	(1,273,041,387)	(960,562,184)
Depreciation	(1,193,453)	(1,208,998)	(1,284,170)
Total cost of sales	<u>(1,809,805,467)</u>	<u>(1,274,250,385)</u>	<u>(961,846,354)</u>
GROSS PROFIT	<u>199,927,176</u>	<u>146,374,585</u>	<u>38,314,940</u>
OPERATING EXPENSES			
Selling, general and administrative expenses	13,444,222	11,985,807	7,685,840
Stock compensation expenses	33,014	240,306	530,542
Depreciation	444,297	194,690	104,219
Amortization, other	11,188	11,379	12,137
Total operating expenses	<u>13,932,721</u>	<u>12,432,182</u>	<u>8,332,738</u>
INCOME FROM OPERATIONS	<u>185,994,455</u>	<u>133,942,403</u>	<u>29,982,202</u>
OTHER INCOME (EXPENSES)			
Gain on sale of Jewelry Park	-	63,212,496	-
Other income, net	66,642	26,443	20,689
Interest income	2,251,972	2,904,781	208,061
Interest expense, including \$10,958,016, \$7,479,382 and \$490,870 of amortization of financing costs for the years ended December 31, 2017, 2016 and 2015	(152,945,558)	(74,555,096)	(2,310,451)
Total other expenses, net	<u>(150,626,944)</u>	<u>(8,411,376)</u>	<u>(2,081,701)</u>
INCOME FROM OPERATIONS BEFORE TAXES	<u>35,367,511</u>	<u>125,531,027</u>	<u>27,900,501</u>
INCOME TAX PROVISION (BENEFIT)			
Current	17,678,757	33,055,811	4,488,815
Deferred	(8,503,898)	(428,101)	1,849,910
Total income tax provision	<u>9,174,859</u>	<u>32,627,710</u>	<u>6,338,725</u>
NET INCOME	<u>26,192,652</u>	<u>92,903,317</u>	<u>21,561,776</u>
Less: net loss attribute to the non-controlling interest	-	(6,495)	(296)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ 26,192,652</u>	<u>\$ 92,909,812</u>	<u>\$ 21,562,072</u>
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) related to investments in gold, net of tax	\$ 58,650,446	\$ (54,789,485)	\$ -
Total foreign currency translation gain (loss)	22,752,426	(21,461,689)	(14,740,716)
Less: foreign currency translation loss attributable to non-controlling interest	-	(4,222)	4,251
Total Other comprehensive gain (loss) attributable to KINGOLD JEWELRY, INC.	<u>\$ 81,402,872</u>	<u>\$ (76,246,952)</u>	<u>\$ (14,744,967)</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Common stockholders	\$ 107,595,524	\$ 16,662,860	\$ 6,817,105
Non-controlling interest	-	(10,717)	3,955
	<u>\$ 107,595,524</u>	<u>\$ 16,652,143</u>	<u>\$ 6,821,060</u>
Earnings per share			
Basic	\$ 0.40	\$ 1.41	\$ 0.33
Diluted	<u>\$ 0.39</u>	<u>\$ 1.40</u>	<u>\$ 0.33</u>
Weighted average number of shares			
Basic	66,050,498	65,991,487	65,963,502
Diluted	<u>66,472,046</u>	<u>66,337,129</u>	<u>65,963,502</u>

Fiscal Year Ended December 31, 2017 Compared to Fiscal Year Ended December 31, 2016

Net Sales

Net sales for the year ended December 31, 2017 were \$2,009.7 million, an increase of \$589.1 million, or 41%, from net sales of \$1,420.6 million for the year ended December 31, 2016. For the year ended December 31, 2017, our branded production sales accounted for 97.6% of the total sales and customized production sales accounted for 2.4% of the total sales. When comparing with 2016, our branded production sales increased by \$563.8 million or 40.4%, our customized production sales increased by \$25.3 million or 107.2%.

The overall increase in our revenue in 2017 as compared to 2016 was due to the following combined factors: (1) total sales volume (in terms of quantity sold) increased from 75.3 metric tons in 2016 to 103.4 metric tons in 2017, causing 28.1 metric tons or 37.2% increase. As a result, approximately \$483.8 million increase in our revenue was attributable to the increase in our sales volume. (2) The average unit selling price for branded production increased from RMB 241.33 per gram in 2016 to RMB 257.20 per gram in 2017, causing 6.6% increase. As a result, approximately \$91.9 million increase in brand production revenue was affected by the increase in our selling price. (3) The average unit selling price for customized production increased from RMB 4.26 per gram in 2016 to RMB 6.38 per gram in 2017, causing 49.8% increase. As a result, approximately \$11.8 million increase in customized production revenue was affected by the increase in our selling price. The increase in branded and customized production sales was attributable to the Company's strengthened sales efforts and the increase in the market demand during the current year when market price of gold increased, which stimulated and inspired the customers to increase their investments on gold.

We produced 51.9 metric tons of customized gold products in fiscal 2017, increased by 40.7% from last year, while we produced 51.5 metric tons of branded gold products in fiscal 2017, representing an increase of 33.9% from last year.

Gold sales for the twelve months ended December 31,

	2017			2016		
	Metric Tons	Sales	Sales/ Metric Ton	Metric Tons	Sales	Sales/ Metric Ton
		(\$ Million)	(\$ Million)		(\$ Million)	(\$ Million)
Total	103.4	\$ 2,009.7	\$ 39.0	75.3	\$ 1,420.6	\$ 36.9
Branded	51.5	\$ 1,960.4	\$ 38.1	38.4	\$ 1,396.6	\$ 36.3
Customized	51.9	\$ 48.9	\$ 0.9	36.9	\$ 23.6	\$ 0.6
Others		\$ 0.4			\$ 0.4	

Cost of sales

Cost of sales for the year ended December 31, 2017 amounted to \$1,809.8 million, an increase of \$535.5 million, or 42% from \$1,274.3 million for 2016. The increase was primarily attributable to higher volume of products sold in fiscal 2017, as well as the rising trend of gold cost in the market during fiscal 2017. The sale quantity increased 37.2% to approximately 103.4 metric tons in 2017 from 75.3 metric tons in 2016. In addition, the average cost of gold has increased due to the gold market price in 2017.

Gross profit

Gross profit for the year ended December 31, 2017 was \$199.9 million, an increase of \$53.5 million or 37%, from \$146.4 million for 2016. The increase in our gross profit resulted from the following factors: (1) Due to increased sales volume from 75.3 metric tons in 2016 to 103.4 metric tons in 2017, the Company's gross profit and gross margin for the year ended December 31, 2017 was positively affected. (2) The increased in unit selling price also impacted the gross margin.

The unit price of branded production sales was RMB 257.20 per gram for the year ended December 31, 2017, while the unit price of branded production sales was RMB 241.33 per gram for the year ended December 31, 2016, the unit price increased by 6.6%. On the other hand, the unit cost of branded production was RMB 237.14 per gram for the year ended December 31, 2017, represented an increase of RMB 17.31 or 7.9% from RMB 219.83 per gram for the year ended December 31, 2016. As a result, the unit margin of branded production was RMB 20.06 per gram for the year ended December 31, 2017 compared to RMB 21.50 per gram for the year ended December 31, 2016. Higher proportional increase in unit cost than unit price for branded products led the slight decrease in gross profit margin.

Our customized production sales volume increased from 36.9 metric tons in 2016 to 51.9 metric tons in 2017, and unit selling price in this segment increased from RMB 4.26 per gram in 2016 to RMB 6.38 per gram in 2017. The reason that the unit selling price of our customized production is significantly 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 of its own.

Our overall gross margin for the year ended December 31, 2017 was 9.9%, a slight decrease of 0.4% as compared to gross margin of 10.3% in 2016. The primary reason for the slight decrease in gross margin is due to higher proportional increase in unit cost than unit price for our branded production sales.

Expenses

Total operating expenses for the year ended December 31, 2017 were \$13.9 million, an increase of \$1.5 million or 12%, from \$12.4 million for 2016. The increase was mainly due to a \$1.5 million increase in the selling, general and administrative expenses. The increase in the selling, general and administrative expenses in 2017 was due to gold inventory insurance charges increased by approximately \$1.7 million for the year ended December 31, 2017 comparing with the year ended December 31, 2016. The increase in such expenses was in line with increase in purchases of gold inventory during the year and the increased inventory level as of December 31, 2017 comparing to December 31, 2016.

Our provision for income tax expense was \$9.2 million for the year ended December 31, 2017, decreased by \$23.4 million, or 72%, from \$32.6 million for 2016. The decrease was primarily due to the decrease in the net income before taxes from approximately \$125.5 million for the year ended December 31, 2016 to \$35.4 million for the year ended December 31, 2017 resulted from increased operating expenses as well as increased interest expenses of \$78.3 million due to larger balance of loans maintained during the current year comparing with previous year.

Other Comprehensive Income (Loss)

Other comprehensive income was approximately \$81.4 million for the year ended December 31, 2017, compared to other comprehensive loss of \$76.3 million for the year ended December 31, 2016 due to the unrealized gain related to investment in gold and the appreciation of RMB against the U.S. Dollar.

Net Income

For the foregoing reasons, our net income was \$26.2 million for the year ended December 31, 2017, decreased by \$66.7 million or 72% from \$92.9 million for fiscal year 2016 as a result of the matters described above.

Fiscal Year Ended December 31, 2016 Compared to Fiscal Year Ended December 31, 2015

Net Sales

Net sales for the year ended December 31, 2016 were \$1,420.6 million, an increase of \$420.4 million, or 42%, from net sales of \$1,000.2 million for the year ended December 31, 2015. For the year ended December 31, 2016, our branded production sales accounted for 98.3% of the total sales and customized production sales accounted for 1.7% of the total sales. When comparing with 2015, our branded production sales increased by \$421.2 million or 43.2%, our customized production sales decreased by \$0.65 million or 2.7%.

The overall increase in our revenue in 2016 as compared to 2015 was due to the following combined factors: (1) total sales volume (in terms of quantity sold) increased from 56.5 metric tons in 2015 to 75.3 metric tons in 2016, causing 18.8 metric tons or 33.4% increase. As a result, approximately \$331.8 million increase in our revenue was attributable to the increase in our sales volume. (2) The average unit selling price for branded production increased from RMB 210.45 per gram in 2015 to RMB 241.33 per gram in 2016, causing 14.7% increase. As a result, approximately \$143.1 million increase in brand production revenue was affected by the increase in our selling price. The increase in branded production sales was attributable to the Company's strengthened sales efforts and the increase in the market demand during the 2016 when market price of gold increased, which stimulated and inspired the customers to increase their investments on gold. (3) Foreign currency adjustment effect was approximately \$49.1 million foreign currency translation loss converting RMB into USD when the average exchange rate of USD: RMB increased from 1 USD=6.2288 RMB in 2015 to 1 USD=6.6441 RMB in 2016.

We produced 36.9 metric tons of customized gold products in fiscal 2016, increased by 33.6% from last year, while we produced 38.4 metric tons of branded gold products in fiscal 2016, representing an increase of 33.2% from last year.

Gold sales for the twelve months ended December 31,

	2016			2015		
	Metric Tons	Sales	Sales/ Metric Ton	Metric Tons	Sales	Sales/ Metric Ton
		(\$ Million)	(\$ Million)		(\$ Million)	(\$ Million)
Total	75.3	\$ 1,420.6	\$ 36.9	56.5	\$ 1,000.2	\$ 34.7
Branded	38.4	\$ 1,396.6	\$ 36.3	28.9	\$ 975.4	\$ 33.8
Customized	36.9	\$ 23.6	\$ 0.6	27.6	\$ 24.3	\$ 0.9
Others		\$ 0.4			\$ 0.5	

Cost of sales

Cost of sales for the year ended December 31, 2016 amounted to \$1,274.3 million, an increase of \$312.4 million, or 32.5% from \$961.8 million for 2015. The increase was primarily attributable to higher volume of products sold in fiscal 2016, as well as the rising trend of gold cost in the market during fiscal 2016. The sale quantity increase 33.4% to approximately 75.3 metric tons in 2016 from 56.5 metric tons in 2015. In addition, the average cost of gold has increased due to the gold market price in 2016.

Gross profit

Gross profit for the year ended December 31, 2016 was \$146.4 million, an increase of \$108.1 million or 282%, from \$38.3 million for 2015. The increase in our gross profit resulted from the following factors: (1) Due to increased sales volume from 56.5 metric tons in 2015 to 75.3 metric tons in 2016, the Company's gross profit and gross margin for the year ended December 31, 2016 was positively affected. (2) The increased in unit selling price also impacted the gross margin:

The unit price of branded production sales was RMB 241.33 per gram for the year ended December 31, 2016, while the unit price of branded production sales was RMB 210.45 per gram for the year ended December 31, 2015, the unit price increased by 14.7%. On the other hand, the unit cost of branded production was RMB 219.83 per gram for the year ended December 31, 2016, represented an increase of RMB 12.84 or 6.2% from RMB 206.99 per gram for the year ended December 31, 2015. As a result, the unit margin of branded production was RMB 21.50 per gram for the year ended December 31, 2016 compared to RMB 3.46 per gram for the year ended December 31, 2015. Higher proportional increase in unit price than unit cost for branded products led the increase in gross profit as well as gross profit margin.

Our customized production sales volume increased from 27.6 metric tons in 2015 to 36.9 metric tons in 2016, and unit selling price in this segment decreased from RMB 5.48 per gram in 2015 to RMB 4.26 per gram in 2016. The reason that the unit selling price of our customized production is much 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 of its own.

Our overall gross margin for the year ended December 31, 2016 was 10.3%, an increase of 6.5% as compared to gross margin of 3.8% in 2015. The primary reason for the substantial increase in gross margin is due to the increase of selling price per unit on our branded production sales.

Expenses

Total operating expenses for the year ended December 31, 2016 were \$12.4 million, an increase of \$4.1 million or 49%, from \$8.3 million for 2015. The increase was mainly due to a \$4.3 million increase in the Selling, general and administrative expenses, and offset by a decrease of \$0.29 million in the stock compensation expenses. The increase in the selling, general and administrative expenses in 2016 was due to increased expenses for gold inventory insurance and custody charges of approximately \$3.45 million for the year ended December 31, 2016 comparing with the year ended December 31, 2015. The increase in such expenses was in line with increase in purchases of gold inventory during the year 2016 and the increased inventory level as of December 31, 2016 comparing to December 31, 2015.

Our provision for income tax expense was \$32.63 million for the year ended December 31, 2016, increased by \$26.29 million, or 415%, from \$6.34 million for 2015. The decrease was primarily due to the increase in the net income before taxes from approximately \$27.90 million for the year ended December 31, 2015 to \$125.53 million for the year ended December 31, 2016 resulted from significant increased sales, gross profit offset by increased operating expenses as well as increased interest expenses of \$72.2 million during the current year comparing with previous year.

Other Comprehensive Loss

Other comprehensive loss was approximately \$76.3 million for the year ended December 31, 2016, compared to other comprehensive loss of \$14.7 million for the year ended December 31, 2015 due to the unrealized loss related to investment in gold and the depreciation of RMB against the U.S. Dollar.

Net Income

For the foregoing reasons, our net income was \$92.9 million for the year ended December 31, 2016, increased by \$71.3 million or 331% from fiscal 2015 as a result of the matters described above.

Liquidity and Capital Resources

As of December 31, 2017, we had \$5.0 million in cash and cash equivalents compared to \$21.3 million as of December 31, 2016. As of December 31, 2017, we had \$12.9 million in restricted cash compared to \$60.3 million at December 31, 2016. 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 bank loans as well as through private and public borrowings and offerings in the U.S. and Chinese capital markets, such as our placement under our commercial paper program with Shanghai Pudong Development Bank ("SPD Bank").

As of December 31, 2017, we had total outstanding loans of \$2,626.7 million (including \$962.1 million short-term loans, \$875.2 million from a related parties and \$789.4 million long-term loans). As of December 31, 2016, we had total outstanding loans of \$1,949.1 million (including \$234.7 million short-term loans, \$28.8 million loan from a third party, \$460.8 million from a related party and \$1,224.8 million long-term loans), representing an increase of \$677.6 million, or 34.8%. The amounts outstanding under these loans are presented in our financial statements as "loans"; the amounts outstanding under the third party loans are presented in our financial statements as "Third Party Loans", and the amounts outstanding under the related party loan are presented in our financial statements as "Related Party Loan". For additional information regarding our loans, please refer to Notes 5, 9, and 10 in our audited consolidated financial statements included elsewhere in this Form 10-K.

We have maintained a close relationship with the banks from where we leased gold in the past. Therefore we expect that we are able to 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 in the following years due to the higher interest of inventing in gold to against the currency depreciation.

As of December 31, 2017 and 2016, the Company had positive working capital of \$768.3 million and \$459.9 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. 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.

Cash Flow for the Years Ended December 31, 2017, 2016 and 2015

Operating activities:

We used \$25.7 million of net cash in operating activities for the year ended December 31, 2017, compared to \$74 million of net cash used in operating activities in 2016. The decrease of net cash used in operating was mainly due to the decrease in net income, increase in value added tax recoverable of \$60.2 million, increase in inventories of \$7.3 million for the increased production to meet our sales demand, offset by our increase in other payable and accrued expense of \$4.1 million and increase in income tax payable of \$4.7 million.

We used \$74 million of net cash in operating activities for the year ended December 31, 2016, compared to \$62.5 million of net cash used in operating activities in 2015. The increase of net cash used in operating was mainly due to increase in net income of \$71.3 million, increase in value added tax receivable of \$270 million, decrease in customer deposit of \$21.7 million, and decrease in income tax payable of \$4.6 million, offset by our decrease in inventories of \$173.8 million for the increased production to meet our sales demand, increase in other payable and accrued expense of \$8.1 million, and the increase of net income of \$71.3 million.

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 \$553.2 million of net cash for investing activities for the year ended December 31, 2017, compared to \$1,763 million spent in 2016. The significant decrease in the net cash used in the investing activities was mainly because of we spent less on investments in gold which was approximately \$552 million in connection with our significant borrowings, cash payment of \$1.2 million related to the purchase of property and equipment during the year ended December 31, 2017.

We used \$1,763 million of net cash for investing activities for the year ended December 31, 2016, compared to \$28 million spent in 2015. The significant increase in the net cash used in the investing activities was mainly because of the investments in gold of \$1,913.5 million in connection with our significant borrowings, cash payment of \$19.4 million related to the construction for the Jewelry Park, and offset by the cash received of \$171.6 million related to the transfer of the Jewelry Park.

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 obtain financing from the banks which may need to purchase more gold as collateral.

Financing activities:

Net cash provided by financing activities was \$560.1 million for the year ended December 31, 2017, compared with \$1,856.5 million for the year ended December 31, 2016. The decrease net cash provided by the financing activities was mainly due to the fact that the Company repaid significant amount of bank loans, third party loans and related parties loans, but received less proceeds from various loans during the year, comparing to the year ended December 31, 2016.

Net cash provided by financing activities was \$1,856.5 million for the year ended December 31, 2016, compared with \$92.4 million for the year ended December 31, 2015. The increase net cash provided by the financing activities was mainly due to the fact that the Company utilized additional short term and long term bank loans, as well as the loans from two third parties and two related parties.

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.

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, 2017	December 31, 2016	December 31, 2015
Balance sheet items, except for share capital, additional paid in capital and retained earnings, as of the period ended	US\$1=RMB 6.5064	US\$1=RMB 6.9448	US\$1=RMB 6.4917
Amounts included in the statements of income and cash flows for the period	US\$1=RMB 6.7570	US\$1=RMB 6.6441	US\$1=RMB 6.2288

Total translation gain recorded for the year ended December 31, 2017 was \$22,752,426. Total translation loss recorded for the year ended December 31, 2016 was \$21,461,689. Total translation loss recorded for the year ended December 31, 2015 was \$14,740,716.

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

During the year ended December 31, 2017, we guaranteed payments for a non-related party of approximately \$30.7 million (RMB 200 million) in bank loans. On April 12, 2017, the bank loans were repaid upon maturity.

During the year ended December 31, 2017, we also guaranteed payment for a related party of approximately \$307.4 million (RMB 2,000 million) for two bank loans. The loans were repaid upon maturity in January 2018 and February 2018, respectively.

During the year ended December 31, 2016, we guaranteed payments to two non-related parties of approximately \$36 million (RMB 250 million) in bank loans, and also guaranteed payment for a related party of approximately \$144 million (RMB 1,000 million) in bank loan.

As of December 31, 2016, two non-related parties repaid approximately \$7.2 million (RMB 50 million) in bank loans, and a related party repaid approximately \$144 million (RMB 1,000 million) in bank loan, with the outstanding guarantee payment of approximately \$28.8 million (RMB 200 million) for a non-related party in bank loans.

As of December 31, 2017, we had no leased gold outstanding. As of December 31, 2016 and 2015, 185 kilograms and 2,782 kilograms of leased gold were outstanding, at the approximated amounts of \$7.2 million and \$101.8 million, respectively. The Company may sign new gold lease agreements with the banks when necessary.

Obligations and Commitments

The following table sets forth our contractual obligations as of December 31, 2017:

Contractual Obligations	Payment Due by Period				
	Total	Less Than 1 year	1-3 years	3-5 years	More than 5 years
Long-term bank loans (1)	\$ 789,410,137	\$ -	\$ 789,410,137	\$ -	\$ -
Short-term bank loans (2)	962,101,746	962,101,746	-	-	-
Related party loans (3)	875,232,713	307,389,647	-	567,843,066	-
Operating leases (4)	1,017,612	254,314	508,628	254,670	-
Total	\$ 2,627,762,208	\$ 1,269,745,707	\$ 789,938,765	\$ 568,097,736	\$ -

(1) Represents the outstanding principal balance of long-term loans from bank and financial institutions.

(2) Represents the outstanding principal balance of short-term loans from bank and financial institutions.

(3) Represents the outstanding principal balance of loans from related parties.

(4) On June 27, 2016, Wuhan Kingold signed certain 5 years lease agreements with Wuhan Huayuan, a related party which is controlled by the CEO and Chairman of the Company, to rent office and store space at the Jewelry Park, commencing in July 2016 and October 2016, respectively, with aggregate annual rent of approximately \$0.3 million (RMB 2.3 million). On July 1, 2017, Wuhan Kingold signed another 5 years lease agreement with Wuhan Huayuan to rent additional office space at the Jewelry Park commencing in July 2017 with aggregate annual rent of approximately \$85,245 (RMB 576,000). The lease agreement with Wuhan Huayuan has been amended on November 16, 2017, pursuant to which two office spaces and a dormitory were no longer leased. For the years ended December 31, 2017, 2016 and 2015, the Company recorded \$211,692, \$132,600 and \$Nil rent expenses, respectively. As of December 31, 2017, the Company had lease payable to Wuhan Huayuan of \$263,740, which included in other payables and accrued expenses.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The guidance in ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods), which means it will be effective for the Company's fiscal year beginning January 1, 2018. In March 2016, the FASB issued ASU No. 2016-08, "Principal versus Agent Considerations (Reporting Revenue versus Net)" ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. In April 2016, the FASB issued ASU No. 2016-10, "Identifying Performance Obligations and Licensing" ("ASU 2016-10"), which reduces the complexity when applying the guidance for identifying performance obligations and improves the operability and understandability of the license implementation guidance. In May 2016, the FASB issued ASU No. 2016-12 "Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which amends the guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. In December 2016, the FASB further issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"), which makes minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are intended to address implementation and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. These amendments have the same effective date as the new revenue standard. The Company's current revenue recognition policies are generally consistent with the new revenue recognition standards set forth in ASU 2014-09. Potential adjustments to input measures are not expected to be pervasive to the majority of the Company's contracts.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business". The amendments in this ASU clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Basically these amendments provide a screen to determine when a set is not a business. If the screen is not met, the amendments in this ASU first, require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and second, remove the evaluation of whether a market participant could replace missing elements. These amendments take effect for fiscal years beginning after December 15, 2017 and interim periods within those periods. The adoption of this guidance will not have a material impact on its consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05 ("ASU 2017-05") to provide guidance for recognizing gains and losses from the transfer of nonfinancial assets and in-substance nonfinancial assets in contracts with non-customers, unless other specific guidance applies. The standard requires a company to derecognize nonfinancial assets once it transfers control of a distinct nonfinancial asset or distinct in substance nonfinancial asset. Additionally, when a company transfers its controlling interest in a nonfinancial asset, but retains a noncontrolling ownership interest, the company is required to measure any noncontrolling interest it receives or retains at fair value. The guidance requires companies to recognize a full gain or loss on the transaction. As a result of the new guidance, the guidance specific to real estate sales in ASC 360-20 will be eliminated. ASU 2017-05 is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The effective date of this guidance coincides with revenue recognition guidance. The adoption of this guidance will not have a material impact on its consolidated financial statements.

In May 2017, the Financial Accounting Standards Board (the “FASB”) issued ASU No. 2017-09 (“ASU 2017-09”) to provide guidance to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the changes in terms or conditions. ASU 2017-09 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The adoption of this guidance will not have a material impact on its consolidated financial statements.

In September 2017, the FASB has issued ASU No. 2017-13, “Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments.” The amendments in ASU No. 2017-13 amends the early adoption date option for certain companies related to the adoption of ASU No. 2014-09 and ASU No. 2016-02. The effective date is the same as the effective date and transition requirements for the amendments for ASU 2014-09 and ASU 2016-02. The adoption of this guidance will not have a material impact on its consolidated financial statements.

The FASB has issued Accounting Standards Update (ASU) No. 2018-02, “Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income.” The ASU amends ASC 220, *Income Statement — Reporting Comprehensive Income*, to “allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act.” In addition, under the ASU, an entity will be required to provide certain disclosures regarding stranded tax effects. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The adoption of this guidance will not have a material impact on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from fluctuations in foreign currency exchange rates, precious metal prices and interest rates, which could affect its consolidated financial position, earnings and cash flows. We manage our exposure to market risk through its regular operating and financing activities.

Foreign Currency Exchange Rate Risk

We are exposed to fluctuations in exchange rates between the U.S. and Chinese RMB, which is the functional currency of our Chinese subsidiary and consolidated VIE. Given that all of our revenues are generated in RMB, yet our results are reported in U.S. dollars, devaluation of the RMB could negatively impact our results of operations. The value of RMB is subject to changes in the PRC's governmental policies and to international economic and political developments. In January 1994, the PRC government implemented a unitary managed floating rate system. Under this system, the People's Bank of China, or PBOC, began publishing a daily base exchange rate with reference primarily to the supply and demand of RMB against the U.S. dollar and other foreign currencies in the market during the previous day. Authorized banks and financial institutions are allowed to quote buy and sell rates for RMB within a specified band around the central bank's daily exchange rate. On July 21, 2005, the PBOC announced an adjustment of the exchange rate of the U.S. dollar to RMB from 1:8.27 to 1:8.11 and modified the system by which the exchange rates are determined. While the international reaction to the RMB revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in further fluctuations of the exchange rate of RMB against the U.S. dollar, including possible devaluations. Over the past eleven years, RMB has appreciated 7% against the U.S. dollar (from USD1 = RMB 7.2946 on January 1, 2008 to USD1 = RMB 6.5064 on December 31, 2017). As all of our net revenues are recorded in RMB, any future devaluation of RMB against the U.S. dollar could negatively impact our results of operations. Our sales, costs and expenses of Chinese subsidiary and consolidated affiliate, when translated into U.S. dollars, can fluctuate due to exchange rate movement. A 10% increase or decrease in the exchange rate of the Chinese RMB would have increased or decreased net income by approximately \$2.5 million for fiscal 2017.

Along these lines, the income statements of our operations are translated into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currencies denominated transactions results in reduced revenue, operating expenses and net income for our international operations. Similarly, to the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions results in increased revenue, operating expenses and net income for our international operations. We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries' financial statements into U.S. dollars will lead to a translation gain or loss which is recorded as a component of other comprehensive income. In addition, we have certain assets and liabilities that are denominated in currencies other than the relevant entity's functional currency. Changes in the functional currency value of these assets and liabilities create fluctuations that will lead to a transaction gain or loss. We have not entered into agreements or purchased instruments to hedge our exchange rate risks, although we may do so in the future. The availability and effectiveness of any hedging transaction may be limited and we may not be able to successfully hedge our exchange rate risks.

Interest Rate Risk

We have market risk exposure arising from changes in interest rates on our interest bearing bank and third party loans and gold leases. The interest rates on almost all of our interest bearing loans are fixed. Our borrowings from banks and other financial institutions as of December 31, 2017, were approximately \$1,751.5 million, and interest expense paid for these loans was \$116.8 million for the year ended December 31, 2017.

For the year ended December 31, 2017, our weighted average interest rate was 8.4%. We expect the interest expense will be decreased since we may reduce the loans in the next period of 12 months. We currently have no interest rate hedging positions in place to reduce our exposure to interest rates.

Based on our overall interest rate exposure to fixed rate debt outstanding as of December 31, 2017, a 1% change in interest rates would result in annual interest expense change of approximately \$1.2 million, impact income before income taxes by approximately \$1.2 million for fiscal 2017. A 1% change in interest rates would impact the fair value of our long-term fixed rate debt by approximately \$7.9 million.

Commodity Price Risk

Most of our sales are of products that include gold, precious metals and other commodities, and fluctuations in the availability and pricing of commodities would adversely impact our ability to obtain and make products at favorable prices. 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. In the past, we have not hedged our requirement for gold or other raw materials through the use of options, forward contracts or outright commodity purchasing, although we may do so in the future. A significant increase in the price of gold could increase our production costs beyond the amount that we are able to pass on to our customers, which would adversely affect our sales and profitability. A significant disruption in our supply of gold or other commodities could decrease our production and shipping levels, materially increase our operating costs, and materially and adversely affect our 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 we purchase our raw materials, may adversely affect our ability to maintain production of our products and sustain profitability. If we were to experience a significant or prolonged shortage of gold, we would be unable to meet our production schedules and to ship products to our customers in a timely manner, which would adversely affect our sales, margins and customer relations.

A dramatic increase in the price of gold could increase our production costs beyond the amount that we may be able to pass on to our customers, which could adversely affect our gross profit margin and profitability. Furthermore, the carrying value of our inventory may be affected. Slight decreases in the market price of gold following the end of a reporting period could impact the carrying amount of the inventory at the balance sheet date and/or the following reporting period's gross profit margin and profitability.

Inflation Risk

We do not believe inflation has had a material impact on our net sales, income from continuing operations, plans for expansion or other capital expenditures for any year during the three-year period ended December 31, 2017. However, we cannot be sure inflation will not have an adverse impact on our operating results, financial condition, plans for operations or other capital expenditures in future periods.

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.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kingold Jewelry, Inc. (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2018, expressed an adverse opinion.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/Friedman LLP

We have served as the Company's auditor since 2009.

New York, New York

March 15, 2018

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

Adverse Opinion on Internal Control over Financial Reporting

We have audited Kingold Jewelry, Inc.'s (the Company's) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weaknesses described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment as of December 31, 2017:

1. Lack of segregation of duties for accounting personnel who prepared and reviewed the journal entries;
2. Material audit adjustments were proposed by the auditors and recorded by the Company for the fiscal year 2017;
3. Lack of resources with technical competency to review and record non-routine or complex transactions;
4. Lack of a full-time U.S. GAAP personnel in the accounting department to monitor the recording of the transactions;
5. Lack of communication between management, chief executive officer and the board of directors relating to the approval of obtaining loans from banks, other financial institutions, related parties, third parties, and providing guarantees to related parties, third parties and gold lease transactions with related parties;
6. Lack of functional internal audit department that monitors the consistencies of the prescribed internal control procedures;
7. Lack of proper recording of the leased gold inventory with related party and the related party loan agreements and restricted cash.
8. Lack of proper accounting and recording of the investments in gold and the related loans payable to banks, financial institutions and related parties.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2017 consolidated financial statements, and this report does not affect our report dated March 15, 2018, on those financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows of the Company, and our report dated March 15, 2018, expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting 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. A company's 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 the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its 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.

/s/Friedman LLP

New York, New York

March 15, 2018

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

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<u>ASSETS</u>		
Cash	\$ 4,997,125	\$ 21,333,193
Restricted cash	5,534,551	52,786,257
Accounts receivable	768,167	670,878
Inventories	135,042,713	119,435,595
Investments in gold	1,562,943,153	281,895,403
Other current assets and prepaid expenses	100,592	698,217
Prepaid income tax	-	3,330,468
Value added tax recoverable	353,732,758	272,835,051
Total current assets	<u>2,063,119,059</u>	<u>752,985,062</u>
PROPERTY AND EQUIPMENT, NET	7,299,643	7,224,698
OTHER ASSETS		
Restricted cash	7,392,721	7,558,173
Investments in gold	957,124,267	1,493,938,551
Other assets	302,072	283,003
Deferred income tax assets	6,677,675	-
Land use right	429,915	413,662
Total long-term assets	<u>979,226,293</u>	<u>1,509,418,087</u>
TOTAL ASSETS	<u>\$ 3,042,345,352</u>	<u>\$ 2,262,403,149</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Short term loans	\$ 962,101,746	\$ 234,691,670
Third parties loans	-	28,798,526
Gold leases payable - Bank	-	7,167,391
Other payables and accrued expenses	18,913,863	13,716,472
Related party loan	307,389,647	-
Due to related party	2,630,301	7,223,321
Income tax payable	1,208,742	-
Other taxes payable	2,615,463	1,518,731
Total current liabilities	<u>1,294,859,762</u>	<u>293,116,111</u>
Deferred income tax liability	-	1,249,622
Related party loans	567,843,066	460,776,408
Long term loans	789,410,137	1,224,770,721
TOTAL LIABILITIES	<u>2,652,112,965</u>	<u>1,979,912,862</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Preferred stock, \$0.001 par value, 500,000 shares authorized, none issued or outstanding as of December 31, 2017 and 2016	-	-
Common stock \$0.001 par value, 100,000,000 shares authorized, 66,113,502 and 66,018,867 shares issued and outstanding as of December 31, 2017 and December 31, 2016	66,113	66,018
Additional paid-in capital	80,377,449	80,230,968
Retained earnings		
Unappropriated	303,666,611	277,473,959
Appropriated	967,543	967,543
Accumulated other comprehensive income (deficit)	5,154,671	(76,248,201)
Total Equity	<u>390,232,387</u>	<u>282,490,287</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 3,042,345,352</u>	<u>\$ 2,262,403,149</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,		
	2017	2016	2015
NET SALES	\$ 2,009,732,643	\$ 1,420,624,970	\$ 1,000,161,294
COST OF SALES			
Cost of sales	(1,808,612,014)	(1,273,041,387)	(960,562,184)
Depreciation	(1,193,453)	(1,208,998)	(1,284,170)
Total cost of sales	<u>(1,809,805,467)</u>	<u>(1,274,250,385)</u>	<u>(961,846,354)</u>
GROSS PROFIT	<u>199,927,176</u>	<u>146,374,585</u>	<u>38,314,940</u>
OPERATING EXPENSES			
Selling, general and administrative expenses	13,444,222	11,985,807	7,685,840
Stock compensation expenses	33,014	240,306	530,542
Depreciation	444,297	194,690	104,219
Amortization, other	11,188	11,379	12,137
Total operating expenses	<u>13,932,721</u>	<u>12,432,182</u>	<u>8,332,738</u>
INCOME FROM OPERATIONS	<u>185,994,455</u>	<u>133,942,403</u>	<u>29,982,202</u>
OTHER INCOME (EXPENSES)			
Gain on sale of Jewelry Park	-	63,212,496	-
Other income, net	66,642	26,443	20,689
Interest income	2,251,972	2,904,781	208,061
Interest expense, including \$10,958,016, \$7,479,382 and \$490,870 of amortization of financing costs for the years ended December 31, 2017, 2016 and 2015	(152,945,558)	(74,555,096)	(2,310,451)
Total other expenses, net	<u>(150,626,944)</u>	<u>(8,411,376)</u>	<u>(2,081,701)</u>
INCOME FROM OPERATIONS BEFORE TAXES	<u>35,367,511</u>	<u>125,531,027</u>	<u>27,900,501</u>
INCOME TAX PROVISION (BENEFIT)			
Current	17,678,757	33,055,811	4,488,815
Deferred	(8,503,898)	(428,101)	1,849,910
Total income tax provision	<u>9,174,859</u>	<u>32,627,710</u>	<u>6,338,725</u>
NET INCOME	26,192,652	92,903,317	21,561,776
Less: net loss attribute to the non-controlling interest	-	(6,495)	(296)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ 26,192,652</u>	<u>\$ 92,909,812</u>	<u>\$ 21,562,072</u>
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) related to investments in gold, net of tax	\$ 58,650,446	\$ (54,789,485)	\$ -
Total foreign currency translation gain (loss)	22,752,426	(21,461,689)	(14,740,716)
Less: foreign currency translation gain (loss) attributable to non-controlling interest	-	(4,222)	4,251
Total Other comprehensive gain (loss) attributable to KINGOLD JEWELRY, INC.	<u>\$ 81,402,872</u>	<u>\$ (76,246,952)</u>	<u>\$ (14,744,967)</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Common stockholders	\$ 107,595,524	\$ 16,662,860	\$ 6,817,105
Non-controlling interest	-	(10,717)	3,955
	<u>\$ 107,595,524</u>	<u>\$ 16,652,143</u>	<u>\$ 6,821,060</u>
Earnings per share			
Basic	\$ 0.40	\$ 1.41	\$ 0.33
Diluted	<u>\$ 0.39</u>	<u>\$ 1.40</u>	<u>\$ 0.33</u>
Weighted average number of shares			
Basic	66,050,498	65,991,487	65,963,502
Diluted	<u>66,472,046</u>	<u>66,337,129</u>	<u>65,963,502</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, 2017, 2016 AND 2015
(IN U.S. DOLLARS)

	Preferred stock		Common stock		Additional paid-in capital	Unappropriated retained earnings	Appropriated retained earnings	Accumulated other comprehensive income (deficit)	Non-controlling Interest	Total
	Shares	Amount	Shares	Amount						
Balance at December 31, 2014	-	\$ -	65,963,502	\$ 65,963	\$ 76,460,175	\$ 163,002,075	\$ 967,543	\$ 14,743,718	\$ -	\$ 258,239,474
Net income (loss)	-	-	-	-	-	21,562,072	-	-	(296)	21,561,776
Capital contribution by minority shareholder	-	-	-	-	-	-	-	-	69,319	69,319
Options granted for services	-	-	-	-	530,542	-	-	-	-	530,542
Foreign currency translation (loss)	-	-	-	-	-	-	-	(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
Warrants issued to consultants	-	-	-	-	129,295	-	-	-	-	129,295
Shares issued to consultants	-	-	55,365	55	66,384	-	-	-	-	66,439
Options granted for services	-	-	-	-	44,572	-	-	-	-	44,572
Net income (loss)	-	-	-	-	-	92,909,812	-	-	(6,495)	92,903,317
Unrealized loss related to investments in gold	-	-	-	-	-	-	-	(54,789,485)	-	(54,789,485)
Foreign currency translation (loss)	-	-	-	-	-	-	-	(21,457,467)	(4,222)	(21,461,689)
Deconsolidation of subsidiaries	-	-	-	-	-	-	-	-	(62,557)	(62,557)
Balance at December 31, 2016	-	\$ -	66,018,867	\$ 66,018	\$ 80,230,968	\$ 277,473,959	\$ 967,543	\$ (76,248,201)	\$ -	\$ 282,490,287
Options granted for services	-	-	-	-	33,014	-	-	-	-	33,014
Warrants exercised	-	-	94,635	95	113,467	-	-	-	-	113,562
Net income for the year	-	-	-	-	-	26,192,652	-	-	-	26,192,652
Unrealized gain related to investment in gold	-	-	-	-	-	-	-	58,650,446	-	58,650,446
Foreign currency translation gain	-	-	-	-	-	-	-	22,752,426	-	22,752,426
Balance at December 31, 2017	-	\$ -	66,113,502	\$ 66,113	\$ 80,377,449	\$ 303,666,611	\$ 967,543	\$ 5,154,671	\$ -	\$ 390,232,387

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,

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 26,192,652	\$ 92,903,317	\$ 21,561,776
Adjusted to reconcile net income to cash used in operating activities:			
Depreciation	1,637,750	1,403,688	1,388,389
Amortization of intangible assets	11,188	11,379	12,137
Share based compensation for services	33,014	44,572	530,542
Warrants and shares issued for consulting services	-	195,734	-
Amortization of debt issuance costs included in interest expense	10,958,016	7,479,382	490,870
Gain on sale of Jewelry Park	-	(63,212,496)	-
Gain on deconsolidation of subsidiaries	-	(7,933)	-
Deferred tax (benefit) provision	(7,683,962)	(428,101)	1,849,910
Changes in operating assets and liabilities (increase) decrease in:			
Accounts receivable	(50,154)	885,824	(1,196,167)
Inventories	(7,279,205)	173,787,168	(101,320,758)
Other current assets and prepaid expenses	620,730	216,904	(1,032,953)
Value added tax recoverable	(60,195,642)	(270,013,201)	(11,739,723)
Increase (decrease) in:			
Other payables and accrued expenses	4,143,958	8,081,669	3,634,673
Customer deposits	185,434	(21,673,364)	23,118,418
Income tax payable	4,718,786	(4,575,428)	201,484
Other taxes payable	957,521	893,665	(27,126)
Net cash used in operating activities	<u>(25,749,914)</u>	<u>(74,007,221)</u>	<u>(62,528,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(1,241,172)	(1,507,696)	(67,190)
Investments in gold	(551,958,950)	(1,913,474,159)	-
Proceeds from disposal of subsidiaries	-	82,780	-
Long term investment	-	(143,993)	-
Construction payable - Jewelry Park	-	-	24,884,408
Proceed from sale of Jewelry Park	-	171,580,801	-
Construction costs related to Jewelry Park	-	(19,415,722)	(52,775,958)
Net cash used in investing activities	<u>(553,200,122)</u>	<u>(1,762,877,989)</u>	<u>(27,958,740)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital contribution by minority shareholder	-	-	69,319
Proceeds from other loans - short term	170,341,868	249,695,218	89,904,958
Repayments of other loans - short term	(304,869,025)	(54,183,411)	(48,139,288)
Proceeds from other loans - long term	319,668,492	1,285,200,403	64,217,827
Repayments of other loans - long term	-	(30,252,404)	-
Payments of loan origination fees	(9,572,415)	(15,720,998)	-
Proceeds from third parties loans	-	37,627,369	-
Repayment of third parties loans	(29,598,934)	(7,525,474)	-
Restricted cash	49,573,775	(37,037,105)	(13,177,515)
(Repayments of) borrowings from related party	(4,738,508)	7,282,931	200,015
Proceeds from related parties loans – short term	295,989,344	150,509,475	-
Proceeds from related parties loans – long term	821,370,431	481,630,318	-
Repayments of related parties loans	(748,170,175)	(150,509,475)	-
Repayment of debt financing instruments under private placement	-	(60,203,790)	-
Deferred financing costs on debt payable	-	-	(642,178)
Net proceeds from exercise of warrants	113,562	-	-
Net cash provided by financing activities	<u>560,108,415</u>	<u>1,856,513,057</u>	<u>92,433,138</u>
EFFECT OF EXCHANGE RATES ON CASH	<u>2,505,553</u>	<u>(1,395,223)</u>	<u>(176,959)</u>
NET (DECREASE) INCREASE IN CASH	<u>(16,336,068)</u>	<u>18,232,624</u>	<u>1,768,911</u>
CASH, BEGINNING OF YEAR	<u>21,333,193</u>	<u>3,100,569</u>	<u>1,331,658</u>
CASH, END OF YEAR	<u>\$ 4,997,125</u>	<u>\$ 21,333,193</u>	<u>\$ 3,100,569</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest expense	\$ 128,823,958	\$ 60,312,949	\$ 2,197,249
Cash paid for income tax	\$ 13,091,812	\$ 37,631,297	\$ 4,488,815

NON-CASH INVESTING AND FINANCING ACTIVITIES

Assets settled related to Jewelry Park due to sale	\$ -	\$ 9,029,085	\$ -
Payables settled related to Jewelry Park due to sale	\$ -	\$ 206,348,490	\$ -
Gold leased from bank	\$ -	\$ 7,491,775	\$ -
Investments in gold obtained in a lease from a related party	\$ 133,721,408	\$ 562,936,695	\$ -
Investments in gold transferred to inventories	\$ 417,937,474	\$ -	\$ -
Unrealized gain (loss) on investments in gold	\$ 58,650,446	\$ (54,789,485)	\$ -

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 a 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 July 1, 2052 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"), of which Wuhan Kingold holds a 55% ownership interest and a third-party minority shareholder holds the remaining 45% ownership interest. Kingold Internet engaged 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").

On December 14, 2016, Wuhan Kingold transferred its 55% ownership interest in Kingold Internet to Wuhan Kingold Industrial Group Co., Ltd., a related party, for a consideration of \$79,196 (RMB 550,000), which was the same amount Wuhan Kingold originally invested. After the transfer, Kingold Internet and Yuhuang were no longer the subsidiaries of Wuhan Kingold.

Kingold, Dragon Lead, Wuhan Vogue-Show and Wuhan Kingold, 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 and Wuhan Kingold. 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, deferred income tax, deferred debt issuances cost, allowance for investments in gold 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, 2017 and 2016, the Company had restricted cash of \$ 12,927,272 and \$60,344,430, respectively. As of December 31, 2017, all restricted cash was related to the various loans with banks and financial institutions – see Note 5 - Loans.

As of December 31, 2016, approximately total of \$9.9 million restricted cash was related to the various loans with banks and financial institutions. Approximately total of \$28.8 million was used to guarantee a thirty party to obtain a bank loan - see Note 9 - Third Party Loan. Approximately total of \$21.6 million was related to the gold lease deposits with Shanghai Pudong Development Bank ("SPD Bank") and China Construction Bank ("CCB") - see Note 18 - Gold Lease Transactions.

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, 2017 and 2016, there was no allowance recorded as the Company considers all of the accounts receivable fully collectible.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017 and December 31, 2016, 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.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Expenditures for additions 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
Leasehold improvements	5 years

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.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 triggered a review of impairment of long-lived assets as of December 31, 2017 and 2016.

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.

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. The Company uses quoted prices in active markets to measure the fair value of investments in gold.

Investments in Gold

The Company pledged the gold leased from related party and part of its own gold inventory to meet the requirements of bank loans. The pledged gold will be available for sale upon the repayment of the bank loans. The Company classified these pledged gold as investments in gold, and carried at fair market value, with the unrealized gains and losses, included in the determination of comprehensive income (loss) and reported in equity. The fair market value of the investments in gold is determined by quoted market prices at Shanghai Gold Exchange.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reasonably assured.

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, 2017 and 2016.

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 2012 and after. As of December 31, 2017, the tax years ended December 31, 2012 through December 31, 2017 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, 2017	December 31, 2016	December 31, 2015
Balance sheet items, except for share capital, additional paid in capital and retained earnings, as of the period ended	US\$1=RMB 6.5064	US\$1=RMB 6.9448	US\$1=RMB 6.4917
Amounts included in the statements of income and cash flows for the period	US\$1=RMB 6.7570	US\$1=RMB 6.6441	US\$1=RMB 6.2288

Comprehensive income (loss)

Comprehensive income (loss) consists of two components, net income (loss) and other comprehensive income (loss). The unrealized gain or loss resulting from the change of the fair market value from the gold investments and the foreign currency translation gain or loss resulting from translation of the financial statements expressed in RMB to US\$ are reported in other comprehensive income (loss) in the consolidated statements of income and comprehensive income.

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

Debt issuance cost related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. Amortization of debt issuance costs is calculated using the effective interest method and is included as a component of interest expense.

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.

The Company also allocated significant portion of its inventories as investment in gold and pledged as collateral to secure loans from banks and financial institutions, so there is a risk that the Company is unable to utilize its inventories, and there could be a disruption in the Company's supply of gold which could decrease its production and shipping levels. In addition, the investment in gold may be deficient if the fair market value of the pledged gold in connection with the loans declines, then the Company may need to increase the pledged gold inventory for the loan collateral or increase restricted cash.

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 May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The guidance in ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods), which means it will be effective for the Company's fiscal year beginning January 1, 2018. In March 2016, the FASB issued ASU No. 2016-08, "Principal versus Agent Considerations (Reporting Revenue versus Net)" ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. In April 2016, the FASB issued ASU No. 2016-10, "Identifying Performance Obligations and Licensing" ("ASU 2016-10"), which reduces the complexity when applying the guidance for identifying performance obligations and improves the operability and understandability of the license implementation guidance. In May 2016, the FASB issued ASU No. 2016-12 "Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which amends the guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. In December 2016, the FASB further issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"), which makes minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are intended to address implementation and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. These amendments have the same effective date as the new revenue standard. The Company's current revenue recognition policies are generally consistent with the new revenue recognition standards set forth in ASU 2014-09. Potential adjustments to input measures are not expected to be pervasive to the majority of the Company's contracts.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business". The amendments in this ASU clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Basically these amendments provide a screen to determine when a set is not a business. If the screen is not met, the amendments in this ASU first, require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and second, remove the evaluation of whether a market participant could replace missing elements. These amendments take effect for public businesses for fiscal years beginning after December 15, 2017 and interim periods within those periods. The adoption of this guidance will not have a material impact on its consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05 ("ASU 2017-05") to provide guidance for recognizing gains and losses from the transfer of nonfinancial assets and in-substance nonfinancial assets in contracts with non-customers, unless other specific guidance applies. The standard requires a company to derecognize nonfinancial assets once it transfers control of a distinct nonfinancial asset or distinct in substance nonfinancial asset. Additionally, when a company transfers its controlling interest in a nonfinancial asset, but retains a noncontrolling ownership interest, the company is required to measure any noncontrolling interest it receives or retains at fair value. The guidance requires companies to recognize a full gain or loss on the transaction. As a result of the new guidance, the guidance specific to real estate sales in ASC 360-20 will be eliminated. ASU 2017-05 is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The effective date of this guidance coincides with revenue recognition guidance. The adoption of this guidance will not have a material impact on its consolidated financial statements.

In May 2017, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2017-09 ("ASU 2017-09") to provide guidance to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the changes in terms or conditions. ASU 2017-09 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The adoption of this guidance will not have a material impact on its consolidated financial statements.

In September 2017, the FASB has issued ASU No. 2017-13, "Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments." The amendments in ASU No. 2017-13 amends the early adoption date option for certain companies related to the adoption of ASU No. 2014-09 and ASU No. 2016-02. The effective date is the same as the effective date and transition requirements for the amendments for ASU 2014-09 and ASU 2016-02. The adoption of this guidance will not have a material impact on its consolidated financial statements.

The FASB has issued Accounting Standards Update (ASU) No. 2018-02, "Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income." The ASU amends ASC 220, *Income Statement — Reporting Comprehensive Income*, to "allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act." In addition, under the ASU, an entity will be required to provide certain disclosures regarding stranded tax effects. The ASU is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The adoption of this guidance will not have a material impact on its consolidated financial statements.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – INVENTORIES

Inventories as of December 31, 2017 and December 31, 2016 consisted of the following:

	As of	
	December 31, 2017	December 31, 2016
Raw materials (A)	\$ -	\$ 7,167,391
Work-in-progress (B)	90,406,021	78,813,685
Finished goods (C)	44,636,692	33,454,519
Total inventory	\$ 135,042,713	\$ 119,435,595

- (A) Included Nil Au9999 gold as of December 31, 2017 and 185,000 grams of Au9999 gold as of December 31, 2016.
- (B) Included 2,508,182 grams of Au9999 gold as of December 31, 2017 and 2,358,178 grams of Au9999 gold as of December 31, 2016.
- (C) Included 1,231,586 grams of Au9999 gold as of December 31, 2017 and 993,699 grams of Au9999 gold as of December 31, 2016.

No lower of cost or net realizable value adjustment was recorded at December 31, 2017, 2016 and 2015.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment as of December 31, 2017 and December 31, 2016:

	As of	
	December 31, 2017	December 31, 2016
Buildings	\$ 2,415,577	\$ 2,208,918
Plant and machinery	18,615,951	17,401,084
Motor vehicles	254,228	97,549
Office and electric equipment	1,415,194	687,901
Leasehold improvements	1,623,027	1,185,433
Subtotal	24,323,977	21,580,885
Less: accumulated depreciation	(17,024,334)	(14,356,187)
Property and equipment, net	\$ 7,299,643	\$ 7,224,698

Depreciation expense for the years ended December 31, 2017, 2016 and 2015 was \$ \$1,637,750, \$1,403,688 and \$1,388,389, respectively.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – LOANS

Short term loans consist of the following:

		As of	
		December 31, 2017	December 31, 2016
(a)	Loan payable to Minsheng Trust	\$ -	\$ 51,693,353
(b)	Loans payable to National Trust - gross amount	-	143,992,628
	Loans payable to National Trust - deferred financing cost	-	(4,480,085)
(c)	Loan payable to Aijian Trust	46,108,447	43,197,788
(d)	Loans payable to Evergrowing Bank - Qixia Branch	153,694,824	-
(e)	Loans payable to Evergrowing Bank - Yantai Huanshan Road Branch	153,233,739	287,986
(f)	Loans payable to Sichuan Trust-gross amount	230,542,236	-
	Loans payable to Sichuan Trust-deferred financing cost	(2,239,292)	-
(g)	Loans payable to China Aviation Capital - gross amount	44,571,499	-
	Loans payable to China Aviation Capital - deferred financing cost	(457,926)	-
(h)	Loans payable to Huarong Trust - gross amount	146,163,777	-
	Loans payable to Huarong Trust - deferred financing cost	(1,324,677)	-
(i)	Loans payable to China Construction Investment Trust - gross amount	46,108,447	-
	Loans payable to China Construction Investment Trust - deferred financing cost	(167,796)	-
(j)	Loans payable to Zheshang Jinhui Trust	84,532,153	-
(k)	Loans payable to Zhongjiang International Trust	61,477,929	-
	Loans payable to Zhongjiang International Trust - deferred financing cost	(141,614)	-
	Total short term loans	<u>\$ 962,101,746</u>	<u>\$ 234,691,670</u>

(a) Loan payable to Minsheng Trust

A Trust Loan Agreement with the Minsheng Trust was fully repaid upon maturity and the pledged gold and restricted deposit were released and refunded upon the repayment.

(b) Loans payable to National Trust

Two Trust Loan Agreements with National Trust Ltd. ("National Trust") have been fully repaid upon maturity and the pledged gold and restricted deposit were released and returned upon the repayment.

The Company paid approximately \$10 million (RMB 69.3 million) as loan origination fee for obtaining the loans. As of December 31, 2017, the deferred financing cost was fully amortized.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – LOANS (continued)

(c) Loan payable to Aijian Trust

On April 28, 2016, Wuhan Kingold and Shanghai Aijian Trust Co., Ltd. (“Aijian Trust”) entered into a gold income right transfer and repurchase agreement. According to the agreement, Aijian Trust acquired the income rights from Wuhan Kingold for Wuhan Kingold’s Au9999 gold worth at least RMB 412.5 million based on the closing price of gold on the most recent trading day at the Shanghai Gold Exchange (the “Gold Income Right”). Aijian Trust’s acquisition price for the Gold Income Right was approximately \$46.1 million (RMB 300 million) (the “Acquisition Price”). Wuhan Kingold is required to repurchase the Gold Income Right back from Aijian Trust with installments and the last installment shall be within the 24 months. The repurchase price is equal to the Acquisition Price with annual return of 10% for the period from the agreement date and the last repayment date. The repurchase obligation may be accelerated under certain conditions, including upon 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. Wuhan Kingold pledged the 1,542 kilograms of related Au9999 gold under the Gold Income Right to Aijian Trust with carrying value of approximately \$55.1 million (RMB 358.5 million) as collateral. The agreement is also personally guaranteed by Mr. Zhihong Jia, our CEO and Chairman. The Company also made a restricted deposit of \$0.5 million (RMB 3 million) to secure these loans. The deposit will be refunded when the loan is repaid upon maturity. Since Wuhan Kingold has a right to repurchase the Gold Income Right in 12 months, the loan is treated as a short-term loan.

(d) Loans payable to Evergrowing Bank – Qixia Branch

In January 2016, Wuhan Kingold signed two Loan Agreements of Circulating Funds with the Qixia Branch of Evergrowing Bank for loans of approximately \$123 million (RMB 800 million) in aggregate. The purpose of the loans is for purchasing gold. The terms of loans are two years and bear fixed interest rates of 7.5% per year. The loans are secured by 5,000 kilograms of Au9999 gold in aggregate with carrying value of approximately \$178.7 million (RMB 1.2 billion) and are guaranteed by 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 February 2017, Wuhan Kingold further entered into a loan agreement with the Qixia Branch of Evergrowing Bank in the amount of approximately \$30.7 million (RMB 200 million). The loan has one year term from February 24, 2017 to February 19, 2018, and bears fixed annual interest of 4.75%. The Company pledged 1,300 kilograms of Au9999 gold with carrying value of approximately \$46.5 million (RMB 302.3 million) as collateral to secure this loan. The loan is also guaranteed by the CEO and Chairman of the Company and the related party Wuhan Huayuan Technology Development Co., Ltd.

The Company subsequently fully repaid loan to Evergrowing Bank – Qixia Branch upon maturity and the pledged gold was subsequent returned to the Company.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – LOANS (continued)

(e) Loans payable to Evergrowing Bank - Yantai Huangshan Road Branch

From February 24, 2016 to March 24, 2016, Wuhan Kingold signed ten Loan Agreements with the Yantai Huangshan Road Branch of Evergrowing Bank for loans of approximately \$153.7 million (RMB 1 billion) in aggregate. The purpose of the loans is for purchasing gold. The terms of loans are two years and bear fixed interest of 7% per year. The loans are secured by 5,550 kilograms of Au9999 gold in aggregate with carrying value of approximately \$198.3 million (RMB 1.3 billion) and are guaranteed by the CEO and Chairman of the Company. Based on the loan repayment plan as specified in the loan agreements, approximately \$153,695 (RMB 1 million) was repaid in August 2016, approximately \$153,695 (RMB 1 million) was repaid on February 23, 2017 and another \$153,695 (RMB 1 million) was repaid on August 23, 2017. 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.

The Company subsequently repaid \$76.4 million (RMB 497 million) to Evergrowing bank Yantai Huangshan Road Branch upon maturity. For the remaining \$76.8 million (RMB 500 million) to be matured on March 9, 2018 and March 21, 2018, respectively, the Company subsequently entered into a loan extension agreement with the bank to extend the loan borrowing period for additional seven months until October 2018, with the same interest rate of 7% per year.

(f) Loans payable to Sichuan Trust

On September 7, 2016, the Company entered into two trust loan agreements with the Sichuan Trust Ltd. ("Sichuan Trust") to borrow a maximum of approximately \$307.4 million (RMB 2 billion) as working capital loan. The loan period is 24 months from receiving. For the loan obtained the Company is required to make interest payments calculated based on a fixed annual interest rate of 7.25%. The Company is required to make the first interest payment equal to 1.21% of the principle received as loan origination fee, then the rest of interest payments are calculated based on a fixed interest rate of 7.25%. The Company pledged 7,258 kilograms of Au9999 gold with carrying value of approximately \$259.4 million (RMB 1.7 billion) as collateral to secure this loan. The loan is guaranteed by the CEO and Chairman of the Company. The Company also made a restricted deposit of approximately \$2.3 million (RMB 15 million) to secure these loans. The deposit will be refunded when the loan is repaid upon maturity. As of December 31, 2017, the Company received an aggregate of approximately \$230.5 million (RMB 1.5 billion) from the loan.

The Company paid approximately \$5.7 million (RMB 36.3 million) as loan origination fee for obtaining the loan. The loan origination fee was recorded as deferred financing cost against the loan balance. For the year ended December 31, 2017 and 2016, approximately \$3.1 million (RMB 20 million) and \$0.3 million (RMB 1.8 million) deferred financing cost was amortized, respectively. As of December 31, 2017, the unamortized deferred financing cost related to obtaining this loan was approximately \$2.2 million (RMB 14.6 million).

(g) Loans payable to China Aviation Capital

On September 7, 2016, the Company entered into a trust loan agreement with China Aviation Capital Investment Management (Shenzhen) ("China Aviation Capital") to borrow a maximum of approximately \$92.2 million (RMB 600 million) as working capital loan. The first installment of the loan is approximately \$44.6 million (RMB 290 million) with a period of 24 months from September 7, 2016 to September 7, 2018. For the loan obtained the Company is required to make interest payments are calculated based on a fixed annual interest rate of 7.5% and a one-time consulting fee of 3% based on the principal amount received as loan origination fee. The Company pledged 1,473 kilograms of Au9999 gold with carrying value of approximately \$52.6 million (RMB 342.5 million) as collateral to secure this loan. The loan is guaranteed by the CEO and Chairman of the Company. As of December 31, 2017, the Company received an aggregate of approximately \$44.6 million (approximately RMB 290 million) from the loan.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – LOANS (continued)

g) Loans payable to China Aviation Capital (continued)

The Company paid approximately \$1.3 million (RMB 8.7 million) as loan origination fee for obtaining the loan. The loan origination fee was recorded as deferred financing cost against the loan balance. For the year ended December 31, 2017 and 2016, approximately \$0.7 million (RMB 4.4 million) and \$0.2 million (RMB 1.4 million) deferred financing cost was amortized, respectively. As of December 31, 2017, the unamortized deferred financing cost related to obtaining this loan was approximately \$0.4 million (RMB 3 million). According to the maturity date of the loan, the loan balance with unamortized deferred financing cost was classified as short-term.

(h) Loans payable to Huarong Trust

On July 28, 2017, the Company entered into a loan agreement with Huarong International Trust Co. Ltd. (“Huarong Trust”) to borrow a maximum of approximately \$153.7 million (RMB 1 billion) as working capital loan. The loan has a 12-month term starting from the date of releasing the loan and 2.5% of the principal amount is required to be repaid after 6 months from releasing date. The Company is required to pay a special interest as loan origination fee equivalent to 1.5% of the principal amount received and bears normal interest at a fixed rate of 7% per annum. The loan is also guaranteed by the CEO and Chairman of the Company. The Company pledged 4,975 kilograms of Au9999 gold with carrying value of approximately \$180.8 million (RMB 1,176 million) as collateral to secure this loan. The loan is guaranteed by the CEO and Chairman of the Company. The Company was also required to pledge approximately \$1.5 million (RMB 9.5 million) restricted cash with Huarong Trust as collateral. As of December 31, 2017, the Company received an aggregate of approximately \$146.2 million (RMB 951 million) from the loan. The Company subsequently repaid approximately \$3.8 million (RMB 23.8 million) in February 2018.

The Company paid approximately \$2.2 million (RMB 14.3 million) as loan origination fee for obtaining the loan. The loan origination fee was recorded as deferred financing cost against the loan balance. For the year ended December 31, 2017, approximately \$0.9 million (RMB 5.7 million) deferred financing cost was amortized. As of December 31, 2017, the unamortized deferred financing cost related to obtaining this loan was approximately \$1.3 million (RMB 8.6 million).

(i) Loans payable to China Construction Investment Trust

On August 29, 2016, the Company entered into a trust loan agreement with China Construction Investment Trust to borrow a maximum of approximately \$46.1 million (RMB 300 million) as working capital loan for the purpose of purchasing of gold solely with a period of 24 months from October 9, 2016 to October 9, 2018. For the loan obtained the Company is required to make interest payments are calculated based on a fixed annual interest rate. The interest payment is divided into two parts: (1) 1% of the principal amount received need to be paid before December 25, 2016 as loan origination fee; (2) the rest of interest payments are calculated based on a fixed interest rate of 7.5% and due on quarterly basis. The Company pledged 1,447 kilograms of Au9999 gold with carrying value of approximately \$51.7 million (RMB 336.5 million) as collateral to secure this loan. The loan is guaranteed by the CEO and Chairman of the Company. The Company also made a restricted deposit of approximately \$0.5 million (RMB 3 million) to secure the loan. As of December 31, 2017, the full amount of the loan was received by the Company.

The Company paid approximately \$0.5 million (RMB 3 million) as loan origination fee for obtaining the loan. The loan origination fee was recorded as deferred financing cost against the loan balance. For the year ended December 31, 2017 and 2016, approximately \$0.23 million (RMB 1.5 million) and approximately \$0.1 million (RMB 0.4 million) deferred financing cost was amortized, respectively. As of December 31, 2017, the unamortized deferred financing cost related to obtaining this loan was approximately \$0.2 million (RMB 1.1 million).

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – LOANS (continued)

(j) Loans payable to Zheshang Jinhui Trust

On November 7, 2016, the Company entered into a trust loan agreement with Zheshang Jinhui Trust to borrow a maximum of approximately \$84.5 million (RMB 550 million) for purchasing gold with a period of 24 months from principle receiving date November 15, 2016 to November 15, 2018. For the loan obtained, the Company is required to make interest payments calculated based on a fixed annual interest rate of 7.8% based on the principal amount received. The Company pledged 2,708 kilograms of Au9999 gold with carrying value of approximately \$96.8 million (RMB 629.6 million) as collateral to secure this loan. The loan is guaranteed by the CEO and Chairman of the Company. The Company also made a restricted deposit of approximately \$0.8 million (RMB 5.5 million) to secure these loans. The deposit will be refunded when the loan is repaid upon maturity.

(k) Loans payable to Zhongjiang International Trust

On December 23, 2016, the Company entered into a trust loan agreement with Zhongjiang International Trust to borrow a maximum of approximately \$61.5 million (RMB 400 million) for purchasing gold with a period of 24 months from December 23, 2016 to December 22, 2018. For the loan obtained the Company is required to make interest payments calculated based on a fixed annual interest rate of 8.75% on the principal amount received. The Company pledged 2,104 kilograms of Au9999 gold with carrying value of approximately \$75.2 million (RMB 489.2 million) as collateral to secure this loan. The loan is guaranteed by the CEO and Chairman of the Company.

The Company paid approximately \$0.29 million (RMB 1.9 million) as loan origination fee for obtaining the loan. The loan origination fee was recorded as deferred financing cost against the loan balance. For the year ended December 31, 2017, approximately \$0.15 million (RMB 1.0 million) deferred financing cost was amortized. As of December 31, 2017, the unamortized deferred financing cost related to obtaining this loan was approximately \$0.14 million (RMB 0.9 million).

Interest expense for all of the short term loans for the years ended December 31, 2017, 2016 and 2015 was \$68.8 million, \$14.8 million and \$2.2 million, respectively. The weighted average interest rate for the year ended December 31, 2017, 2016 and 2015 was 7.0%, 9.4% and 11.5%, respectively.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – LOANS (continued)

Long term loans consist of the following:

		As of	
		December 31, 2017	December 31, 2016
(l)	Loans payable to Evergrowing Bank - Qixia Branch	\$ -	\$ 115,194,102
(m)	Loans payable to Evergrowing Bank - Yantai Huanshan Road Branch	-	143,560,650
(n)	Loans payable to Minsheng Trust - gross amount	-	28,798,526
	Loans payable to Minsheng Trust - deferred financing cost	-	(563,984)
(o)	Loans payable to Sichuan Trust - gross amount	-	215,988,941
	Loans payable to Sichuan Trust - deferred financing cost	-	(2,359,280)
(p)	Loans payable to China Aviation Capital - gross amount	-	41,757,862
	Loans payable to China Aviation Capital - deferred financing cost	-	(1,055,387)
(q)	Loans payable to China Construction Investment Trust - gross amount	-	43,197,788
	Loans payable to China Construction Investment Trust - deferred financing cost	-	(371,697)
(r)	Loans payable to Hubei Assets Management	-	43,197,788
(s)	Loans payable to Zheshang Jinhui Trust	-	79,195,945
(t)	Loans payable to Zhongjiang International Trust	-	57,597,051
(u)	Loans payable to Anxin Trust	461,084,471	431,977,883
(v)	Loans payable to Chang'An Trust - gross amount	153,694,824	28,654,533
	Loans payable to Chang'An Trust - deferred financing cost	(1,563,230)	-
(w)	Loans payable to China Aviation Trust - gross amount	47,645,395	-
	Loans payable to China Aviation Trust - deferred financing cost	(761,674)	-
(x)	Loans payable to National Trust – gross amount	53,793,188	-
	Loans payable to National Trust - deferred financing cost	(228,068)	-
(y)	Loans payable to Zheshang Jinhui Trust (new) - gross amount	76,847,412	-
	Loans payable to Zheshang Jinhui Trust (new) - deferred financing cost	(1,102,181)	-
	Total long term loans, net of deferred financing costs	\$ 789,410,137	\$ 1,224,770,721

(l) Loans payable to Evergrowing Bank – Qixia Branch (see Note 5 (d) above)

(m) Loans payable to Evergrowing Bank - Yantai Huanshan Road Branch (see Note 5 (e) above)

(n) Loan payable to Minsheng Trust

On June 24, 2016, Wuhan Kingold entered into a loan agreement with Minsheng Trust, with an aggregate amount of approximately \$30.7 million (RMB 200 million), with a maturity date of June 22, 2018. During the year ended December 31, 2017, the Company fully repaid the loan. The pledged gold and restricted deposit were released and refunded upon the repayment.

The Company paid approximately \$0.8 million (RMB 5.3 million) as loan origination fee for obtaining the loan. For the years ended December 31, 2017 and 2016, approximately \$0.6 million (RMB 3.9 million) and \$0.2 million (RMB 1.4 million) deferred financing cost was amortized, respectively. As of December 31, 2017, the deferred financing cost was fully amortized.

(o) Loans payable to Sichuan Trust (see Note 5 (f) above)

(p) Loans payable to China Aviation Capital (see Note 5 (g) above)

(q) Loans payable to China Construction Investment Trust (see Note 5 (i) above)

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – LOANS (continued)

(r) Loans payable to Hubei Assets Management

On September 30, 2016, the Company entered into an Entrust Loan Agreement with the Hubei Asset Management Co., Ltd. to borrow from Industrial and Commercial Bank of China Wuhan Jiang'an Branch of a maximum of approximately \$46.1 million (RMB 300 million) as a working capital loan in the later period. During the year ended December 31, 2017, the Company fully repaid the loan. The pledged gold was released to the Company upon the repayment.

(s) Loans payable to Zheshang Jinhui Trust (see Note 5 (j) above)

(t) Loans payable to Zhongjiang International Trust (see Note 5 (k) above)

(u) Loans payable to Anxin Trust Co., Ltd

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 \$461.1 million (RMB 3 billion) within 60 months. Each individual loan will bear a fixed annual interest of 14.8% or 11% with various maturity dates from February 19, 2019 to October 12, 2019. The purpose of this trust loan is to provide working capital for the Company to purchase gold. The loan is secured by 15,450 kilograms of Au9999 gold in aggregate with carrying value of approximately \$552.1 million (RMB 3.6 billion). The loan is also guaranteed by the CEO and Chairman of the Company. As of December 31, 2017, the Company received full amount from the loan. The Company also made a restricted deposit of approximately \$4.6 million (RMB 30 million) to secure these loans. The deposit will be refunded when the loan is repaid upon maturity.

(v) Loans payable to Chang'An Trust

On March 9, 2016, Wuhan Kingold entered into a Trust Loan Contract with Chang'An International Trust Co., Ltd. ("Chang'An Trust"). The agreement allows the Company to access a total of approximately \$46.1 million (RMB 300 million) for the purpose of working capital needs. During the year ended December 31, 2017, the Company fully repaid the loan. As of December 31, 2017, the restricted deposit was refunded to the Company.

In September 2017, Wuhan Kingold entered into a new Trust Loan Contract with Chang'An Trust. The agreement allows the Company to access a total of approximately \$153.7 million (RMB 1 billion) for the purpose of working capital needs. The loan bears a fixed annual interest of 10% with a term of 24 months and is secured by 4,784 kilograms of Au9999 gold in aggregate with carrying value of approximately \$172.7 million (RMB 1.1 billion). The loan is also guaranteed by the CEO and Chairman of the Company. As of December 31, 2017, the Company received full amount from the loan. The Company also made a restricted deposit of approximately \$1.5 million (RMB 10 million) to secure these loans. The deposit will be refunded when the loan is repaid upon maturity.

The Company paid approximately \$1.7 million (RMB 11.0 million) as loan origination fee for obtaining the new loan. The loan origination fee was recorded as deferred financing cost against the loan balance. For the year ended December 31, 2017, approximately \$0.1 million (RMB 0.8 million) deferred financing cost was amortized. As of December 31, 2017, the unamortized deferred financing cost related to obtaining this loan was approximately \$1.6 million (RMB 10.2 million).

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – LOANS (continued)

(w) Loans payable to China Aviation Trust

On January 25, 2017, Wuhan Kingold entered into a trust loan agreement with China Aviation Trust Ltd. to borrow a maximum of approximately \$47.6 million (RMB 310 million) for working capital with a period of 24 months from the date of releasing the loan. For the loan obtained, the Company is required to make interest payments that are calculated based on a fixed annual interest rate of 8% based on the principal amount received. The Company pledged 1,647 kilograms of Au9999 gold with carrying value of approximately \$58.2 million (RMB 378.4 million) as collateral to secure this loan. The loan is guaranteed by the CEO and Chairman of the Company. The Company also made a restricted deposit of approximately \$0.5 million (RMB 3.1 million) to secure these loans. The deposit will be refunded when the loan is repaid upon maturity.

The Company paid approximately \$1.4 million (RMB 9.3 million) as loan origination fee for obtaining the loan. The loan origination fee was recorded as deferred financing cost against the loan balance. For the year ended December 31, 2017, approximately \$0.7 million (RMB 4.3 million) deferred financing cost was amortized. As of December 31, 2017, the unamortized deferred financing cost related to obtaining this loan was approximately \$0.8 million (RMB 5.0 million).

(x) Loans payable to National Trust

On February 28, 2017, Wuhan Kingold entered into a trust loan agreement with National Trust Ltd. (“National Trust”) to borrow a maximum of approximately \$53.8 million (RMB 350 million) for working capital with a period of 24 months from the date of releasing the loan. For the loan obtained, the Company is required to make interest payments that are calculated based on a fixed annual interest rate of 8.617% based on the principal amount received. The Company pledged 1,745 kilograms of Au9999 gold with carrying value of approximately \$62.7 million (RMB 408 million) as collateral to secure this loan. The loan is guaranteed by the CEO and Chairman of the Company.

The Company paid approximately \$0.39 million (RMB 2.6 million) as loan origination fee for obtaining the loan. The loan origination fee was recorded as deferred financing cost against the loan balance. For the year ended December 31, 2017, approximately \$0.16 million (RMB 1.1 million) deferred financing cost was amortized. As of December 31, 2017, the unamortized deferred financing cost related to obtaining this loan was approximately \$0.23 million (RMB 1.5 million).

(y) Loans payable to Zheshang Jinhui Trust (new)

In November 2017, Wuhan Kingold entered into a new Trust Loan Contract with Zheshang Jinhui Trust. The agreement allows the Company to access a total of approximately \$153.7 million (RMB 1 billion) for the purpose of working capital needs. The loan bears a fixed annual interest of 7.7% with a term of 24 months and is secured by 2,540 kilograms of Au9999 gold in aggregate with carrying value of approximately \$91.8 million (RMB 597.4 million). The loan is also guaranteed by the CEO and Chairman of the Company. As of December 31, 2017, the Company received an aggregate of approximately \$76.9 million (RMB 0.5 billion) from the loan. The Company also made a restricted deposit of approximately \$0.8 million (RMB 5 million) to secure these loans. The deposit will be refunded when the loan is repaid upon maturity.

The Company paid approximately \$1.15 million (RMB 7.5 million) as loan origination fee for obtaining the new loan. The loan origination fee was recorded as deferred financing cost against the loan balance. For the year ended December 31, 2017, approximately \$0.05 million (RMB 0.3 million) deferred financing cost was amortized. As of December 31, 2017, the unamortized deferred financing cost related to obtaining this loan was approximately \$1.1 million (RMB 7.2 million).

Total Interest for the long term loans in the amount of \$59.7 million, \$52.3 million and \$3.8 million for the years ended December 31, 2017, 2016 and 2015, respectively. The weighted average interest rate for the years ended December 31, 2017, 2016 and 2015 was 11.6%, 11.2% and 11.5%, respectively.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – INVESTMENTS IN GOLD

As of December 31, 2017 and 2016, the Company allocated total of 59,523,000 and 54,677,490 grams of Au9999 gold in its inventories with carrying value of approximately \$2,131.6 million and \$1,830.6 million as investments in gold for obtaining various loans from banks and financial institutions. (See Note 5)

During the year ended December 31, 2017, the Company leased a total of 10,225 kilograms of gold and pledged as guarantee for Wuhan Kangbo Biotech Limited (“Kangbo”), a related party which is controlled by the CEO and Chairman of the Company, for obtaining total amount of RMB 2 billion loan from Evergrowing Bank Huanshan Road Branch. (See Note 10)

During the year ended December 31, 2017, the Company leased a total of 523 kilograms of gold and pledged as collateral for obtaining total amount of RMB 100 million loan from Wuhan Huayuan Technology Development Limited (“Huayuan”), a related party which is controlled by the CEO and Chairman of the Company. (See Note 10)

During the year ended December 31, 2017, the Company also leased a total of 4,000 kilograms of Au9999 gold in aggregate with carrying value of approximately \$138.9 million (RMB 903.6 million) from Wuhan Shuntianyi Investment Management Ltd. (“Shuntianyi”), a related party. The leased gold was fully returned by the Company to Shuntianyi as of March 31, 2017. (See Note 7)

As of December 31, 2017, a total of 70,271 kilograms of Au9999 gold investments with a change of fair market value of \$3.3 million after the exchange rate adjustment, which resulted in net unrealized gain of \$2.5 million, net of tax, as of December 31, 2017. The Company recorded the change in unrealized gain as other comprehensive income, net of tax.

As of December 31, 2017, the total of 26,689 kilograms of Au9999 gold with fair market value of approximately \$957.1 million was pledged for long-term bank loans, and therefore classified as non-current investments in gold. The remaining investments in gold of 43,582 kilograms of Au9999 gold with fair market value of approximately \$1,562.9 million was classified as current assets as of December 31, 2017.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – GOLD LEASE PAYABLE – RELATED PARTY

On January 3, 2017, the Company entered into a gold lease agreement with Shuntianyi, a related party which was controlled by the CEO and the Chairman of the Company, to lease a total of 4,000 kilograms of Au9999 gold in aggregate with carrying value of approximately \$138.9 million. This lease was from January 3, 2017 to February 28, 2017. The Company recorded this transaction as gold lease payable – related party. The leased gold was fully returned by the Company to Shuntianyi as of March 31, 2017. There were no additional gold lease activates with related parties in 2017.

During the year ended December 31, 2016, the Company entered into multiple gold lease agreements with Wuhan Shuntianyi Investment Management Ltd. (“Shuntianyi”), a related party which is controlled by the CEO and the Chairman of the Company, to lease a total of 16,000 kilograms of Au9999 gold in aggregate with carrying value of approximately \$538.6 million (RMB 3,740 million). The Company recorded these transactions as gold lease payable – related party. The leased gold was fully returned by the Company to Shuntianyi as of December 31, 2016.

NOTE 8 – GOLD LEASE PAYABLE – BANK

The Company allocated a significant amount of gold in its inventories as investments in gold and pledged as collateral to secure loans from banks and financial institutions. In order to meet the Company’s production needs, the Company also utilized 185,000 grams of leased Au9999 gold in aggregate with carrying value of approximately \$7.2 million (RMB 49.8 million) from Shanghai Pudong Development Bank (“SPD Bank”), and recorded this transaction as gold lease payable – bank. The leased gold from SPD Bank was returned when the lease expired in June 2017. (See Note 18)

Note 9 - THIRD PARTY LOAN

On April 12, 2016, the Company entered into a loan agreement with Yantai Runtie Trade Ltd. for a total loan of approximately \$30.7 million (RMB 200 million). In April 2017, the Company fully repaid the loan and the restricted deposit was refunded upon the repayment.

NOTE 10 – RELATED PARTIES LOANS

(a) Loans payable to Wuhan Kangbo Biotech Limited

On January 13, 2017, Wuhan Kingold entered into a loan agreement with Wuhan Kangbo Biotech Limited (“Kangbo”), a related party which is controlled by the CEO and Chairman of the Company, for a loan of approximately \$153.7 million (RMB 1,000 million). The loan has one-year term from January 12, 2017 to January 10, 2018, and bears fixed interest of 4.75%. In order for Kangbo to obtain the loan from the bank, Wuhan Kingold signed the guarantee agreement with Evergrowing Bank - Yantai Huangshan Road Branch on January 11, 2017. As a guarantor of the bank loan, Wuhan Kingold pledged 5,470 kilograms of gold in aggregate with carrying value of approximately \$193.2 million (RMB 1.3 billion) as collateral.

On February 20, 2017, Wuhan Kingold entered into a second loan agreement with Kangbo for a loan of approximately \$153.7 million (RMB 1,000 million). The loan has one-year term from February 20, 2017 to February 20, 2018, and bears fixed interest of 4.75%. In order for Kangbo to obtain the loan from the bank, Wuhan Kingold signed the guarantee agreement with Evergrowing Bank - Yantai Huangshan Road Branch on February 16, 2017. As a guarantor of the bank loan, Wuhan Kingold pledged 4,755 kilograms of gold in aggregate with carrying value of approximately \$173 million (RMB 1.1 billion) as collateral.

As of December 31, 2017, the aggregated borrowing amount from Kangbo was \$307.4 million (RMB 2,000 million). The Company classified these loans as current liabilities. Total interest expense for above related party loans was approximately \$12.9 million for the year ended December 31, 2017.

The Company subsequently repaid \$230.5 million (RMB 1,500 million) loans to Kangbo upon maturity in January 2018 and February 2018, respectively. 7,870 kilograms of pledged gold in Evergrowing Bank - Yantai Huanshan Road Branch were released to the Company accordingly. For the remaining \$76.8 million (RMB 500 million) loan matured on March 2, 2018, the Company entered into a loan extension agreement with Kangbo to extend the loan borrowing period for additional seven months until October 2, 2018.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – RELATED PARTIES LOANS (continued)

(b) Loans payable to Wuhan Kingold Industrial Group

Between November 23, 2016 and November 29, 2016, the Company entered into multiple loan agreements with Wuhan Kingold Industrial Group, a related party which is controlled by the CEO and Chairman of the Company, as working capital loans in order to subsequently purchase raw material of gold. The aggregated borrowing amount as of December 31, 2016 was approximately \$460.8 million (RMB 3,200 million) with a term of 5 years and free of interest.

On February 22, 2017, the Company signed a non-interest bearing credit line agreement with Wuhan Kingold Industrial Group for additional loan of \$123 million (RMB 800 million) with a 5 year maturity to February 21, 2022.

In April 2017, the Company signed three additional non-interest bearing credit line agreements with Wuhan Kingold Industrial Group for additional loans totaling \$207.5 million (RMB 1.35 billion) with 5 year maturity to April 2022.

During the year ended December 31, 2017, the Company repaid loans totaling \$776.2 million (RMB 5.05 billion) and obtained loans totaling \$837.6 million (RMB 5.45 billion).

As of December 31, 2017, the aggregate borrowing amount from Wuhan Kingold Industrial Group was \$553.3 million (RMB 3.6 billion). The Company classified these loans as non-current liabilities.

The Company subsequently signed additional non-interest bearing credit line agreement with Wuhan Kingold Industrial Group to borrow additional \$322.8 million (RMB 2.1 billion) loan as working capital with 5 year maturity to January 2023 (see Note 21).

(c) Loans payable to Wuhan Huayuan Technology Development Limited

On June 8, 2017, Wuhan Kingold signed a loan agreement with Wuhan Huayuan Technology Development Limited (“Wuhan Huayuan”), a related party which is controlled by the CEO and Chairman of the Company, for a loan of \$15.3 million (RMB 100 million). The purpose for the loans is for working capital and purchasing gold. The loan has four years term from June 8, 2017 to June 8, 2021, and bears fixed interest of 7%. The Company also pledged 523 kilograms of Au9999 gold with carrying value of approximately \$19.1 million (RMB 124.4 million) as collateral to secure this loan. During the year ended December 31, 2017, the Company repaid \$0.8 million (RMB 5.4 million), results in the outstanding balance of \$14.5 million (RMB 94.6 million) as of December 31, 2017. Interest expense of \$574,228 was recorded for this loan for the year ended December 31, 2017.

NOTE 11 – OTHER RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Company made sales of totalling \$127.2 million (RMB 0.86 billion) to Wuhan Kingold Industrial Group, a related party which is controlled by the CEO and Chairman of the Company.

During the years ended December 31, 2017 and 2016, the Company received working capital from the CEO and Chairman of the Company, to pay certain expenses to various service providers on behalf of the Company. Such proceeds are unsecured and payable on demand with no interest. As of December 31, 2017 and December 31, 2016, the amount due to this related party was \$2,630,301 and \$7,223,321, respectively.

On June 27, 2016, Wuhan Kingold signed certain 5 years lease agreements with Wuhan Huayuan, a related party which is controlled by the CEO and Chairman of the Company, to rent office and store space at the Jewelry Park, commencing in July 2016 and October 2016, respectively, with aggregate annual rent of approximately \$0.3 million (RMB 2.3 million). On July 1, 2017, Wuhan Kingold signed another 5 years lease agreement with Wuhan Huayuan to rent additional office space at the Jewelry Park commencing in July 2017 with aggregate annual rent of approximately \$85,245 (RMB 576,000). The lease agreement with Wuhan Huayuan has been amended on November 16, 2017, pursuant to which two office spaces and a dormitory were no longer leased. As of December 31, 2017, the Company had lease payable to Wuhan Huayuan of \$263,740, which was included in other payables and accrued expenses.

For the years ended December 31, 2017, 2016 and 2015, the Company recorded \$211,692, \$132,600 and \$Nil rent expense, respectively.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - 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 2017 and 2016. The Company has loss carry forwards of approximately \$18,100,000 for U.S. income tax purposes available for offsetting against future taxable U.S. income, expiring in 2037. 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, 2017, 2016 and 2015 was approximately \$6,152,000, \$5,699,000 and \$5,335,000, respectively. The net increase in the valuation allowance for the years ended December 31, 2017, 2016 and 2015 was approximately \$453,000, \$364,000 and \$623,000, 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, 2017, 2016 and 2015. The Company recorded \$6,677,675 and \$Nil deferred income tax assets as of December 31, 2017 and 2016, respectively.

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.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a U.S. corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. The Company has determined that the Company's VIE in PRC does not qualify as a reportable controlled foreign corporation ("CFC") in accordance with its understanding of the Act and guidance available as of the date of this filing and as a result the Company assessed there was no significant income tax impact during the period in which the legislation was enacted. On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of US GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, the Company has determined that the Company's VIE in PRC does not qualify as a reportable CFC, therefore it is not necessary to record any income tax provision in connection with the transition tax on the mandatory deemed repatriation of foreign earnings at December 31, 2017. Additional work is necessary to do a more detailed analysis of the Act as well as potential correlative adjustments. Any subsequent adjustment to these amounts will be recorded to current tax expense in fiscal 2018 when the analysis is complete.

Income (loss) from continuing operations before income taxes was allocated between the U.S. and foreign components for the year ended December 31, 2017, 2016 and 2015:

	For the years ended December 31,		
	2017	2016	2015
United States	\$ (1,331,862)	\$ (1,010,848)	\$ (1,833,064)
Foreign	36,699,373	126,541,875	29,733,565
	<u>\$ 35,367,511</u>	<u>\$ 125,531,027</u>	<u>\$ 27,900,501</u>

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - INCOME TAXES (continued)

Significant components of the income tax provision were as follows for the years ended December 31, 2017, 2016 and 2015:

	For the years ended December 31,		
	2017	2016	2015
Current tax provision			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Foreign	17,678,757	33,055,811	4,488,815
	<u>\$ 17,678,757</u>	<u>\$ 33,055,811</u>	<u>\$ 4,488,815</u>
Deferred tax provision (benefit)			
Federal	-	-	-
State	-	-	-
Foreign	(8,503,898)	(428,101)	1,849,910
	<u>(8,503,898)</u>	<u>(428,101)</u>	<u>1,849,910</u>
Income tax provision	<u>\$ 9,174,859</u>	<u>\$ 32,627,710</u>	<u>\$ 6,338,725</u>

The components of deferred tax assets and deferred tax liability as of December 31, 2017, 2016 and 2015 consist of the following:

	As of December 31,		
	2017	2016	2015
Deferred tax assets:			
Accrued interest	\$ 1,824,171	\$ -	\$ -
Inventory Valuation	4,545,708	-	-
Accrued expenses	330,663	-	-
Deferred financing costs on loans	741,008	-	-
Other temporary difference	56,062	721,570	-
Net operating losses from parent company	6,151,702	5,698,869	5,335,180
Valuation allowance	(6,151,702)	(5,698,869)	(5,335,180)
	<u>\$ 7,497,612</u>	<u>\$ 721,570</u>	<u>\$ -</u>
Deferred financing costs on the loans	-	(1,971,192)	-
Deferred tax liability from capitalized interest	-	-	(1,774,993)
Unrealized gain due to change in fair value of investments in gold	(819,937)	-	-
Deferred tax assets (liability) - Net	<u>\$ 6,677,675</u>	<u>\$ (1,249,622)</u>	<u>\$ (1,774,993)</u>

The following table reconciles the U.S. statutory rates to the Company's effective rate for the years ended December 31, 2017, 2016 and 2015:

	For the years ended December 31,		
	2017	2016	2015
US statutory rate	34%	34%	34%
Foreign income and loss not recognized in U.S.A.	(34)%	(34)%	(34)%
China income tax	25%	25%	25%
Miscellanies and non-deductible expense	1%	1%	(2.3)%
Effective tax rate	<u>26%</u>	<u>26%</u>	<u>22.7%</u>

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - EARNINGS PER SHARE

For the year ended December 31, 2017, the effect of potential shares of common stock was dilutive since the exercise prices for the warrant and options were lower than the average market price for the year ended December 31, 2017. As a result, total of 421,548 unexercised warrants and options are dilutive, and were included in the computation of diluted EPS.

For the year ended December 31, 2016, the effect of potential shares of common stock was dilutive since the exercise prices for the warrant and options were lower than the average market price for the year ended December 31, 2016. As a result, total of 345,642 unexercised warrants and options are dilutive, and were included in the computation of diluted EPS.

For the year ended December 31, 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.

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

	For the years ended December 31,		
	2017	2016	2015
Net income attributable to common stockholders	\$ 26,192,652	\$ 92,909,812	\$ 21,562,07
Weighted average number of common shares outstanding - Basic Effect of dilutive securities	66,050,498	66,472,046	65,963,502
Unexercised warrants and options	421,548	345,642	-
Weighted average number of common shares outstanding – diluted	66,472,046	66,337,129	65,963,502
Earnings per share - Basic	\$ 0.40	\$ 1.41	\$ 0.33
Earnings per share – Diluted	\$ 0.39	\$ 1.40	\$ 0.33

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - OPTIONS

The Company recorded \$33,014, \$44,572 and \$530,542 stock-based compensation expense for the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, the Company had 3,191,875 outstanding vested stock options with a weighted average remaining term over 3.73 years and 28,125 unvested stock options with a weighted average remaining term over 7 years. Unamortized stock-based compensation expense was \$25,032, \$58,039 and \$102,611 as of December 31, 2017, 2016 and 2015, respectively. The following table summarized the Company's stock option activity:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
Outstanding, December 31, 2015	3,220,000	\$ 1.90	5.76
Exercisable, December 31, 2015	3,009,375	\$ 1.95	5.63
Granted	-	\$ -	-
Forfeited	-	-	-
Exercised	-	-	-
Outstanding, December 31, 2016	3,220,000	\$ 1.90	4.76
Exercisable, December 31, 2016	3,152,500	\$ 1.92	4.70
Granted	-	\$ -	-
Forfeited	-	-	-
Exercised	-	-	-
Outstanding, December 31, 2017	3,220,000	\$ 1.90	3.76
Exercisable, December 31, 2017	3,191,875	\$ 1.91	3.73

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - WARRANTS

Following is a summary of the status of warrant activities as of December 31, 2017, 2016 and 2015:

	Number of warrants	Weighted Average Exercise Price	Weighted average Remaining Life in Years
Outstanding, December 31, 2015	294,000	\$ 3.61	0.04
Granted	300,000	1.35	0.52
Forfeited	(294,000)	-	-
Exercised	(55,365)	-	-
Outstanding, December 31, 2016	244,635	\$ 1.38	0.52
Granted	-	-	-
Forfeited	(150,000)	-	-
Exercised	(94,635)	-	-
Outstanding, December 31, 2017	-	\$ -	-

On August 12, 2015, the Company signed a consulting agreement to engage Bespoke Independent Partners ("BIP"), a wholly owned subsidiary of FPIA Partners LLC to operate as a strategic advisor to Kingold in matters relating to investor relations, capital markets and shareholder value creation strategy. As the part of 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, 2017, no warrants were issued to BIP because the performance target has not been met.

On March 29, 2016, pursuant to the consulting agreement, the Company's obligation to issue BIP warrants to purchase 150,000 shares of the Company's common stock for \$1.20 per share (the "First Tranche Warrants") was triggered as a result of certain milestone accomplishments. The warrants were exercised on June 28, 2017, and the Company is in the process of issuing the shares. Accordingly, the Company recorded \$64,204 consulting expense and included in the general administrative expense. The fair value of the warrants was calculated using the Black-Scholes options pricing model using the following assumptions: volatility of 81%, risk free interest rate of 0.84%, and expected term of 1.25 years. The fair value of the warrants was \$64,204.

On April 18, 2016, pursuant to the consulting agreement, the Company's obligation to issue BIP warrants to purchase 150,000 shares of the Company's common stock for \$1.50 per share (the "Second Tranche Warrants") was triggered as a result of certain milestone accomplishments. The warrants were scheduled to expire on July 17, 2017. Accordingly, the Company recorded \$65,091 consulting expense and included in the general administrative expense. The fair value of the warrants was calculated using the Black-Scholes options pricing model using the following assumptions: volatility of 79.7%, risk free interest rate of 0.63%, and expected term of 1.25 years. The fair value of the warrants was \$65,091.

On May 10, 2016, the Company terminated the consulting agreement. On June 27, 2016, the Company and BIP signed a settlement agreement (the "Settlement Agreement"). In connection with the Settlement Agreement, the Company and BIP agreed that (1) the First Tranche Warrants and the Second Tranche Warrants would remain vested and outstanding, (2) the third, fourth and fifth tranches of success fee warrants would be cancelled; and (3) crediting of \$66,439 in outstanding but unpaid fees against the exercise price of the First Tranche Warrants would be the only payment made or required under the Service Agreement. As a result, BIP received (a) 55,365 shares, (b) warrants to purchase 94,635 shares for \$1.2 per share, which expired June 28, 2017, and (c) warrants to purchase 150,000 shares for \$1.50 per share, which may be exercised until July 17, 2017. As a result of the Settlement Agreement, the Company does not have any liability for future warrants issuance to BIP. During the six months ended June 30, 2017, 94,635 warrants were exercised and these shares were issued in August 2017. On July 17, 2017, the Company received notice from BIP not to exercise the remaining 150,000 warrants. As of December 31, 2017, there were no warrants outstanding.

For the years ended December 31, 2017, 2016 and 2015, the Company included \$Nil, \$129,295 and \$Nil warrants cost in the general administrative expenses, respectively.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - NONCONTROLLING INTEREST

For the year ended December 31, 2015, Non-controlling interest represents the minority stockholders' 45% proportionate share of the results of the newly established subsidiary Kingold Internet and Yuhuang.

On December 14, 2016, Wuhan Kingold transferred its 55% ownership interest in Kingold Internet to Wuhan Kingold Industrial Group Co., Ltd., a related party, for a consideration of \$79,196 (RMB 550,000). After the transfer, Kingold Internet and Yuhuang were no longer the subsidiaries of Wuhan Kingold. There was no non-controlling interest as of December 31, 2017 and 2016.

A reconciliation of non-controlling interest as of December 31, 2016 as follows:

	As of December 31, 2016	
Beginning Balance	\$	73,274
Capital Contribution		-
Proportionate shares of Net loss		(6,214)
Foreign currency translation gain (loss)		(4,222)
Deconsolidation of subsidiaries		(62,557)
Ending Balance	\$	-

NOTE 17 - 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 \$17,632,270 and \$81,354,642 as of December 31, 2017 and 2016, respectively. The cash balance held in the BVI bank accounts was \$Nil and \$7,083 as of December 31, 2017 and 2016, respectively. As of December 31, 2017, the Company held \$266,012 of cash balances within the United States, which was \$16,012 in excess of FDIC insurance limits of \$250,000. As of December 31, 2016, the Company held \$281,018 of cash balances within the United States, which was \$31,018 in excess of FDIC insurance limits of \$250,000.

For the years ended December 31, 2017 and 2016, 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 years was gold, which accounted for almost 100% of its total purchases for the years ended December 31, 2017, 2016 and 2015. The gold purchased by the Company was solely from the Shanghai Gold Exchange, the largest gold trading platform in the PRC.

During the years ended December 31, 2017, 2016 and 2015, approximately 23.3%, 21.5% and 18.8% of the Company's net sales were generated from the Company's five largest customers, respectively. No customer accounted for more than 10% of annual sales for the years ended December 31, 2017, 2016 and 2015.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - 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

During the year ended December 31, 2016, the Company entered into gold lease agreements with CCB and leased an aggregate of 975 kilograms of gold, which amounted to approximately \$33.8 million (RMB 235 million). The leases have initial terms of one year and provide an interest rate of 5.7% per annum.

During the year ended December 31, 2016, the Company returned 2,490 kilograms of gold, which amounted to approximately \$86.4 million (RMB 600 million) back to CCB upon lease maturity.

As of December 31, 2016, the Company pledged restricted cash of approximately \$14.4 million (RMB 100 million) as collateral to safeguard the gold lease from CCB, which was returned to the Company in early 2017 as the leased gold was returned at the end of December 2016.

During the year ended December 31, 2017, no gold lease transactions were made and no leased gold was outstanding from CCB as of December 31, 2017.

b) Gold lease transactions with SPD Bank

During the year ended December 31, 2016, the Company entered into gold lease agreements with Shanghai Pudong Development Bank and leased an aggregate of 345 kilograms of gold, which amounted to approximately \$13.4 million (RMB 93.3 million). The leases had initial terms of six months to one year and provided an interest rate from 3.0% to 3.3% per annum. During the year ended December 31, 2016, the Company returned 1,077 kilograms of gold, which amounted to approximately \$37.2 million (RMB 258.6 million) back to SPD Bank upon lease maturity. The remaining leased gold of 185 kilograms of leased gold which amounted to approximately \$7.2 million (RMB 49.8 million) was returned to the SPD Bank upon lease maturity in September 2017.

The remaining leased gold of 185 kilograms which amounted to approximately \$7.2 million (RMB 49.8 million) was returned to the SPD Bank upon lease maturity in September 2017. The pledged restricted cash of approximately \$8.1 million (RMB 55.6 million) as collateral to safeguard the gold lease from SPD Bank was also fully refunded to the Company upon lease maturity.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - GOLD LEASE TRANSACTIONS (continued)

c) Gold lease transaction with CITIC Bank

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 had an initial term of one to six months and provided an interest rate of 6% per annum. The Company was 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 was returned to the Bank upon lease maturity in 2016.

As of December 31, 2017 and 2016, no leased gold was outstanding and no restricted cash was pledged as collateral to safeguard the gold lease from CITIC.

d) Gold lease transaction with Industrial and Commercial Bank of China ("ICBC")

During the year ended December 31, 2016, the Company entered into additional gold lease agreements with ICBC and leased an aggregate amount of 527 kilograms of gold, which amounted to approximately \$20.1 million (RMB 139.7 million). The leases had initial terms of half year and provide an interest rate of 2.75% per annum. As of December 31, 2016, 527 kilograms of leased gold were all returned to ICBC.

As of December 31, 2017 and 2016, no leased gold was outstanding and no restricted cash was pledged as collateral to safeguard the gold lease from ICBC.

e) Gold lease transactions with related party

During the year ended December 31, 2016, the Company entered into multiple gold lease agreements with Wuhan Shuntianyi Investment Management Ltd. ("Shuntianyi"), a related party which is controlled by the CEO and the Chairman of the Company, to lease a total of 16,000,000 grams of Au9999 gold in aggregate with carrying value of approximately \$538.6 million. The leased gold was fully returned by the Company to Shuntianyi as of December 31, 2016.

On January 3, 2017, Wuhan Kingold entered into a gold lease agreement with Shuntianyi to lease a total of 4,000 kilograms of Au9999 gold in aggregate with carrying value of approximately \$131.1 million for a period from January 3, 2017 to February 28, 2017. The leased gold was fully returned by the Company to Shuntianyi on February 28, 2017.

As of December 31, 2017, the Company had no leased gold outstanding. As of December 31, 2016, 185 kilograms of leased gold was outstanding, at the approximated amounts of \$7.2 million.

Interest expense for all gold lease arrangements for the years ended December 31, 2017, 2016 and 2015 was approximately \$0.1 million, \$3.9 million and \$7.0 million, respectively, which was included in the cost of sales.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Guarantee for Third Party

On April 12, 2016, Wuhan Kingold signed the collateral agreements with Evergrowing Bank - Yantai Huangshan Road Branch to pledge restricted deposits of totaling \$30.7 million (RMB 200 million). The pledged deposits is to guarantee a bank acceptance note agreement signed between Yantai Runtie Trade Ltd. and Evergrowing Bank - Yantai Huangshan Road Branch, which allows Yantai Runtie Trade Ltd. to access a loan of approximately \$30.1 million (RMB 200 million) with a term of one year from April 12, 2016 to April 12, 2017, and bearing a fixed annual interest rate of 2.01%.

On April 12, 2017, Wuhan Kingold repaid the loan of approximately \$30.7 million (RMB 200 million) to Yantai Runtie Trade Ltd. upon maturity. The restricted deposit of totaling \$30.7 million (RMB 200 million) in connection with this loan was also released to the Company upon the repayment.

Guarantee for Related Party

On January 13, 2017, Wuhan Kingold entered into a loan agreement with Wuhan Kangbo Biotech Limited ("Kangbo"), a related party which is controlled by the CEO and Chairman of the Company, for a loan of approximately \$153.7 million (RMB 1,000 million). The loan has a one-year term from January 12, 2017 to January 12, 2018, and is interest free. In order for Kangbo to obtain the loan from the bank, Wuhan Kingold signed the guarantee agreement with Evergrowing Bank - Yantai Huangshan Road Branch on January 11, 2017. As a guarantor of the bank loan, Wuhan Kingold pledged 5,470 kilograms of gold in aggregate with carrying value of approximately \$193.2 million (RMB 1.3 billion) as collateral. The Company subsequently repaid Kangbo and the pledged gold to Evergrowing Bank - Yantai Huangshan Road Branch was returned to the Company accordingly.

On February 20, 2017, Wuhan Kingold entered into a second loan agreement with Kangbo for a loan of approximately \$153.7 million (RMB 1,000 million). The loan has one-year term from February 20, 2017 to February 20, 2018, and is interest free. In order for Kangbo to obtain the loan from the bank, Wuhan Kingold signed the guarantee agreement with Evergrowing Bank - Yantai Huangshan Road Branch on February 16, 2017. As a guarantor of the bank loan, Wuhan Kingold pledged 4,755 kilograms of gold in aggregate with carrying value of approximately \$173 million (RMB 1.1 billion) as collateral. The Company subsequently repaid \$230.5 million (RMB 1,500 million) loans to Kangbo upon maturity in January 2018 and February 2018, respectively. 7,870 kilograms of pledged gold in Evergrowing Bank - Yantai Huangshan Road Branch were released to the Company accordingly. For the remaining \$76.8 million (RMB 500 million) loan matured on March 2, 2018, the Company entered into a loan extension agreement with Kangbo to extend the loan borrowing period for additional seven months until October 2, 2018 with additional 300 kilograms of gold pledged.

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases

On June 27, 2016, Wuhan Kingold signed certain 5 years lease agreements with Wuhan Huayuan, a related party which is controlled by the CEO and Chairman of the Company, to rent office and store space at the Jewelry Park, commencing in July 2016 and October 2016, with aggregate annual rent of approximately \$0.3 million (RMB 2.3 million). On July 1, 2017, Wuhan Kingold signed another 5 years lease agreement with Wuhan Huayuan to rent additional office space at the Jewelry Park commencing in July 2017 with aggregate annual rent of approximately \$85,245 (RMB 576,000). The lease agreement with Wuhan Huayuan has been amended on November 16, 2017, pursuant to which two office spaces and a dormitory were no longer leased. For the years ended December 31, 2017, 2016 and 2015, the Company recorded \$211,692, \$132,600 and Nil rent expenses, respectively. As of December 31, 2017, the Company had lease payable to Wuhan Huayuan of \$263,740, which included in other payables and accrued expenses.

As of December 31, 2017, the Company was obligated under non-cancellable operating leases for minimum rentals as follows:

For the Twelve Months Ending December 31,		
2018	\$	254,314
2019		254,314
2020		254,314
2021		212,047
2022		42,623
	<u>\$</u>	<u>1,017,612</u>

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 – SUMMARIZED QUARTERLY DATA (UNAUDITED)

Our following table summarizes the quarterly results of operations for the years ended December 31, 2017 and 2016:

	Fiscal Quarterly			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
(in millions, except per share data)				
2017				
Net sales	\$ 292.3	\$ 475.9	\$ 584.5	\$ 675.0
Income from operations	13.2	44.6	74.7	53.5
Net income (loss) attributable to Kingold Jewelry, Inc.	(21.3)	8.0	29.0	10.5
Earnings per share				
Earnings per share - basic	\$ (0.32)	\$ 0.12	\$ 0.44	\$ 0.16
Earnings per share – dilute	\$ (0.32)	\$ 0.12	\$ 0.44	\$ 0.15
2016				
Net sales	\$ 282.2	\$ 390.3	\$ 390.5	\$ 357.6
Income from operations	25.6	42.9	48.3	17.1
Net income attributable to Kingold Jewelry, Inc.	15.2	19.9	15.9	41.9
Earnings per share				
Earnings per share - basic	\$ 0.23	\$ 0.30	\$ 0.24	\$ 0.64
Earnings per share – dilute	\$ 0.23	\$ 0.30	\$ 0.24	\$ 0.63

KINGOLD JEWELRY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – SUBSEQUENT EVENTS

On December 26, 2017, Wuhan Kingold Jewelry Company Limited, entered into a Trust Loan Contract in the amount of no more than RMB 1,500 million (equivalent to approximately US\$ 230 million) with China Minsheng Trust Co., Ltd. The stated purpose of the trust loan is supplementary liquidity needs. The Trust Loan will be issued in installments. Each installment of the Trust Loan has a 24-month term, and the period from issuance date of the first installment to the expiration date of the last installment shall not exceed 30 months. The Trust Loan bears interest at a fixed annual rate of 9.2%. The Trust Loan is secured by 7,887 kilograms of Au9999 gold, pledged by Wuhan Kingold. The required minimum pledge rate is 70%. The Company's CEO Mr. Zhihong Jia also agreed to guarantee the Trust Loan. The repayment of the Trust Loan 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. The loan was subsequently released and proceeds received on January 3, 2018 in the amount of RMB 1.4 billion (approximately \$215.1 million).

On December 28, 2017, Wuhan Kingold Jewelry Company Limited passed a resolution to increase the line of credit limit with Wuhan Kingold Industrial Group from originally maximum \$769.2 million (RMB 5 billion) to \$923 million (RMB 6 billion). Pursuant to this resolution, on January 2, 2018, Wuhan Kingold Jewelry signed an agreement and borrowed additional RMB 2.1 billion non-interest bearing loan from Wuhan Kingold Industrial Group as working capital to be used in gold inventory purchase. The loan period is from January 2, 2018 to January 2, 2023 for five years. The loan will be repaid upon maturity.

From January 2018 and early March 2018, the Company repaid an aggregate of \$230.5 million (RMB 1.5 billion) loans to related party Kangbo upon maturity (see Note 10) and also repaid aggregate of \$233.8 million (RMB 1.521 billion) loans to various financial institutions (see Note 5).

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

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 266,011	\$ 281,017
Other current assets and prepaid expenses	500	500
Total current assets	<u>266,511</u>	<u>28,517</u>
OTHER ASSETS		
Investment in subsidiaries	390,065,876	282,425,857
Total other assets	<u>390,065,876</u>	<u>282,425,857</u>
TOTAL ASSETS	\$ 390,332,387	\$ 282,707,374
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Other payables and accrued expenses	\$ 100,000	\$ 217,087
Total current liabilities	<u>100,000</u>	<u>217,087</u>
TOTAL LIABILITIES	<u>100,000</u>	<u>217,087</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Preferred stock, \$0.001 par value, 500,000 shares authorized, none issued or outstanding as of December 31, 2017 and 2016	-	-
Common stock \$0.001 par value, 100,000,000 shares authorized, 66,113,502 and 66,018,867 shares issued and outstanding as of December 31, 2017 and December 31, 2016	66,113	66,018
Additional paid-in capital	80,377,449	80,230,968
Retained earnings		
Unappropriated	303,666,611	277,473,959
Appropriated	967,543	967,543
Accumulated other comprehensive income (deficit)	5,154,671	(76,248,201)
Total Equity	<u>390,232,387</u>	<u>282,490,287</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	390,332,387	282,707,374

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)

	For the years ended December 31,		
	2017	2016	2015
OPERATING EXPENSES			
Selling, general and administrative expenses	\$ (1,297,888)	\$ (966,276)	\$ (1,302,521)
Stock compensation expenses	(33,014)	(240,306)	(530,542)
Total operating expenses	(1,330,902)	(1,206,582)	(1,833,063)
EQUITY INCOME OF SUBSIDIARIES	27,523,554	94,109,899	23,394,839
NET INCOME	26,192,652	92,903,317	21,561,776
Add: net loss attribute to the non-controlling interest	-	6,495	296
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 26,192,652	\$ 92,909,812	\$ 21,562,072
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) related to investments in gold	\$ 58,650,446	\$ (54,789,485)	\$ -
Total foreign currency translation gain (loss)	22,752,426	(21,461,689)	(14,740,716)
Less: foreign currency translation loss attributable to non-controlling interest	-	(4,222)	4,251
Total Other comprehensive gain (loss) attributable to KINGOLD JEWELRY, INC.	\$ 81,402,872	\$ (76,246,952)	\$ (14,744,967)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Common stockholders	\$ 107,595,524	\$ 16,662,860	\$ 6,817,105
Non-controlling interest	-	(10,717)	3,955
	\$ 107,595,524	\$ 16,652,143	\$ 6,821,060

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,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 26,192,652	\$ 92,903,317	\$ 21,561,776
Adjusted to reconcile net income to cash provided by (used in) operating activities:			
Income from subsidiaries	(26,123,585)	(92,394,901)	1,388,389
Share based compensation for services	33,014	44,572	530,542
Warrants and shares issued for consulting services	-	195,734	-
Changes in operating assets and liabilities (increase) decrease in:			
Other payables and accrued expenses	(117,087)	(612,170)	140,000
Net cash provided by (used in) operating activities	<u>(15,006)</u>	<u>136,552</u>	<u>82,479</u>
NET (DECREASE) INCREASE IN CASH	(15,006)	136,552	82,479
CASH, BEGINNING OF YEAR	281,017	144,465	61,986
CASH, END OF YEAR	<u>\$ 266,011</u>	<u>\$ 281,017</u>	<u>\$ 144,465</u>

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, 2017 and 2016.

4. Options

The Company recorded \$33,014, \$44,572 and \$530,542 stock-based compensation expense for the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, the Company had 3,191,875 outstanding vested stock options with a weighted average remaining term over 3.73 years and 28,125 unvested stock options with a weighted average remaining term over 7 years. Unamortized stock-based compensation expense was \$25,032, \$58,039 and \$102,611 as of December 31, 2017, 2016 and 2015, respectively.

5. Warrants

For the years ended December 31, 2017, 2016 and 2015, the Company included \$Nil, \$129,295 and \$Nil warrants cost in the general administrative expenses, respectively.

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, 2017. 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, 2017, 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;
- Material audit adjustments were proposed by the auditors and recorded by the Company for the fiscal year 2017;
- 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;
- Lack of communication between management, chief executive officer and the board of directors relating to the approval of obtaining loans from banks, other financial institutions, related parties, third parties, and providing guarantees to related parties, third parties and gold lease transactions with related parties;
- Lack of functional internal audit department that monitors the consistencies of the prescribed internal control procedures;
- Lack of proper recording of the leased gold inventory with related party and the related party loan agreements and restricted cash.
- Lack of proper accounting and recording of the investments in gold and the related loans payable to banks, financial institutions and related parties.

In order to remedy the material weakness of inadequate controls over cash management, 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. Notwithstanding this requirement, our Board determined in the course of preparing this annual report that management did not consistently seek Board approval prior to causing Wuhan Kingold to enter into a number of transactions covered by these resolutions. In addition to failing to approve such transactions as anticipated, this absence of prior approval resulted in our failure to disclose such transactions at the time they occurred. 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.
- Improving the communication between management, board of directors and chief financial officer.
- Improving the internal audit function, internal control policies and monitoring controls.
- Holding monthly Business Meeting - management reports to the board of directors of significant events such as loans renewals, related parties' transactions, new loans obtained from related and third parties, gold inventories and gold investment (pledged gold) movements and guarantees to related parties and third parties loans.
- To hold financial controller accountable for any omitted or misleading transactions not reported to the board of directors and the independent auditors.

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. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time. Our system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. These mechanisms may not always be effective at alerting our Board of important transactions, as we experienced in 2017, some of the procedures we intended to implement from 2016 were not carried out during 2017.

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 filing 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	56	Chief Executive Officer and Chairman of the Board
Bin Liu	47	Chief Financial Officer and Secretary
Jun Wang	44	General Manager and Director
Guang Chen	39	Independent Director
Alice Io Wai Wu	46	Independent Director
Zhiyong Xia	49	Independent Director

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.

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 14 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 Xi'an 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.

ALICE IO WAI WU

Ms. Wu has been providing accounting, consulting and advisory services to public and private companies since September 2011 through her company Wu & Company, Inc. Ms. Wu was an independent director of Yulong Eco-materials Limited, a company listing on Nasdaq, from the period from July 2015 until February 2017. From February 2015 to December 2015, she was the chief financial officer of The Future Education Group Inc., a Chinese company providing online and mobile education platforms and contents. Ms. Wu also has had extensive experience auditing the financial statements and internal controls of public and private companies, including as a partner at Anton & Chia, LLP from August 2013 to May 2014, a partner at Cacciamatta Accounting Corporation from January 2009 to July 2013, and as an audit manager of Moore Stephens Wurth Frazer and Torbet, LLP from January 2005 to May 2008. Ms. Wu graduated from California State University, Fullerton, with a bachelor's degree in business administration with accounting concentration.

ZHIYONG XIA

Mr. Xia has been a partner of Hubei Zhongyou Law Firm since January 2009. Mr. Xia has worked at Hubei Zhongyou Law Firm since 2003 and has been licensed to practice law since May 2005. Mr. Xia has been providing legal services to various investment companies regarding litigation and transactional matters. Mr. Xia graduated from Wuhan City Construction College (now called Huazhong University of Science and Technology) in 1991, when he received his bachelor's degree in agriculture. Mr. Xia serves on our Audit Committee, Nominating Committee and Compensation Committee, which he chairs. Mr. Xia's rich experience in financing law led the Board to conclude that he should be nominated to serve as a director.

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.

Board of Directors

All directors hold office until the next annual meeting of shareholders or until their successors have been duly elected and qualified. Directors are elected at the annual meetings to serve for one-year terms. At the Annual Meeting of Shareholders held on December 8, 2017, the above-mentioned directors were elected to the Board. Our board of directors normally hold meetings on a quarterly basis.

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, Ms. Wu, Messrs. Chen and Xia, 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 this determination, 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.

Board Committees

Our Board of Directors has established standing committees in connection with the discharge of its responsibilities. These committees include an Audit Committee, a Compensation Committee and a Nominating Committee. Our Board of Directors has adopted written charters for each of these committees. Copies of the charters are available on our website at www.kingoldjewelry.com. Our Board of Directors may establish other committees as it deems necessary or appropriate from time to time.

Audit Committee

Ms. Wu, Mr. Chen and Mr. Xia currently serve on the Audit Committee, which is chaired by Ms. Wu. 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 Ms. Wu 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 Commission, our stockholders 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.

Compensation Committee

Mr. Xia, Ms. Wu and Mr. Chen currently serve on the Compensation Committee, which is chaired by Mr. Xia. Each member of the Compensation Committee is "independent" as that term is defined in the rules of the Commission and within the meaning of such term as defined under the listing standards of The NASDAQ Stock Market, a "nonemployee director" for purposes of Section 16 of the Exchange Act and an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. Our Compensation Committee also administers our stock option incentive plan, and assists our Board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. The Compensation Committee's responsibilities include:

- considering and authorizing the compensation philosophy for our personnel;
- monitoring and evaluating matters relating to our compensation and benefits structure;
- reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer and other executive officers' compensation;
- evaluating the Chief Executive Officer's and other executive officers' performance in light of corporate goals and objectives and determining and approving the Chief Executive Officer's and other executive officers' compensation based on such evaluation;
- reviewing and approving all compensation for all our nonemployee directors and other employees of ours and our subsidiaries with a base salary greater than or equal to \$100,000;
- reviewing the terms of our incentive compensation plans, equity-based plans, retirement plans, deferred compensation plans and welfare benefit plans;
- reviewing and approving executive officer and director indemnification and insurance matters;
- reviewing and discussing the compensation discussion and analysis section proposed for inclusion in our annual report on Form 10-K and annual proxy statement with management and recommending to the Board whether such section should be so included;
- preparing and approving the Compensation Committee's report for inclusion in our annual report on Form 10-K and annual proxy statement;
- evaluating its own performance on an annual basis and reporting on such performance to the Board;
- reviewing and reassessing the Compensation Committee charter and submitting any recommended changes to the Board for its consideration; and
- having such other powers and functions as may be assigned to it by the Board from time to time.

Nominating Committee

Mr. Chen, Ms. Wu and Mr. Xia currently serve on the Nominating Committee, which is chaired by Mr. Chen. Each member of the Nominating Committee is "independent" as that term is defined in the rules of the Commission and within the meaning of such term as defined under the listing standards of The NASDAQ Stock Market.

Our Nominating Committee makes recommendations to our Board regarding the nomination of candidates to stand for election as members of our Board, evaluates our Board's performance, and provides oversight of corporate governance and ethical standards. Our Nominating Committee has the responsibility to oversee the Company's Corporate Governance Guidelines and propose changes to such guidelines from time to time as may be appropriate. Our Nominating Committee assists our Board in fulfilling its oversight responsibilities with respect to the management of risks associated with Board organization, membership and structure, succession planning for our directors and executive officers, and corporate governance.

Board's Role in Risk Oversight

Risk is inherent in every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including strategic risks, enterprise risks, financial risks, regulatory risks, and others. Management is responsible for the day-to-day management of risks that the Company faces, while our Board, as a whole and through its committees, has responsibility for the oversight of risk management, and is tasked with assuring that the long-term interests of our stockholders are being served. In its risk oversight role, our Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

Our Board believes that establishing the right "tone at the top," and full and open communication between management and our Board, are essential for effective risk management and oversight. Our Chairman meets regularly with other senior officers to discuss strategy and the risks we face. Senior management is available to address any questions or concerns raised by our Board on risk management-related and any other matters. Our Chairman holds strategic planning sessions with senior management to discuss strategies, key challenges, and risks and opportunities for us.

While our Board is ultimately responsible for risk oversight at our company, our Board committees assist our Board in fulfilling its oversight responsibilities in certain areas of risk as further set forth below. Our Board committees report to our Board on significant risks and other matters.

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 Proxy Statement. 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

COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis relates to compensation paid to our executive officers ("NEO") named in the Summary Compensation Table for fiscal 2017.

The Company's NEOs for Fiscal 2017 were as follows:

Zhihong Jia	Chairman and Chief Executive Officer
Bin Liu	Chief Financial Officer

This Compensation Discussion and Analysis and the executive compensation discussion and tables that immediately follow describe our compensation, objectives, the strategy and elements of our compensation program, and our compensation-setting process as applied to our Named Executive Officers.

Compensation Program

Our compensation program is designed to reward each individual named executive officer for his or her contribution to the advancement of our overall performance and execution of our goals, ideas and objectives. It is designed to reward and encourage exceptional performance at the individual level in the areas of organization, creativity and responsibility while supporting our core values and ambitions. This in turn aligns the interest of our executive officers with the interests of our stockholders, and thus with our interests.

The principal objectives of our compensation program are:

- attract, motivate and retain executives who drive our success and industry leadership; and
- provide each executive, from vice president to Chief Executive Officer, with a base salary on the market value of that role, and the individual's demonstrated ability to perform that role.

Compensation Strategy: Policies and Procedures

Determining Executive Compensation

Our Compensation Committee generally reviews and approves the compensation program for executive officers annually after the close of each year. Reviewing the compensation program at such time allows the Compensation Committee to consider the overall performance of the past year and the financial and operating plans for the upcoming year in determining the compensation program for the upcoming year.

A named executive officer's base salary is determined by an assessment of his sustained performance against individual job responsibilities, including, where appropriate, the impact of his performance on our business results, current salary in relation to the salary range designated for the job, experience and mastery, and potential for advancement. Although we do not engage in benchmarking, the Compensation Committee may also consider compensation levels with comparable positions in the industry to evaluate the total compensation decisions that it makes for our officers.

Role of Executive Officers in Determining Executive Compensation

The Compensation Committee determines the compensation for our Chief Executive Officer, which is based on various factors, such as level of responsibility and contributions to our performance. Our Chief Executive Officer recommends the compensation for our executive officers (other than the compensation of the Chief Executive Officer) to the Compensation Committee. The Compensation Committee reviews the recommendations made by the Chief Executive Officer and determines the compensation of the Chief Executive Officer and the other executive officers.

Compensation Elements

In general, our compensation program consists of base salary and certain equity-based incentive compensation awards. Our NEOs also receive certain other benefits as set forth in the employment agreements that we entered into with the NEOs.

Base Salary

The compensation to the NEOs contained base salary only for 2015, 2016 and 2017, subject to the provisions of the employment agreements that we entered into.

Equity-Based Compensation

Our primary stock-based employee compensation plan, the 2011 Stock Incentive Plan, was approved by our Board of Directors on March 24, 2011 and ratified by stockholders on October 31, 2011. This plan serves as the primary vehicle by which we offer long-term incentives and rewards to our executive officers and key employees. We regard the 2011 Stock Incentive Plan as a key retention tool. Retention serves as a very important factor in our determination of the type of award to grant and the number of underlying shares that are granted in connection with that award.

Because of the direct relationship between the value of an option and the market price of our common stock, we believe that granting stock options is a superb method of motivating our executive officers and other key employees to manage our Company in a manner that is consistent with the interests of our Company and our stockholders. The exercise period under an option granted pursuant to our 2011 Stock Incentive Plan is subject to early termination in certain instances upon termination of the employment of a grantee. The exercise price of the options awarded pursuant to the plan is priced at the fair market value of our common stock as of the date of grant. Based on such exercise price and the other conditions of the award agreements to be entered into with qualifying employees under the 2011 Stock Incentive Plan, some options are intended to qualify as incentive stock options (under the United States Internal Revenue Code of 1986, as amended).

We grant option awards to our executive officers and key employees based upon prior performance, the importance of retaining their services and the potential for their performance to help us attain our long-term goals. However, there is no set formula for the granting of awards to individual executives or employees. Option awards generally reflect the Compensation Committee's assessment of the influence an employee's position has on stockholder value. The number of options awarded may vary up or down from prior year awards based on the level of an individual executive officer's contribution to the Company in a particular year, determined in part on the recommendation of the CEO. The Committee's determination of option grants in fiscal 2011 took into consideration a number of factors. These factors include past grants to the individual, total compensation level (relative to other executives and relative to market data), contributions to the Company during the last completed fiscal year, potential for contributions in the future, and as a component of competitive total compensation based on market data. The Compensation Committee also considers the recommendations of our Chief Executive Officer and the Chief Financial Officer in reviewing and approving the awards to executive officers and employees. Traditionally, our Compensation Committee meets in January or February of each year to determine option awards for our executive officers and key employees.

In fiscal 2013, on July 16, 2013, our Compensation Committee approved the grant of stock options for the purchase, in the aggregate, of 90,000 shares of common stock to our non-employee directors (30,000 each). 25% of the options became exercisable on the first anniversary of the grant date, and 6.25% of the options became or will 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 options have an exercise price of \$1.18 per share (the closing share price on the grant date).

In fiscal 2015, on February 25, 2015, our Compensation Committee approved the grant of stock options for the purchase, in the aggregate, of 90,000 shares of common stock to our non-employee directors (30,000 each). 25% of the options became exercisable on the first anniversary of the grant date, and 6.25% of the options became or will 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 options have an exercise price of \$1.11 per share (the closing share price on the grant date).

Other Compensation and Benefits

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

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity (other than a subsidiary or consolidated affiliate of the Company) that has one or more executive officers serving as a member of our Board or Compensation Committee.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

THE COMPENSATION COMMITTEE

Zhiyong Xia, Chair
Guang Chen
Alice Io Wai Wu

Summary Compensation Table

The following table sets forth information concerning cash or non-cash compensation paid to our named executive officers for 2017, 2016 and 2015, respectively. The compensation to our NEOs contained base salary only for 2015, 2016 and 2017.

Name and Position	Year	Salary	Bonus	Stock Awards	Option Awards	All other compensation	Total
Zhihong Jia Chief Executive Officer	2017	\$ 175,000 ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ 175,000
	2016	\$ 175,000 ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ 175,000
	2015	\$ 175,000 ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ 175,000
Bin Liu Chief Financial Officer	2017	\$ 135,000	\$ —	\$ —	\$ —	\$ —	\$ 135,000
	2016	\$ 135,000	\$ —	\$ —	\$ —	\$ —	\$ 135,000
	2015	\$ 135,000	\$ —	\$ —	\$ —	\$ —	\$ 135,000

(1) Represents the amounts of base salary Mr. Jia was entitled to for his services as our CEO in the respective periods pursuant to his employment agreement with us. The amounts of annual compensation Mr. Jia actually received were substantially lower than the base salary provided in his employment agreement because Mr. Jia voluntarily waived most of his salary amounts in the respective periods.

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 entered into an employment agreement with Zhihong Jia, our chief executive officer, effective October 28, 2016, 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.

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 of the annual options granted 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 employment agreement is for a three (3) year term, and is retroactively effective to April 2, 2013 and was scheduled to terminate on April 2, 2016. Since April 2, 2016, Mr. Liu and the Company have continued to perform under the same terms as the then-effective 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 2017 Fiscal Year End

The following table includes certain information with respect to all equity awards that remain outstanding as of December 31, 2017 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 Unexercised	Number of Securities Underlying Options Unexercised
Zhihong Jia	2011	360,000 ⁽¹⁾	2.59	3/24/2011	3/23/2021	360,000	-
	2012	300,000 ⁽⁴⁾	1.22	1/9/2012	1/9/2022	300,000	-
	2013	-	-	-	-	-	-
	2014	-	-	-	-	-	-
	2015	-	-	-	-	-	-
	2016	-	-	-	-	-	-
	2017	-	-	-	-	-	-
Bin Liu	2011	120,000 ⁽¹⁾	2.59	3/24/2011	3/23/2021	120,000	-
	2011	120,000 ⁽²⁾	2.27	4/1/2011	4/1/2021	120,000	-
	2012	120,000 ⁽³⁾	1.49	4/1/2012	4/1/2022	120,000	-
	2012	110,000 ⁽⁴⁾	1.22	1/9/2012	1/9/2022	110,000	-
	2013	-	-	-	-	-	-
	2014	-	-	-	-	-	-
	2015	-	-	-	-	-	-
	2016	-	-	-	-	-	-
	2017	-	-	-	-	-	-

(1) The option 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. The options 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.

(2) The option 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 as follows: 30,000 options vested every three months following April 1, 2011 until all options have vested.

(3) The option award was granted on April 1, 2012. The options under the award vested as follows: 30,000 options vest every 3 months following April 1, 2012 until all options have vested.

(4) The options under the award vested 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.

Potential Payments upon Termination or Change of Control

We have no compensatory plan with respect to any officer that results or will result in the payment of compensation from the resignation, retirement or any other termination 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, except for severance payments or certain other benefits that may be provided pursuant to the employment agreements with the NEOs. Mr. Jia is entitled, under his employment agreement, to severance payments and certain benefits in the event of termination. Mr. Liu is also entitled to certain payments upon certain terminations of employment pursuant to his employment agreement.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Jia, our CEO:

For 2017, our last completed fiscal year:

- the annual total compensation of the employee identified at median of our company (other than our CEO), was RMB 29,484 (approximately \$4,531.54); and
- the annual total compensation of the CEO for purposes of determining the CEO Pay Ratio was RMB 120,000 (approximately \$18,443.38).

Based on this information, for 2017, the ratio of the annual total compensation of Mr. Jia, our CEO, to the median of the annual total compensation of all employees was estimated to be 4.07 to 1.

We believe this pay ratio is a reasonable estimate calculated based on our payroll and employment records and the methodology described below. Under the SEC rules, companies may identify their median compensated employees and calculate the pay ratios based on different methodologies, certain exclusions and reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratios reported by other companies may not be comparable to the pay ratio we calculated, as other companies may have different employment and compensation practices or may utilize different methodologies, estimates and assumptions in calculating their own pay ratios.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of the "median employee," we used the following methodologies, assumptions and estimates: we determined that, as of December 31, 2017, our employee population consisted of approximately 626 individuals, and we used actual base salary for the 12-month period then ended in identifying the "median employee."

Director Compensation

The following table sets forth a summary of our directors' compensation for fiscal year 2017 except for our employee directors. Mr. Zhihong Jia, our Chairman and Chief Executive Officer, did not receive any compensation for his board service beyond the compensation he received as the CEO of the Company. Mr. Jun Wang received his annual compensation of \$23,118 for his service as our General Manager, while he did not receive any compensation for his board service.

Director Compensation — Fiscal Year 2017

Name	Fees Earned or Paid in Cash	Option Awards	All Other Compensation	Total
	(\$) ⁽¹⁾	(\$) ⁽²⁾	(\$)	(\$)
Guang Chen	-	28,607	-	28,607
Jun Wang	-	-	-	-
Alice Io Wai Wu	48,000	-	-	48,000
Zhiyong Xia	-	-	-	-

(1) Represents the amounts of all fees earned or paid in cash for services as a director in 2017. 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, 2017:

Name	Outstanding Option Awards
Guang Chen	30,000
Jun Wang	-
Alice Io Wai Wu	-
Zhiyong Xia	-

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.

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 12, 2018, 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 66,113,502 shares of our common stock outstanding as of March 12, 2018.

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 12, 2018, or issuable upon conversion of convertible securities which are currently convertible or convertible within 60 days of March 12, 2018, 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	25.5%
Bin Liu ⁽²⁾	830,000	1.3%
Jun Wang	380,103	0.6%
Guang Chen	-	-
Alice Io Wai Wu	-	-
Zhiyong Xia	-	-
All Officers and Directors as a Group (total of six persons)	18,066,046	27.3%
5% Stockholders:		
Famous Grow Holdings Limited ⁽³⁾⁽⁴⁾	15,925,943	24.1%
Ng, Shik Yau ⁽⁵⁾⁽⁶⁾	3,800,000	5.7%

* 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 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.
- (3) Address: ATC Trustees (BVI) Limited, 2nd Floor, Abbott Building Road Tow, Tortola, British Virgin Islands.
- (4) 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.
- (5) Address: Flat A 9/F, 7 Mount Sterling, Mall Meifoo Sun Chuen, Kowloon, and Hong Kong.
- (6) 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, 2017:

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.

During the year ended December 31, 2017 and 2016, the Company received working capital from Mr. Zhihong Jia, he CEO and Chairman of the Company, to pay certain expenses to various service providers on behalf of the Company. Such proceeds are unsecured and payable on demand with no interest. As of December 31, 2017 and 2016, the amount due to this related party was \$2,630,301 and \$7,223,321, respectively.

For the years ended December 31, 2017, 2016 and 2015, Mr. Zhihong Jia, the CEO and Chairman of the Company, together with his wife provided their personal guarantees to various financial institutions to support 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, 2017 and 2016, and fees billed for other services rendered by Friedman during these periods.

Description	2017	2016	2015
Audit fees ⁽¹⁾	\$ 470,314.8	\$ 270,000	\$ 260,000
Audit related fees	-	-	-
Tax fees ⁽²⁾	\$ 23,443	\$ 22,000	\$ 15,255
All other fees	-	-	-
Total	\$ 493,757.8	\$ 292,000	\$ 275,255

(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:

KINGOLD JEWELRY, INC.

Schedule II – Valuation and Qualifying Accounts

December 31, 2017, 2016 and 2015

	Balance at Beginning of Year	Addition Charged to Costs and Expenses	Other Additions (deductions)	Less Deductions	Balance at End of Year
For the year ended December 31, 2017					
Valuation allowance for net operating loss from parent company	\$ 5,698,869	\$ -	\$ 452,833	\$ -	\$ 6,151,702
Valuation allowance for investments in gold	\$ (54,789,485)	-	\$ 58,650,446	\$ -	\$ 3,860,961
For the year ended December 31, 2016					
Valuation allowance for net operating loss from parent company	\$ 5,335,180	\$ -	\$ 363,689	\$ -	\$ 5,698,869
Valuation allowance for investments in gold	\$ -	-	\$ (54,789,485)	\$ -	\$ (54,789,485)
For the year ended December 31, 2015					
Valuation allowance for net operating loss from parent company	\$ 4,732,000	\$ -	\$ 603,180	\$ -	\$ 5,335,180

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).

Exhibit No.	Description
<u>10.3</u>	<u>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 29, 2010).</u>
<u>10.4</u>	<u>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).</u>
<u>10.5</u>	<u>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) (incorporated by reference to Exhibit 10.5 to Annual Report on Form 10-K filed with the Commission on March 29, 2016).</u>
<u>10.6</u>	<u>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) (incorporated by reference to Exhibit 10.6 to Annual Report on Form 10-K filed with the Commission on March 29, 2016).</u>
<u>10.7</u>	<u>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) (incorporated by reference to Exhibit 10.7 to Annual Report on Form 10-K filed with the Commission on March 29, 2016).</u>
<u>10.8</u>	<u>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).</u>
<u>10.9</u>	<u>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).</u>
<u>10.10</u>	<u>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).**</u>
<u>10.11</u>	<u>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).**</u>
<u>10.12</u>	<u>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).</u>
<u>10.13</u>	<u>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).</u>
<u>10.14</u>	<u>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).</u>
<u>10.15</u>	<u>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).**</u>
<u>10.16</u>	<u>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).**</u>
<u>10.17</u>	<u>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).**</u>

Exhibit No.	Description
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	Loan Agreement of Circulating Fund (English translation), dated March 22, 2016, between Wuhan Kingold Jewelry Company Limited and Yantai Huanshan Road Branch of Evergrowing Bank (incorporated by reference to Exhibit 10.16 to our quarterly report on Form 10-Q filed on May 16, 2016).
10.26	Loan Agreement of Circulating Fund (English translation), dated March 22, 2016, between Wuhan Kingold Jewelry Company Limited and Yantai Huanshan Road Branch of Evergrowing Bank (incorporated by reference to Exhibit 10.17 to our quarterly report on Form 10-Q filed on May 16, 2016).
10.27	Loan Agreement of Circulating Fund (English translation), dated March 22, 2016, between Wuhan Kingold Jewelry Company Limited and Yantai Huanshan Road Branch of Evergrowing Bank (incorporated by reference to Exhibit 10.18 to our quarterly report on Form 10-Q filed on May 16, 2016).
10.28	Employment Agreement, dated October 18, 2016, between Kingold Jewelry, Inc. and Zhihong Jia.* **
10.29	Trust Loan Contract (English translation), dated April 26, 2016, between Wuhan Kingold Jewelry Company Limited and National Trust Ltd.*
10.30	Gold Income Right Transfer and Repurchase Agreement (English translation), dated April 28, 2016, between Wuhan Kingold Jewelry Company Limited and Shanghai Aijian Trust Co., Ltd.*

Exhibit No.	Description
10.31	Trust Loan Contract (English translation), dated June 24, 2016, between Wuhan Kingold Jewelry Company Limited and China Minsheng Trust Co., Ltd.***
10.32	Office Building Leasing Contract (English translation), dated June 27, 2016, between Wuhan Kingold Jewelry Company Limited and Wuhan Huayuan Technology Development Limited.*
10.33	Trust Loan Contract (English translation), dated July 11, 2016, between Wuhan Kingold Jewelry Company Limited and National Trust Ltd.*
10.34	Trust Loan Contracts (English translation), dated August 29, 2016, between Wuhan Kingold Jewelry Company Limited and China Construction Investment Trust.*
10.35	Two Trust Loan Contracts (English translation), dated September 7, 2016, between Wuhan Kingold Jewelry Company Limited and Sichuan Trust Ltd.*
10.36	Trust Loan Contracts (English translation), dated September 7, 2016, between Wuhan Kingold Jewelry Company Limited and China Aviation Capital Investment Management (Shenzhen).*
10.37	Entrust Loan Contract (English translation), dated September 30, 2016, between Wuhan Kingold Jewelry Company Limited and Hubei Asset Management Co., Ltd.*
10.38	Trust Loan Contract (English translation), dated October 14, 2016, between Wuhan Kingold Jewelry Company Limited and China Minsheng Trust Co., Ltd.*
10.39	Trust Loan Contract (English translation), dated November 7, 2016, between Wuhan Kingold Jewelry Company Limited and Zheshang Jinhui Trust.***
10.40	Trust Loan Contract (English translation), dated December 23, 2016, between Wuhan Kingold Jewelry Company Limited and Zhongjiang International Trust***
10.41	Gold Lease Agreement (English translation), dated January 3, 2017, between Wuhan Kingold Jewelry Company Limited and Wuhan Shuntianyi Investment Management Ltd.*
10.42	Guarantee Contract (English translation), dated January 11, 2017, between Wuhan Kingold Jewelry Company Limited and Yantai Huangshan Road Branch of Evergrowing Bank for borrowings by Wuhan Kangbo Biotech Limited.***
10.43	Loan Contract (English translation), dated January 13, 2017, between Wuhan Kingold Jewelry Company Limited and Wuhan Kangbo Biotech Limited.***
10.44	Trust Loan Contract (English translation), dated January 25, 2017, between Wuhan Kingold Jewelry Company Limited and China Aviation Trust Ltd.***
10.45	Loan Agreement (English translation), dated February __, 2017, between Wuhan Kingold Jewelry Company Limited and Qixia Branch of Evergrowing Bank.***
10.46	Guarantee Agreement (English translation), dated February 16, 2017, between Wuhan Kingold Jewelry Company Limited and Yantai Huangshan Road Branch of Evergrowing Bank for borrowings by Wuhan Kangbo Biotech Limited.***
10.47	Loan Contract (English translation), dated February 20, 2017, between Wuhan Kingold Jewelry Company Limited and Wuhan Kangbo Biotech Limited.***
10.48	Trust Loan Contract (English translation), dated February 28, 2017, between Wuhan Kingold Jewelry Company Limited and National Trust Ltd.***
10.49	Loan Contract (English translation), dated June 8, 2017, between Wuhan Kingold Jewelry Company Limited and Wuhan Huayuan Technology Development Limited***
10.50	Real Property Lease Agreement (English translation), dated July 1, 2017, between Wuhan Kingold Jewelry Company Limited and Wuhan Huayuan Technology Development Limited***
10.51	Loan Contract (English translation), dated July 28, 2017, between Wuhan Kingold Jewelry Company Limited and Huarong International Trust Co. Ltd.***
10.52	Trust Loan Contract (English translation), dated September __, 2017, between Wuhan Kingold Jewelry Company Limited and Chang'An International Trust Co., Ltd.***
10.53	Trust Loan Contract (English translation), dated December 1, 2017, between Wuhan Kingold Jewelry Company Limited and Zheshang Jinhui Trust Co., Ltd. (incorporated by reference to Exhibit 10.1 to our Current Report filed on Form 8-K with the Commission on December 15, 2017).
10.54	Trust Loan Contract (English translation), dated December 26, 2017, 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 January 10, 2018).
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.*
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 May 10, 2017 titled "Kingold Jewelry Reports 2017 First Quarter Financial Results" (incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K filed with the Commission on May 10, 2017).
99.2	Press release dated November 9, 2017 titled "Kingold Jewelry Reports 2017 Third Quarter Financial Results and Nine Months Ended September 30, 2017" (incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K filed with the Commission on November 9, 2017).

Exhibit No.	Description
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

*** To be included in Form 10-K/A

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 15, 2018

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 15, 2018
<u>/s/ Bin Liu</u> Bin Liu	Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2018
<u>/s/ Jun Wang</u> Jun Wang	Director	March 15, 2018
<u>/s/ Zhiyong Xia</u> Zhiyong Xia	Director	March 15, 2018
<u>/s/ Guang Chen</u> Guang Chen	Director	March 15, 2018
<u>/s/ Alice Io Wai Wu</u> Alice Io Wai Wu	Director	March 15, 2018

AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of October 18, 2016 by and between Kingold Jewelry, Inc. (the "Company"), the parent company of Wuhan Kingold Jewelry Co., Ltd. ("Wuhan Kingold"), and Zhihong Jia (the "Executive") (collectively the "Parties"; individually a "Party").

" " " " " " " " " " 2016 10 18

WHEREAS, the Company desires to employ the Executive, and the Executive desires to be employed by the Company, as Chief Executive Officer;

WHEREAS, Executive has extensive knowledge and a unique understanding of the Business and has longstanding business relationships with many clients and other business associates that will be of value and service to the Company; and

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Term of Employment. This Agreement shall become effective on October 28, 2016. The term of employment shall be three years, unless this Agreement is terminated prior to the expiration of such three-year period (the "Term").

1. ___ 2016 10 28 " "

2. Position and Duties. The Executive shall render services to the Company and its subsidiaries, including Wuhan Kingold, in the position of chief executive officer and perform all services appropriate to that position as well as other services as may reasonably be assigned by the Company. The Executive's principal place of employment shall be in Wuhan, located in the Hubei Province, within the PRC or any other place as agreed by the Parties from time to time. The Executive shall devote most of his working time, attention and skill to the discharge of his duties of his office and shall faithfully and diligently perform such duties and exercise such powers as may from time to time be assigned to or vested in him, and shall observe and comply with all resolutions and directions from time to time made or given by the Board of Directors of the Company (the "Board"). The Executive shall at all times keep the Board promptly and fully informed of his conduct relating to material matters, decisions and transactions affecting or involving the Company or any of its subsidiaries or controlled affiliates (collectively, the "Group" and each a "Group Company") and provide such explanations as may reasonably be required. Insofar as the internal rules and regulations of the Group or the Group Companies are applicable to the Executive, the Executive undertakes to abide by such rules and regulations.

2 . _____
" " " "

" "

3. Remuneration and Benefits. Subject to the Company's policies and practices, during the Term, the Executive shall be entitled to the following remuneration and benefits (on a cumulative basis):

3. _____

a. Base Salary. The Company shall pay the Executive a base salary of U.S. \$175,000 per year (the "Annual Base Salary" or "Base Salary") or U.S. \$14,584 per month (the "Monthly Salary"), less all applicable withholdings and deductions, for his employment with the Company, subject to (a) a reasonable annual adjustment (determined by the Board) to reflect increases in the cost of living due to inflation; and (b) an additional adjustment as agreed by the Company and the Executive, if the workload of the Executive substantially increases due to the business expansion of the Group. The Base Salary of the Executive will also be correspondingly adjusted if the salary of all the other employees of the Group Companies is adjusted in accordance with the then effective payroll policies of the Group Companies. The Base Salary shall be paid by the Company in accordance with the Company's regularly established payroll practices applicable to all Company employees.

a. ___ 17.5 “ ” “ ” 1.4584 “ ” (a) b

b . Benefits. The Executive shall be eligible to participate in the benefits generally made available by the Company to its executives in accordance with the benefit plans established by the Company, as the same may be amended from time to time in the Company's sole discretion.

b. ___

c . Bonus. The Company may pay the Executive an annual bonus, less all applicable withholdings and deductions (“ Annual Bonus”) in accordance with any executive annual bonus plans of the Company. Such Annual Bonus shall be determined by the Company in its sole discretion and approved by the Board, and shall be based on the Executive's performance and the Company's financial performance in the relevant financial year.

c. ___ “ ”

d. Equity Incentives. The Executive may be granted share options or other equity incentives as determined by the Company and approved by the Board. For the avoidance of doubt, the Executive shall be responsible for, and shall not be entitled to any claims against the Company for, any taxes arising from any grants or awards of any share options or other equity incentives (including the exercise of any share options).

d. ___

e . Holidays. The Executive shall be eligible for the holiday benefits generally made available by the Company to its executives in accordance with the holiday policies of the Company, as the same may be amended from time to time in the Company's sole discretion.

e. ___

f. Insurance. The Company shall pay for life insurance and medical insurance policies with an internationally recognized insurance provider (or such other insurance provider as agreed between the Parties) for the benefit of the Executive, provided that (a) the annual premium of all such insurance policies in any one year shall be no more than Renminbi ("RMB") 20,000 in the aggregate; (b) the beneficiaries under the life insurance policy shall be designated by the Executive; (c) the other terms of the insurance policies (including, but not limited to, the type of policy and coverage) shall be reasonably satisfactory to the Executive and (d) the Executive satisfies the eligibility requirements of such policies.

f. ___ (a) 2 (b) (c) (d)

g. Expenses. The Company shall reimburse the Executive for reasonable and necessary business expenses incurred by the Executive in connection with the performance of the Executive's duties and obligations as set forth herein during the Term; *provided* the Executive shall provide reasonable supporting documentation with respect to such expenses, if requested.

g. —

h. Indemnification. Subject to the advice of an appropriate human resource adviser engaged by the Company to ascertain the scope of such indemnity, the Company shall fully indemnify the Executive for any losses incurred in his capacity as a director and/or officer of any of the Group Companies, if the Company's director and officer liability insurance is inadequate to cover such losses; *provided* the Company shall not be responsible for any losses caused by or attributable to the Employee's gross negligence or willful default.

Unless otherwise indicated herein and as agreed by the Parties and to the extent permitted by the governing law (as described in Section 7(e) below), all of the foregoing remuneration and benefits shall be paid to such account in RMB or any other currency as designated by the Executive. Unless otherwise agreed by the Parties in writing, any conversion from United States Dollars to RMB and vice versa shall be effected at the exchange rate published by the People's Bank of China for the relevant period or date (as the case may be).

h. _____ /

7(e)

4. Amendment, Termination and Discharge of this Agreement.

4. _____

a. Amendment to and Termination of the Agreement. This Agreement may not be modified, amended, renewed or terminated except by an instrument in writing, signed by the Executive and the Company.

a. _____

b. Discharge of the Agreement.

b. _____

(i) By Death. This Agreement shall be discharged automatically upon the Executive's death. In such event, the Company shall pay to the Executive's beneficiaries or estate (as the case may be) an amount equal to twenty-four (24) months of the Executive's Monthly Salary, plus the full amount of any compensation then due and payable under Section 3 hereof to which the Executive is entitled as of the date of termination.

(i) _____ 24 3

(ii) By Disability. If (i) the Executive becomes eligible for the Company's long-term disability benefits or (ii) the Executive is unable to carry out the responsibilities and functions of the position held by the Executive by reason of any physical or mental impairment, for a period of more than ninety (90) consecutive days or more than one hundred twenty (120) days in any consecutive twelve-month period, then, to the extent permitted by law, the Company may terminate the Executive's employment. In the event that the Company terminates the Executive's employment on grounds of disability, the Company shall pay to the Executive an amount equal to eighteen (18) months of the Monthly Salary, plus the full amount of any compensation then due and payable under Section 3 hereof to which the Executive is entitled as of the date of termination and thereafter (subject to Section 7(f)) all obligations of the Company under this Agreement shall cease. Nothing in this section shall affect the Executive's rights under any disability plan implemented by the Company in which the Executive is a participant, if any.

c . Early Termination by the Company. The Company may dismiss the Executive for Cause (as hereinafter defined) at any time or by serving the Executive three (3) months' prior written notice. During such notice period, the Executive shall continue to diligently perform all of the Executive's duties hereunder. In the event of dismissal without Cause, the Executive will be eligible to receive an amount equal to the Monthly Salary multiplied by (M + 12), where M shall mean the number of years Executive has been employed by the Company pursuant to this Agreement, payable in full immediately following the receipt by the Executive of such written notice. For the for purposes of this Agreement, Cause shall include: (i) the conviction of a felony or any crime involving moral turpitude, fraud or misrepresentation, (ii) the continued failure by Executive to substantially perform his duties to the Company after receipt of written notice from the Company specifying any action or inaction by Executive which is deemed by the Company to constitute a failure to perform his duties hereunder with suggestions, where feasible, as to how Executive may remedy such failure, and Executive has failed to correct the unsatisfactory performance within fifteen (15) days of such notice, (iii) Executive's gross negligence or willful misconduct which is materially injurious to the Company, monetarily or otherwise, (iv) proven dishonesty by Executive adversely affecting the Company as determined by the Board, and (v) any material breach by Executive of the Company's then current policies with written notice thereof which has not been cured with 30 days of such notice where such breach is not one subject to immediate termination under the Company's policies, or of the covenants contained in Section 5 of this Agreement. For purposes of this paragraph, no act or failure to act on Executive's part shall be considered "willful" unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that his action or omission was in the best interest of the Company. If at any time the Company shall determine that Executive has engaged in one or more activities constituting "Cause" for termination hereunder, Executive's employment shall be terminated for Cause.

(1) c. _____ " " 3 (M+12) M
30 (ii) 5 (iv) (v)

d. Early Termination by the Executive.

d. _____

(i) Termination by Executive for Good Reason. If the Executive selects to terminate his employment for Good Reason (as hereinafter defined), the Executive will be eligible to receive an amount equal to the Monthly Salary multiplied by (M + 12), where M shall mean the number of years the Executive has been employed by the Company pursuant to this Agreement, payable in full immediately following the Company's receipt of such termination notice. No Annual Bonus shall be payable upon such termination. Thereafter (subject to Section 7(f)) all obligations of the Company under this Agreement shall cease. For the purpose of this Agreement, "Good Reason" shall mean any of the following events if (i) the event is effected by the Company without the consent of the Executive and (ii) such event is not rectified within twenty (20) days by the Company to the Executive's reasonable satisfaction:

(i) _____ (M+12) M 7 f
i ii

(1) a significant change in the Executive's position with the Company or a change to his duties or responsibilities which materially reduces the Executive's level of responsibility; or

(1)

(2) the Company fails to perform this Agreement or violates the relevant labor laws applicable to the Company's business, regulations or infringes upon any of the Executive's rights or interests; or

(2)

(3) the imposition by the Board on Executive of any action or responsibility involving the commission of (i) a felony, (ii) criminal dishonesty, (iii) any crime involving moral turpitude or (iv) fraud; or

(3) (i) (ii) (iii) (iv)

(4) any action by the Board requiring Executive to breach Executive's obligations and responsibilities under this Agreement; or

(4)

(5) any action of the Board constituting a constructive discharge or an unreasonable interference with Executive's ability to fulfill Executive's obligations under this Agreement; or

(5)

(6) a Change of Control of the Company (for purposes of this Agreement, a "Change of Control of the Company" shall mean (a) the sale of all or substantially all of the assets of the Company in a transaction or series of transactions, (b) any transaction or series of transactions in which an unaffiliated third party acquires all or substantially all the issued and outstanding capital stock of the Company, or (c) any merger, consolidation or reorganization to which the Company is a party, except for a merger, consolidation or reorganization in which, after giving effect to such merger, consolidation or reorganization, the stockholders holding a majority of the outstanding voting power of the Company immediately prior to the merger, consolidation or reorganization of the Company have at least a majority of the outstanding voting power of the surviving entity after the merger, consolidation or reorganization.

(6) _____ (a) (b) (c)

(i) Termination other than for Good Reason. The Executive may terminate employment with the Company at any time for any reason other than Good Reason or for no reason at all, upon three (3) months' advance written notice. Upon a termination other than for Good Reason, the Executive shall be entitled to a contribution bonus ("Contribution Bonus"). The distribution of such Contribution Bonus and its amount shall be determined by the Company and approved by the Board; *provided* that the Contribution Bonus shall not exceed an amount equal to the Monthly Salary multiplied by (M + 10), where M is the number of years the Executive has been employed by the Company pursuant to the Agreement. No Annual Bonus shall be payable upon such termination. During such notice period the Executive shall continue to diligently perform all of the Executive's duties hereunder. The Company shall have the option, in its sole discretion, to make the Executive's termination effective at any time prior to the end of such notice period as long as the Company pays the Executive all compensation under Section 3 hereof to which the Executive is entitled through the last day of the three (3) month notice period.

(ii) _____ " " M+10 M

(iii) Termination Obligations. The Executive agrees that on or before termination of employment, he will promptly return to the Company all documents and materials of any nature (including any materials in electronic form) pertaining to his work with the Company, including all originals and copies of all or any part of any Confidential Information along with any and all equipment and other tangible and intangible property of the Company. The Executive agrees not to retain any documents or materials or copies thereof containing any Confidential Information.

(iii) _____

e. If this Agreement expires in accordance with its term without earlier termination or extension, the Executive will be eligible to receive an amount equal to the Monthly Salary multiplied by twelve (12) as determined by the Board in its sole discretion.

e. 12

f. Any payments made by the Company pursuant to Section 3 or Section 4 of this Agreement shall be net of all applicable withholdings and deductions.

f. 3 4

5. Confidentiality; Non-Compete; Non-Solicitation; No Conflict; Non- Disparagement.

5. _____

a . Confidentiality Obligation. The Executive hereby agrees at all times during the term of his employment and after termination, to hold in the strictest confidence, and not to use, except for the benefit of the Group, or to disclose to any person, corporation or other entity without written consent of the Company, any Confidential Information. The Executive understands that "Confidential Information" means any proprietary or confidential information of the Group, its affiliates, their clients, customers or partners, and the Group's licensors, including, without limitation: technical data, trade secrets, research and development information, product plans, services, customer lists and customers (including, but not limited to, customers of the Group on whom the Executive called or with whom the Executive became acquainted during the term of his employment), supplier lists and suppliers, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, personnel information, marketing, finances, information about the clients, customers, suppliers, joint ventures, licensors, licensees, distributors and other persons with whom the Group does business, information regarding the skills and compensation of other employees of the Group or other business information disclosed to the Executive by or obtained by the Executive from the Group, its affiliates, or their clients, customers, suppliers or partners either directly or indirectly in writing, orally or by drawings or observation of parts or equipment. Notwithstanding the foregoing, Confidential Information shall not include information that is common knowledge or that the Executive demonstrates was or became generally available to the public other than as a result of a disclosure by the Executive.

a . _____

b. Non-Compete and Non-Solicitation. In consideration of the termination compensation payable to the Executive under Section 4, the Executive irrevocably and unconditionally agrees with and undertakes to the Company that, he will not (i) during his term of employment with the Company take up any executive position in any company other than the Group Companies and will commit most of his efforts towards the development of the business and operations of the Group, except as currently contemplated or approved by the Board, and (ii) for a period of twelve (12) months (or less than twelve (12) months if agreed by the Board) after he ceases to be employed by any Group Company (collectively the "Non-Compete Period"):

b. _____ 4 (i) (ii)
" "

(i) either on his own account or in conjunction with or on behalf of any person, firm or company carry on or be employed, engaged, concerned, provide technical expertise or be interested directly or indirectly in, any business, whether as shareholder, director, executive, partner, agent or otherwise, that is, in the opinion of the Company in competition (whether directly or indirectly) with any business carried on or proposed to be carried on by the Group from time to time;

(i)

(ii) either on his own account or in conjunction with or on behalf of any other person, firm or company, solicit or entice away or attempt to solicit or entice away from the Group from time to time, the customer of any person, firm, company or organization who shall at any time have been a customer, client, agent or correspondent of the Group or in the habit of dealing with the Group; or

(ii)

(iii) either on his own account or in conjunction with or on behalf of any other person, firm or company, solicit or entice away or attempt to solicit or entice away from the Group from time to time, any person who is an officer, manager or executive of the Group whether or not such person would commit a breach of his contract of or employment by reason of leaving such employment.

(iii)

(iv) The Executive shall be entitled to monthly compensation in consideration of fulfilling the obligation under this Section, in an amount equal to the Monthly Salary, for the period of the Non-compete Period.

(iv)

If the Executive fails to discharge his obligations under this Section 5 at any time during the Non-compete Period, in addition to any and all legal remedies that the Company is entitled to under the applicable law, the Executive shall return to the Company such proportion of the compensation payable to the Executive upon the termination of his employment pursuant to Section 4 of this Agreement corresponding to the portion of the Non-compete Period during which the Executive has failed to discharge his non-compete obligation.

5

4

c. No Conflict. The Executive represents and warrants that the Executive's execution of this Agreement, his employment with the Company, and the performance of his proposed duties under this Agreement shall not violate any obligations he may have to any former employer or other party, including any obligations with respect to proprietary or confidential information or intellectual property rights of such party.

c. ____

d. Provisions reasonable for protection of legitimate interest. The Parties agree that the restrictions in Sections 5(a) and 5(b) are considered to be reasonable in all circumstances. Notwithstanding the foregoing, it is agreed between the Parties that if any one or more of such restrictions shall, either by itself or together with other restrictions, be adjudged to go beyond what is reasonable in all the circumstances for the protection of the legitimate interest of any Group Company from time to time, but would be adjudged reasonable if any particular restriction or restrictions were deleted or if any part or parts of the wording thereof were deleted, restricted or limited in any particular manner then the restrictions shall apply with such deletions, restrictions or limitations, as the case may be.

d . _____ 5(a) (b)

e. Non-Disparagement. Following the date hereof, the Executive shall not, directly or indirectly, in person or through an agent or intermediary, disparage or make negative, derogatory or defamatory statements about the Company and any of its officers, directors employees or stockholders or their respective business activities or the business activities of any of their affiliates or their respective officers, directors, managers, employees or stockholders to any other person or entity, whether true or not.

e.

6. Intellectual Property

6. ____

The Executive further agrees with and undertakes to the Company that:

a. he will not divulge, use (other than for the purpose and benefit of the Group) or infringe the trade marks, logos, inventions, know-how, technology, proprietary information and other intellectual property rights of the Group Companies; and

a

b. all trade marks, logos, inventions, know-how, technology, proprietary information and other intellectual property rights developed, acquired or filed by the Executives in the course of his work or employment shall belong solely to the Group Company. The Executive agrees he will, upon demand by the Company, execute any documents reasonably necessary to transfer any such intellectual property rights to the Company.

b.

7. General Provisions

7. —

a. Effectiveness. This Agreement shall come into effect when it is signed by the Parties.

a. —

b. Entire Agreement. This Agreement, including the exhibits attached hereto (if any), constitutes the full and complete understanding of the Parties hereto and supersedes any previous agreements between the Executive and any Group Company.

b. —

c. Continuing Obligations. The obligations in this Agreement will continue in the event that the Executive is hired, renders services to or for the benefit of or is otherwise retained at any time by any present or future Affiliates of the Company. Any reference to the Company in this Agreement will include such Affiliates. Upon the expiration or termination for any reason whatsoever of this Agreement, the Executive shall forthwith resign from any employment of office with the Company and all Affiliates of the Company unless the Board requests otherwise. In this Agreement, "Affiliate" shall mean (a) in relation to any individual, the immediate family of such individual or any entity controlled by the individual, where "control" shall mean the power to direct the management and policies or appoint or remove members of the board of directors or other governing body of the entity, directly or indirectly, whether through the ownership of voting securities, contract or otherwise, and "controlled" shall be construed accordingly; (b) in relation to any legal person, a company which is for the time being a holding company of such legal person, or a subsidiary or controlled affiliate of such legal person or of such holding company.

c ____

(b)

(a)

d. Releases. In consideration for any compensation and other benefits provided for in accordance with Section 4 hereof, the adequacy of which is hereby acknowledged, Executive, for and on behalf of himself and each of his heirs, executors, administrators, personal representatives, successors and assigns, to the maximum extent permitted by law, hereby covenants never to sue and fully and forever releases, acquits and discharges the Company, together with its subsidiaries, parents and affiliates and each of its past and present direct and indirect stockholders, directors, members, partners, officers, employees, attorneys, agents and representatives, and their heirs, executors, administrators, personal representatives, successors and assigns (collectively, the "Releasees"), from all rights and liabilities up to and including the date of this Agreement to the expiration thereof arising under or relating to Executive's employment with the Company, Executive's application for and employment with the Company, Executive's service as an employee of the Company or any of the Releasees, the termination of employment, and from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of actions, suits, rights, demands, costs, losses, debts and expenses of any nature whatsoever, known or unknown, suspected or unsuspected and any claims of wrongful discharge, breach of contract, implied contract, promissory estoppel, defamation, slander, libel, tortious conduct, interference with contract or business relations, intentional or negligent infliction of emotional distress, sexual harassment, negligence, employment discrimination or claims under any federal, state or local employment statute, law, order or ordinance, including without limitation any rights or claims arising under any national, state or municipal ordinance in China relating to discrimination in employment, or any applicable statutory or common laws relating to the terms, conditions or termination of employment, discrimination in employment, or contract- or tort-based claims in connection therewith.

d . ____

“ ”

e . Governing Law and Dispute Resolution. The execution, validity, interpretation and performance of and resolution of disputes under this Agreement shall be governed by and construed in accordance with the officially published and publicly available laws of the State of New York. When the officially published and publicly available laws of the State of New York do not apply to any particular matter, international legal principles and practices shall apply (including available laws of the PRC).

Any disputes or claims relating to this Agreement or the interpretation, breach, termination or validity hereof shall be resolved through friendly consultations, commencing upon written notice given by one Party to the other Party of the existence of such a claim or dispute. If the dispute or claim cannot be resolved after thirty (30) days of such notice, either Party may request arbitration by a labor dispute arbitration committee established in accordance with Section (h) below. If either Party disagrees with the arbitral award of the labor dispute arbitration committee, such Party may institute legal proceedings with the authorized court within 15 days after notification of the arbitral award

e. _____

f. Assignability. The terms of this Agreement will remain in effect and shall be binding upon any successor in interest including any entity with which the Company may merge or consolidate or to which all or substantially all of its assets may be transferred. A reference to the Company shall include its successors. Except as set forth in the preceding sentence, this Agreement may not be assigned by a Party to any third party, without the prior consent of the other Party.

f. ____

g. Survival. The Parties' obligations under Sections 5 and 6 hereof shall survive and continue in effect after the termination of this Agreement, whatever the reason for such termination.

g. ____ 5 6

h. Dispute Resolution. All disputes arising out of or in connection with this Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one (1) arbitrator appointed in accordance with the said Rules. The place of arbitration shall be London, England. The language of the arbitral proceedings shall be English (and translated to Mandarin, if possible). The award shall be rendered within nine (9) months of the appointment of the arbitrator, unless the arbitrator determines that the interest of justice requires that such limit be extended. Judgment upon any award(s) rendered by the arbitrator may be entered in any court having jurisdiction thereof. Nothing in this Agreement shall prevent either party from seeking provisional measures from any court of competent jurisdiction, and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate. The fees payable to the ICC (including arbitrator fees and costs but excluding any filing fee payable by a Party commencing the arbitration) shall be borne equally by the Parties; *provided, however*, that the Company shall pay, and the Executive shall not be responsible for, any such fees payable to the ICC that exceed €30,000. The Company and the Executive acknowledge that attorneys fees shall be payable by the Party incurring such attorneys fees and any filing fees payable in connection with commencing any arbitration proceeding shall be payable by the Party commencing such arbitration proceeding, and no such attorneys fees and filing fees shall be counted toward the forgoing €30,000 cap.

h. _____

3

9

3

i. Notices.

i. _____

Notices under this Agreement shall be given in writing to the relevant Party at the address stated herein (or to such other address as it shall have notified the other Party previously in writing).

to the Company at:

Kingold Jewelry, Inc
15 Huangpu Science and Technology Park Jiang'an District
Wuhan, Hubei Province, PRC 430023 Attention: General Manager

15

430023

to the Executive at: Zhihong Jia
No. 40-1 Laodong St. Jiang'an District Wuhan, China

40-1

j. Language and Copies of the Agreement. This Agreement shall be executed in Chinese and English in two (2) original copies. The English version shall prevail in case of conflict. Each Party shall receive one (1) original copy, all of which shall be equally valid and enforceable.

j. _____

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK AND SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has hereunto caused this Agreement to be executed as of the day and year first above written.

兹证明，本协议将于约首所载之日期签署。

KINGOLD JEWELRY, INC.

金凰珠宝股份公司

By: 

Name: Jun Wang

姓名: 王俊

Title: General Manager

职务: 总经理

EXECUTIVE

执行官

By: 

Zhihong Jia

贾志宏

Fenghui No. 1 single trust fund

Contract of trust loans

NO: NT 16-020-013-002

National Trust Ltd;

Month 2016 Year

Contract of trust loans

Lender (Party A): National Trust Ltd

Address: No. 1, No. 18 in Anwai Binhe West Road, Dongcheng District, Beijing city

Zip code: 100011

Legal representative: Xiaoyang Yang

Fax: 010-84268000

Tel: 010-84268088

The borrower (Party B): Wuhan Kingold Jewelry Co., Ltd.

Address: No. 15, Huangpu Science and Technology Park, Jiang an District, Wuhan City

Zip code: 430023

Legal representative: Zhihong Jia

Fax: 027-65694977

Tel: 027-65694977

Herein:

- I Party A according to the establishment of the National Trust - Fenghui No. 1 single trust fund (hereinafter referred to as "the trust or the trust scheme") in the trust documents agreed, in accordance with the wishes of the trustee of the trust, entrust by the trust funds to the lender's name Trust loans to Party B (hereinafter referred to as "trust loan" or "loan").

- II Terms that do not make a specific interpretation under this contract shall perform in accordance with the definition and meaning of the trust contract (No. NT 16-020-013-001) in accordance with the trust.
- III In accordance with the relevant laws and regulations, the two parties concluded this contract through consultation to comply with the implementation together.

Article 1 The contents of the loan

1.1 Amount of Loan

The contract under the loan amount is not more than RMB [500,000,000.00], Capital: RMB [Five hundred million]yuan as a whole. Agreed by the two parties, the contract under the loan funding for lenders to manage the trust under the trust fund.

1.2 Terms of Loan

(1) The term of the loan under this contract is the following ①:

①The term of the loan is [12] months, from the date, month year to date month year. The loan period from the date of payment, unless the agreement in accordance with the agreement, the Party B shall not make the repayment in advance;

②The loan period is [] amonth, the surrender period of loans to the date of payment of the first phase of the loan which is reach to [] month is the corresponding days; the first phase of the loan payment is the corresponding date for each period of the maturity date of the loan;

③Loan period for the surrender of the loan period is corresponding with the date of final issue of the loan which is full [] months, and the last issue of the loan is full [] months with the corresponding date for the loan maturity date;

④Loan installment payment, each installment of the loan for a period of [] months, since the loans to the loans granted full [] months corresponding, and the period of the loans issued full [] months corresponding, expiry date for the loan;

(2) he principle of the loan shall not be extended under the contract. If the lender and borrower through consultation is loan extension conditions agreed, agree to roll over loans should be separately signed the contract in a supplemental agreement to be agreed by the parties, the extended deadline for a year.

(3) loan, Party B shall fill in borrowing IOU, the specific amount of the loan, is zoned shall date and the date of repayment to borrowing IOU recorded content.

1.3 Interest rate of loan

The calculation of interest under this contract shall be subject to the provisions of article third of this contract.

1.4 Purpose of loan

1.4.1 The purpose of the loan under this contract is the following (2) :

(1) all trust loans under the contract are used in the construction of the project;

(2) to provide liquidity loans to Party B.

1.4.2 Without the written consent of the lender, the borrower shall not arbitrarily change the use of the loans, including but not limited to, Party B shall be under the contract of loan funds for fixed assets or equity investment and national policy restrictions, and shall not use the loans for shares and Futures

Investment, such as financial derivatives, and shall not be used for the production and operation of the state to prohibit the use of the field.

Article 2 Release of loan

2.1 in addition to Party A in written form agreed **to** give up all or part of the conditions of the provisions of this article, when and only when the following terms of loan, continue to meet and the client issued "loan notice, Party A shall not be obligated to Party B Loan:

2.1.1 Party B has made the relevant laws and regulations and the articles of association of the company to obtain the right to agree with the effective resolution of this loan;

1.1.2 this contract has been signed and entered into force, and Party B has not been in breach of this contract;

2.1.3 this trust has entered into force;

2.1.4 Party B to provide Party A irrevocable "borrowing IOU";

2.1.5 Party B has submitted to Party A all the information requested by Party A, and the information is as follows:

- (1) Party B shall submit a copy of the business license of the enterprise legal person (a copy) with the official seal of the company;
- (2) Party B shall submit to Party A the current and effective regulations (copies) of Party B with the official seal;
- (3) Party B shall submit to Party A the legal representative ID card (photocopy) with the official seal;
- (4) Party B shall submit the annual financial audit report and the financial statements (copies) within the last three months of the year by the party A;

(5) Party B shall submit to Party A the right to approve the loan, the effective resolution or document of this loan;

(6) the relevant materials required by the other Party A to provide loans;

2.1.6 Borrower [Wuhan Kingod Co., Ltd. on its loans to the trust provides pledge, mortgage security matters issued by the internal corporation has the right to the examination and approval authority pledge collateral matters of legitimate and effective resolution, and signed by Party A. the NT support word 16-020-013-003 the pledge contract "and NT support word 16-020-013-004" mortgage contract "has been in force and completed the mortgage registration;

2.1.7 Assurance in Wuhan show only Jewelry Co., Ltd., Jia Zhihong (ID number: 420102196111133118) has been on its loans to the trust provides joint and several liability assurance of security matters and signed with the Party of the first part of the NT support word 16-020-013-005 "guarantee contract" and NT support word 16-020-013-006 "guarantee contract" has been in force;

2.1.8 Client to obtain the insurance policy in accordance with the requirements;

2.1.9 The borrower will pledge deposit to the client specified by the client and safe, the insurance company to complete the pledge to keep.

2.1.10 The commitments made by Party B in the eleventh items of this contract are true and valid;

2.1.11 Party B has opened the RMB loan account for the trust loan in Article 2.5 of this contract;

2.1.12 Party B agrees to subscribe to the trust industry security fund in accordance with the requirements of Party A, and the trust agreement signed by Party A has entered into force;

2.1.13 Does not appear any modification or issue of laws and regulations, regulatory authorities put forward new regulatory requirements and other reasons, Party A can not issue a loan under this contract or to achieve the purpose of the contract

2.2 Loans under this contract shall be issued by Party A in accordance with the following first 1) :

1) Party A should be in after the establishment of the provisions of paragraph 2.1 of all lending conditions [5] a working days will be capital loans divided into two assigned to Party B for receiving loan trust loan account (hereinafter referred to as the "loan account, see Section 2.5), first loan payment of RMB [Twenty million] yuan (RMB 20000000.

2) Party A shall in all the loan conditions prescribed in paragraph 2.1 of this article established and continue to meet the established state, and Party B has initial interest on the loan in full payment to the trust property accounts, and to the party to provide the loan period can not be revoked of the borrowing IOU "[5] a working days will be the second phase of the loan funds RMB [Four hundred and eighty million] yuan whole (RMB 480000000) included the Party B loan account.

2.3 If the paragraph 2.2 choice 1) issued by the way loan payment date: for loan funds actually included in the account of Party B's loans, and principle of loan funds actually included in the recorded on the Party B loan account, and borrowing IOU's designated section, should be the same day, such as inconsistent, loans issued on borrowing IOU recorded in the designated section on the subject. Loan from the date of this contract is the date of payment of the loan.

Such as this paragraph 2.2 select the 2) issued, the loan payment date: under this contract the trust loan payment date for the loan funds actually included in the borrower's loan account, and in principle the loan funds actually assigned to the Party B loan account, and the corresponding borrow IOU recorded the loans designated section, should be for the same day, such as inconsistent, the period of the loans issued to borrowing IOU records of the loan period designated section on the date of. The date of issuance of loans for each period of the trust and loan.

2.4 A loan by loan account shall be transferred to Party B, Party A is deemed to have loan, Party B has promised to borrow.

2.5 Under this contract, Party B receives the loan account information of trust loans as follows:

Opening Bank: branch of the China Construction Bank, road 4 branch of Lake

Account Name: Wuhan Kingold jewelry Limited by Share Ltd

Account No: 42050110242500000003

2.6 Party B shall, in accordance with the agreement or by Party A written approval of the consent of the use of paragraph (or application) drawing, unless the lender agreed in writing, the borrower may not advance, postpone or cancel the withdrawal. During the loan period, without the written consent of Party A, Party B shall not cancel the loan account.

Article 3 Interest of loan

3.1 Party B shall, in accordance with the agreement or by Party A written approval of the consent of the use of paragraph (or application) drawing, unless the lender agreed in writing, the borrower may not advance, postpone or cancel the withdrawal. During the loan period, without the written consent of Party A, Party B shall not cancel the loan account:

(1) Loan interest by the party since the day of interest paid once every 6 months from the date of, interest settlement date for interest, each over six months of the date and the corresponding loan maturity, interest, interest settlement date, if the above term interest payment date is not a business day, postponed to the next working day. Loan maturity should be cleared with the amount and interest of the loan

Each interest calculation way: each interest payment date payable interest = σ (daily loan duration of the principal amount \times $[\]\%/360$. "Sigma" during the calculation for node on a daily interest (inclusive) to the interest settlement date (not included), at the end of a calculation period for adjacent a bear interest (including) loans to maturity, (not included).

(2) Corresponding to its specific respectively under the terms of the contract the trust loan interest, loan interest, $[\]$ working days to pay the loan principal amount $[\]$ as a percent of the loans of the first interest, the downpayment loan interest payment amount = $[\]$; the period of the loan, interest rates by Party B in accordance with every three months / months / 12 months) to pay the loan interest, respectively, for the period of loan interest as of the date of each full (3 months / months / 12 months), and the loan maturity, interest on interest settlement date, the maturity of the loan when Lee with the clear, if the above term interest payment date for non working days, will be postponed to the next working day.

Corresponding to its specific respectively under the terms of the contract the trust loan interest, loan interest, $[\]$ working days to pay the loan principal amount $[\]$ as a percent of the loans of the first interest, the downpayment loan interest payment amount = $[\]$; the period of the loan, interest rates by Party B in accordance with every three months / months / 12 months) to pay the loan interest, respectively, for the period of loan interest as of the date of each full (3 months / months / 12 months), and the loan maturity, interest on interest settlement date, the maturity of the loan when Lee with the clear, if the above term interest payment date for non working days, will be postponed to the next working day.

(3) Loan interest by Party B in accordance with the quarter payment, the interest, the last month of each quarter [], (that is, [] days and months [] days and months [] days and months []), and the maturity of the loan, interest, interest settlement date, where the interest from the date of the first naturally quarter at the end of the month [] days for the first bear interest, if the above term interest payment date is not a business day, will be postponed to next work;

Each interest payment date payable interest = (daily loan duration of the principal amount x []%/360. "Sigma" during the calculation for node on a daily interest (inclusive) to the interest settlement date (not included), one of the first calculation period for daily interest (inclusive) to adjacent the first node daily interest (not included); at the end of a calculation period for adjacent a bear interest (including) loans to maturity (not included) or loans repaid after the day (not included), sigma.

(4) Natural specific interest as the date of the period of the loans interest from [/] a working days to pay the loan principal amount of [/% of the loan period of the first, the loan period of the first interest payment amount = []; the rest of the loan loan interest by Party B according to the natural quarterly payments, interest settlement date for each calendar quarter at the end of the month [/], (i.e. March [] on June [] on September [] on December []), and the term loan maturities, interest on interest settlement date, interest, where the first quarter at the end of the month [], for the remaining loan interest of the first node information, and if the above term interest payment date for non working days, will be postponed to the next working day;

Or a first (including interest, "the existence of the downpayment loan interest beyond the calculation of interest on the way: each period for each loan interest, interest payable = σ (the day loans loan principal amount \times $[\]\%/360$ the loan σ calculation period for the loans on a node to the node information day (not including) the first calculation period for the period of loan interest, (including) to the adjacent node information day (not included). At the end of a calculation period for the neighboring node information day (inclusive) to the period of the loan maturity date (not including) the loan repaid completed (not included)

(5) Under this contract, the loan interest divided two ways of collecting:

A. The first loan interest rate and payment time :

The borrower shall to the loan payment date [3] a working days, a one-time payment of RMB [205 million yuan, as an integral part of the initial interest. The borrower hereby confirmed that the initial loan interest is not to the borrower's actual borrowing period limit, the lenders charge upfront loan interest, non refundable borrower nor for any reason on the initial loan interest to the lender of any claim.

B. Remaining loan interest and payment time :

The remaining loan interest calculated in accordance with the interest rate of a year 8%/2, RMB [2000] million yuan, in the initial loan interest paid, full 6 months corresponding to the date of payment, if the payment date is not a business day, will be postponed to next work.

Recovery under this contract trust loan interest, Party A has the right to 3 working days to Party B to send the interest receivable in advance notice, Party B guarantees at the appointed time according to the notice of the interest receivable, record the amount of unconditional to party a pay interest and / or principal.

3.2 After Party A's receipt of Party B to pay the interest payments, such as Party A Party B's written request to provide the collection documents ", the Party of the first part only according to its internal regulations issued by Party B to the stamped with the interest income from a special financial stamp" receipts ", as the Party of the first part has received B to pay interest on interest income certificate.

Article 4 Loan principal repayment

4.1 Except otherwise stipulated in this contract, Party B as any other contract party to Party B the repayment of funds sources of any agreement, the agreement was not affected and against Party B to perform this contract under the terms of payment of principal and interest obligations.

4.2 Party B shall repay all the principal of the loan before the maturity date of the loan. Party B shall repay the principal of the loan in accordance with the following (1):

(1) Lump sum, Party B shall repay all the principal of the loan on the maturity date of the loan.

(2) On the day of the month of the date of the full moon, Party B shall pay back the principal of the loan. Party B shall repay all outstanding principal balances on the maturity date of the loan.

(3) Each loan from the date of each full [] months of the corresponding date, B direction of the first party to repay the loan principal [million], while the interest of the. Party B shall repay all the principal balance on the maturity date of the loan.

(4) Each loan from the date of each full [] months of the corresponding date, B direction of the first party to repay the loan principal [], while the interest of the. Party B shall repay the principal balance of the loan at maturity on the maturity date of each period of the loan.

4.3 Party B shall pay to Party A the loan principal, interest, and such as breach of this contract shall be paid to party a penalty interest and compound interest, default damages and compensatory damages, the contract of all payments, should be merged in the following account designated by Party A:

Bank: Industrial and Commercial Bank of China Beijing branch of the Golden Tree Street

Account Name: National Trust Ltd

Account NO: 0200 2914 1920 0049 921

4.4 Party B in accordance with the contract agreed in advance of the repayment, must advance [15] a written application to Party A, the party a written consent before the repayment, the contract otherwise agreed.

Article 5 Guarantee measures

5.1 The guarantee for the loan under this contract is:

Borrower [Wuhan kingod Co., Ltd.] under this contract trust loans provide pledge, mortgage and security matters and party a signed number for NT support word 16-020-013-003, the pledge contract "and numbered for NT support word 16-020-013-004," mortgage contract ", specific to the number of NT support word no. 16-020-013-003" pledge contract "and numbered for NT support word no. 16-020-013-004 the mortgage contract of" Agreement shall prevail;

Assurance in Wuhan show only Jewelry Co., Ltd., Jia Zhihong (ID number: 420102196111133118 under this contract trust loans provide joint guarantee and ensures that matters to party a signed number for NT support word 16-020-013-005, the "guarantee contract" and number for NT support, 16-020-013-006 word of "guarantee contract", specific to the "guarantee contract" Agreement shall prevail.

5.2 Party B has the obligation to promote the mortgage, the pledge and the guarantor and Party A on the specific guarantee of the contract signed the relevant guarantee contract, the specific security matters related to the contract agreement shall prevail.

5.3 Party A shall have the right to request Party B or its designated third party to provide a separate guarantee when the value of the guarantee is reduced or destroyed or lost.

5.4 If the contract of two or more than two kinds of guarantee, Party A has the right to choose any of them a or several guarantee to achieve security interests and chosen by Party A a a or several guarantee does not affect and the exclusion of other security contract shall enjoy any rights. Unless Party A written representation, Party of any of its guarantee rights fails to do so, part of the exercise and / or delay in exercising shall not constitute the rights and gave up, also do not affect, stop and prevent Party A the right to continue to exercise or the exercise of any other right.

Article 6 Repayment order

6.1 If the amount of money paid by Party B is less than the total amount paid in accordance with the terms of this contract, the payment shall in accordance with the following order:

6.1.1 Payment of expenses, damages and liquidated damages payable in accordance with the provisions of the contract or in accordance with the provisions of this contract;

6.1.2 Pay the penalty, interest;

6.1.3 Interest payable;

6.1.4 Payment of principal.

6.2 The amount of money paid by Party B is not enough to pay off all the money in the same order, and shall be paid in accordance with the proportion of the occurrence of the relevant payment.

Article 7 Maturity of the loan

7.1 Party B shall, in accordance with the contract, put forward the application for repayment ahead of schedule, and Party B may advance some or all of the repayment after Party A's written consent, except as otherwise provided in this contract.

7.2 Party B shall, in accordance with the contract, put forward the application for repayment ahead of schedule, and Party B may advance some or all of the repayment after Party A's written consent, except as otherwise provided in this contract;

7.2.1 Party B fails to draw money in accordance with the contract, or fails to use the loan fund in accordance with the provisions of article 1.4 of this contract;

7.2.2 Party B fails to comply with the commitments, or the loan application materials and procedures provided by the false ingredients;

7.2.3 Party B is forced or voluntarily closed down;

7.2.4 Party B shall be considered by Party A to affect the major operating errors or changes in the financial position of the loan security;

7.2.5 Party B shall be subject to administrative sanctions and judicial sanctions against major illegal business operations;

7.2.6 If Party B has the right to affect the ability to pay for the transfer, without prior notice to Party A or although the notice but without Party A's written consent;

7.2.7 Party B shall have the circumstances of separation, merger, liquidation, reorganization, revocation, bankruptcy, dissolution, etc. that may affect the safety of the loan.;

7.2.8 Party B fails to repay any principal or interest on time in accordance with the contract;

7.2.9 Party B misappropriation of loans;

7.2.10 Party B breaches the contract with Party A or other third party for other loan, loan and credit;

7.2.11 Party B in the bank account of the occurrence of the seizure, freezing, withholding funds and other legal enforcement measures or enforcement measures, the party that has affected the repayment capacity of Party B;

7.2.12 Party B is being sued by other creditors for major debt disputes (Zhong Cai) or by the court (Zhong Cai institution) to make the seizure, freezing, seizure of property or by the court to enforce the ruling;

7.2.13 Party B fails to subscribe to the trust industry security fund;

7.2.14 Party B violates other provisions of this contract.;

7.2.15 Other cases where Party B is considered to affect the safety of loan.

7.3 Not the prior written consent of Party A, Party B in advance to return debt contract under the loan in full or in part, Party A has the right to request Party B to deadline for repayment of the principal contract all loan principal and interest.

7.4 If 7.1 prepayment conditions occur, the interest rate of the loan in advance shall be calculated according to the actual number of surviving days of the loan, and the interest paid by Party A shall not be refunded.

and 7.3 paragraph, loan interest according to the contract interest rate and interest during the calculation to the agreed loan maturity. At the same time, Party B shall also be to Party A to pay the contract agreed by the principal, penalty interest and compound interest, default payment, compensation etc.

7.5 Party B shall not cancel the agreement: Party A shall have the right to require Party B to pay off all the debts in advance according to the requirements of the client. Party A hereby announces that the loan is due in advance, and Party B shall, in accordance with the requirements of Party A, pay off all the debts under this contract.

Article 8 Information disclosure

8.1 Party B shall, in accordance with the following requirements, disclose the relevant information to Party A in a timely manner:

8.1.1 During the trust loans under this contract, Party B shall annually in [], [] months ago [] to submit a quarter financial report within five working days every year. [] month and caring] recently submitted in the first half of the full set of financial report every year. [] month and caring] recently submitted will gauge accountants audit the fiscal year of the full set of financial statements (including balance sheet, income statement, cash flow statement and audit report);

8.1.2 such as change of enterprise name, domicile, registered capital, business scope, company type, amendments to the articles of association of the company, the three Fang Zengzi and equity structure changes, or in the aspects of financial, business occurred significant changes, should advance [10] working days prior written notice to Party A, and after the completion of the change of will relevant information of Party A for the record. Party B legal representative or responsible person in charge of a significant change, should be in the event of changes [10] written notice within a working day;

8.1.3 Party A shall have the right to request Party B to provide the important and dynamic information of the use of loan funds at any time, and Party B shall provide timely.

Article 9 Supervision of the use of loan

9.1 The Party A shall have the right to inspect the use of the trust loan funds under this contract after the trust loan fund is paid. Party B shall according to Party A's requirements to the submitted a written report on the implementation of trust loan funds and the corresponding funds to use certificate, including but not limited to, contracts, invoices, etc.; Party A has the right to the use of on-site inspection loan, Party B shall actively cooperate with, and in accordance with the requirements of Party A, provide relevant information.

9.2 The contents of Party A shall include but not limited to:

9.2.1 Whether the use of loans to change, whether for land consolidation, whether the inflow of securities trading, futures trading, venture capital and other laws and regulations and financial regulations prohibit the inflow of the field;

9.2.2 Party B operating conditions and performance is good, there is no major accident, whether it involves a major litigation seriously affect the repayment capacity;

9.2.3 Other circumstances that Party A considers to be checked.

9.3 If Party A in process inspection found that Party B is not according to the contract agreed by the uses use to borrow funds, have the right to take, including but not limited to announce in advance loan maturity, impose a punitive interest and require Party B to the deadline to be correction measures, and require Party B to assume the liability for breach of contract.

Article 10 Lender / Party A's statement and guarantee

10.1 The lender is a trust company established in accordance with the law;

10.2 The loan person shall have completed the internal authorization procedure required by this contract, and signed this contract is the effective authorized representative of the lender, and this contract shall be effective as to the lender;

10.3 The lender is in accordance with the provisions of the trust contract to trust funds to issue loans under this contract.

Article 11 Statement and guarantee of the borrower / Party B

11.1 Party B is enterprise legal person which register establishment and exist in administrative department for Industry and commerce in accordance with the law, which hold a valid business license, has the ability to remain in good operating condition, the right to operate the business related to the use of the loans under and the contract, and has the right to sign and the performance the contract ;

11.2 Party B has completed all authorization procedures for the signing of the contract required. Party B has got the approval and authorization of the transaction issued by the authority for examination and approval. Party B's effective authorized representative sign this contract and once the contract signed which has a legal binding to Party B ;

11.3 Party B shall ensure that all the documents provided by Party B are true, accurate, legal and effective, and the copies of the documents presented are in conformity with the original;

11.4 The financial statements provided by Party A in accordance with the existing laws and regulations as well as the generally accepted accounting standards, the true and accurate reflection of the financial position of Party B during the reporting period;

11.5 Party B signs or performs the obligations under the contract does not violate any other agreement, administrative regulations or the company articles of association, there will not exist any legal and business interests conflict with the other agreement, administrative regulations or the company's articles of incorporation'

11.6 Party B shall not conceal any of the circumstances, including, but not limited to, any of which it has occurred or is occurring and may affect its performance:

- (1) major violation of discipline, violation of law or claims that implicate in its principal leaders;
- (2) major event of default under other contract terms;
- (3) obligation incurred, or the debt, or the guarantee provided by the third party;
- (4) major litigation and arbitration cases pending;
- (5) other circumstances which may seriously affect its financial position and solvency;

11.7 Party B agreed to a direction of the people's Bank of China and the credit administration department approved the establishment of credit database or the relevant units, check with the Department of Party B's credit status, and agrees that Party A to provide information to the people's Bank of China and the credit administration department approved the establishment of credit database. Party B agrees that Party A may reasonably use and disclose Party B's information for business needs;

11.8 The above statement and pledge are effective before that all debt obligations under this contract are completed.

Article 12 The rights and obligations of Party A

12.1 The right to require Party B to provide all the information related to the loan;

12.2 Party A shall comply with the contract, the terms of the agreement, the amount and the interest rate to the borrower trust loans (except for the reasons for the borrower delays);

12.3 Party A have the right to request Party B to repay loans on schedule and in full;

12.4 The right to understand the production and operation of Party B, financial activities and operations and repayment plans;

12.5 Party A has the right supervise the borrower use the loan according to the contract agreed purpose, right personally on the borrower's funds use, business development and corporate management, supervision, inspection, require the borrower to make a note of related matter, require the borrower to correct the use of funds in the presence of breach of contract, the borrower escape Lender oversight, arrears of the principal and interest of loans or other breach of contract, the right to take the necessary legal, economic and administrative means to safeguard their legitimate rights and interests.

12.6 Party A has the right to request Party B to return the loan or stop payment of loans outstanding in accordance with the provisions of this contract ;

12.7 When the Party B occur with major transfer of property rights, the institutional change, transfer of debt of creditor's rights and other factors that may affect the security of the loan behavior, Party A has the right to request Party B immediately settle the contract under the principal and interest of the loan and other related expenses, or transfer the debts implement under the names that Party A agrees to accept , or provide new security measures that Party A agrees to accept.

12.8 if the borrower fails to pay the contract trust loan or other related payments, have the right to exercise the right of guarantee;

12.9 people have the right to entrust the contract claims instructions will be funded by the loan at any time to transfer to the third party;

12.10 the obligations, finance, production and operation of Party B shall be kept confidential, except in accordance with the laws, administrative regulations, rules or the state's right to require the disclosure of the institution;

12.11 the client confront pledge during the custody period, pledge the dynamic pledge rate of 75% or less, if the investment period, pledge value fell by 5%, Party A has the right to request Party B immediately to cover short positions or to repay part of the loan to meet the pledge rate of 75% of the dynamic. If Party B fails to cover positions within the prescribed period or repay the loan, Party A has the right to terminate the contract in advance, the disposal of collateral.

12.12 Party B should pledge to be insured, insurance clauses by both parties jointly negotiated, in the two months prior to the expiration of the insurance, Party B shall pledge to renewal, if Party B fails to timely renewal as a breach of contract, Party A has the right to early termination of the contract and require Party B to repay the principal and interest.

12.13 Perform obligations and other rights according to the laws and regulations as stipulated in this contract.

Article 13 The rights and obligations of Party B

13.1 Have the right to extract and use all loans in accordance with the contract;

13.2 Party B shall faithfully provide the documents and information provided by Party B shall cooperate with Party A for loan investigation, examination and inspection, as well as the management of loan funds and post loan management;

13.3 Party B shall accept Party A's supervision and inspection of the use of loan funds and the production and operation and financial activities;

13.4 The borrower shall use the loan funds under the contract , shall not in any way misuse, misappropriation; the borrower is committed to the application of funds in accordance with laws and regulations and national industrial development policy guidance in the field, do not use to state expressly prohibited and the recent national macro-control policies to strictly control field, capital method is not in violation of the provisions of other laws, regulations and policies of the state, and truthfully provide loan funds instructions for use and payment vouchers;

13.5 The principal and interest of the loan shall be repaid on schedule and in full in accordance with the contract;

13.6 Party A transfer all or part of the contract to the third party, shall obtain the prior written consent of Party A;

13.7 The borrower's transfer or disposal of its operating assets in other ways related to the total assets listed in its recent financial statements, and more than 30 of the total assets listed in the financial statements shall be prior written consent by the lender;

13.8 The borrower as relates to the change of ownership and / or institutional changes (including but not limited to merger, division, reorganization, equity transfer, capital reduction), the borrower shall at least 15 working days will be related to changes in the plan submitted to the lender's written consent, but in case of borrowers Limited to the listed company to fulfill the obligation of information disclosure, except, the changes in the program shall not damage the lender of the legitimate rights and interests of the contract under the;

13.9 The borrower, such as the transfer, pledge, set off or otherwise disposed of its third party held a major creditor's rights (the amount of the creditor's rights of [1000] million yuan, including the number), prior written consent of the lender;

13.10 The borrower shall not sign any agreement or document that damages the interests of the lender or any of the interests of the lender;

13.11 The borrower shall cooperate with the lender, according to the contract of loan funds use, loan business development, the company's major business are understand, check and the obligation to provide relevant information to the lender.

13.12 The borrower should cooperate with the lender to the borrower's credit rating, credit investigation, and in accordance with the requirements of the lender to provide the relevant information;

13.13 The borrower to provide guarantees, such as the amount of the guarantee will be more than 50 of the net assets listed in its recent annual financial statements, should be prior written consent of the lender;

13.14 Ensure that the person's ability to guarantee the decline, enough to affect the safety of the loan, the borrower should promptly notify the lender, and the lender required within the deadline to make up the guarantee;

13.15 Reduce the value of collateral, enough to affect the safety of the loan, the borrower should promptly notify the lender, and in accordance with the requirements of the lender to take the necessary measures;

13.16 In fiscal year net profit after tax to zero or negative, or after tax profit is not enough to make up for the previous accounting year of the cumulative loss or pre tax profit for the borrower pays off in accounting for the annual internal settlement of principal, interest and fees or a pre tax profit is not sufficient to pay off a principal, interest and other charges, the borrower is not in any form to the shareholders dividends, dividend;

13.17 In the validity period of the contract, the borrower in the event of discontinued, closed, cancellation of registration, revocation of the business license, the legal representative or the main person in charge of the to engage in illegal activities, involving the major litigation activities, production and operation of the serious difficulties, the deteriorating financial situation should immediately notify the lender, according to lenders to implement the requirements of the contract under the debt settlement and guarantee;

13.18 Perform the laws and regulations and other rights and obligations as stipulated in this contract.

Article 14 Charges Clause

14.1 Party B shall bear the expenses for reasonable expenses under this contract, including but not limited to the expenses for notarization, authentication, evaluation, registration, etc..

14.2 Party B failed to repay the loan principal and interest and lead to Party A for collection of the loan principal and interest expenses, including but not limited to the announcement, serve, appraisal fees, attorney fees, litigation costs, poor travelling expenses, assessment fees, auction fees, property preservation fee, compulsory execution fees, realize the creditor's rights fees, shall be borne by Party B.

Article 15 Default event and default liability of the Lenders

15.1 The lender has no justifiable reason for breach of this contract, the borrower has the right to require the lender to correct the deadline; if borrower to make a loss, the borrower shall have the right to claim damages for the lender.

15.2 As a result of the trust is not set up or should be regulated by the requirements of the lender and the lender can not be issued to the borrower, the lender does not assume liability for breach of contract.

Article 16 Default event and default liability of the borrower

16.1 Default event and default liability of the borrower

- (1) Borrow provides a true, complete and effective financial statement, production and operation status and other relevant information not in accordance with the requirements of the lender;
- (2) The loan is not used in accordance with the prescribed purpose;
- (3) Fails to repay the principal and interest of loans;
- (4) Refuse or obstruct the lender to implement supervision and inspection of the use of the loan;
- (5) Transfer of assets to escape the debt;

- (6) The borrower's operating and financial conditions deteriorates, likely to endanger the safety of loan, or involved in or is going to be involved in a major lawsuit or arbitration procedure and other legal dispute, have been or may affect or impair the lender in the rights under the contract.
- (7) Any other debt that has been held to affect or may affect the performance of the obligations of the Lender under this contract;
- (8) During the validity period of the contract, the implementation of contracting, leasing, mergers, acquisitions, joint ventures, division, joint venture, joint-stock transformation and change or conversion mode of operation management mechanism, have been or may affect or impair the lender in the rights under the contract.
- (9) In violation of the borrower's statement and guarantee;
- (10) The collateral endanger the contract creditor's rights security when appears one of the following circumstances: (I) collateral value decreased significantly; (II) collateral is seized, lien, auction, supervision of the executive authorities, or ownership dispute; (III) the mortgagor violates matters of mortgage contract either agreed or representations and warranties of any false, errors, omissions, and (IV) endanger the lender guarantees the realization of the rights of other circumstances;
- (11) Guarantee (in whole or part) does not come into existence, not effective, invalid, revoked, rescinded, the guarantor defaults or expressly or by their actions that will not perform the obligation of warranty, or the value of the security reduction, and other situations, endangering the creditor's right security under this contract ;
- (12) The borrower's guarantee for the pledge, dynamic pledge rate higher than 75%, and the borrower fails to cover short positions or repayment of loans;
- (13) For security of the pledge, the borrower fails to insure according to the lenders' requirement or renew the insurance before two months' expire ;
- (14) Other circumstances in which the lender considers sufficient to affect the realization of the creditor's rights;

(15) The borrower did not subscribe to the trust fund in accordance with the requirements of the lender;

(16) Other contractual obligations in breach of this contract.

16.2 The borrower does not issue "Borrowing certificate" to lender as promised and does not submit other documents to apply for a loan as required by the lender, then the contract would be terminated in advance, the borrower shall pay RMB 50,000 as compensation to the lender.

16.3 The lender has the right to exercise one or more of the following events in the case of a breach of the above 16.1:

(1) Stop lending, announce the loan in whole or in part due immediately, require the borrower to immediately repay the debt contract principal of all loans and calculated interest rate and term of the loan interest according to the contract;

(2) In the case of a breach of contract 16.1 other than the (2) and (3) of the borrower, the lender shall have the right to charge the borrower a default payment with 0.1 % of the principal amount of the loan;

(3) The borrower fails to repay the loan in full trust contract under the principal or interest (including all or part of loan principal and interest payable announced by the lender that ahead of maturity), the lender shall have the right to require the borrower to pay within a set time and then the unpaid loan principal since the late date according to the overdue penalty the interest rate (rise up to 50% according to the actual loan interest rates, which is overdue loans overdue impose a punitive interest rate = actual loan fund rate X 150%) received daily penalty, until the trust loan repaid on time; when the accrued interest contract in accordance with the loan interest rates rise up 50% by the recovery of profits since the late date interest payable, until paid in full.

(4) The borrower misappropriation and diversion of the contract under the loan, the lender shall have the right in advance to recover the full trust loans, and has the right to self misappropriation and diversion of the day was misappropriated loan trust principal by impose a punitive interest rate (according to the actual loan annual interest rate broke surface 100%, that is, misappropriation of impose a punitive interest rate = misappropriation of loan fund start lending in real interest rate x 200%) daily impose a punitive interest, until the trust loan principal and interest in full settlement date.

If the borrower is diverted to the misappropriation of loan under this contract and fails to return the principal and interest of loans should be in accordance with higher penalty rates impose a punitive interest, can not impose.

(5) Requiring the borrower to make corrections within a time limit.

(6) Enforcement of security rights.

6.4 Because of the borrower's breach of contract and filed a lawsuit / application for arbitration, the loan for the litigation / arbitration payment litigation / arbitration fees, hire lawyers and other legal costs should be borne by the borrower.

6.5 If the lender is not sufficient to make up for the loss of the lender (including direct and indirect losses), the lender shall have the right to claim compensation for the loss;

Article 17 The division of tolerance and clause

17.1 within the validity period of the contract, lenders to borrowers any default given any tolerance, grace or delay the exercise, not the rights under the contract, are without prejudice, affect or restrict the lender, in accordance with the provisions of this contract and the provisions of relevant laws to enjoy all the benefits, regarded as the lender of any default by the license, shall not be regarded as the lender any default to take legal action to give up, also should not be regarded as a lender to under this contract rights, rights and interests of give up, nor does it affect the borrower in the contract should bear any obligation.

17.2 the rights, interests and remedies provided for in this Agreement are cumulative and may be exercised at the same time, and may be exercised separately, without the exclusion of any other rights, interests and remedies provided by law.

17.3 if any provision of this contract is null and void and does not affect the validity of any other provision of this contract.

Article 18 Secrets

18.1 Both parties assume the obligation of confidentiality on matters related to this contract and the contract , without the written consent of the other party, any party shall this contract any related matters in addition to the contract related when disclosure parties other than the others, but because of the following situations of disclosure except:

- 1) The disclosure obligations of the lender to the client and the beneficiary, in fulfillment of the information disclosure obligations specified in the legal regulations or trust documents;
- 2) In the normal course of business commissioned audit, lawyers and other staff to the disclosure, but the premise is the staff must be on the aforementioned work informed with the contract related information undertakes the obligation to keep confidential.
- 3) The information and documents can be obtained from the public access or disclosure of the information is required by laws and regulations;
- 4) To the court or in accordance with the requirements of any pre litigation disclosure procedures or similar procedures, or in accordance with the legal procedures adopted by the disclosure relating to the contract;
- 5) The lender's disclosure to the financial regulatory authorities in accordance with the requirements of the financial;
- 6) Disclose to the transferee or the potential transferee as a result of the lender's disposal of the loan.

18.2 The provisions of this article shall remain in effect after the termination of this contract.

Article 19 Changes, termination and termination of the contract

19.1 Except as otherwise provided in this contract, any party may unilaterally modify or terminate this contract after the effect of this contract. Modifications or changes to the contract must be agreed upon by the lender and the borrower and a written agreement shall be reached.

19.2 The borrower hereby agree that the lender has the right to the contract under all or part of the transfer of rights to the third person, no need to ask the borrower's consent, but the lender shall timely notify the borrower of the above transfer matters; not the written consent of the lender, the borrower shall not the contract under the obligations transferred to the third party.

19.3 In case of national laws, regulations, rules or policy changes, resulting in all or part of the terms of the contract no longer meets the requirements of national laws, regulations, rules or policies, both the lender and the borrower shall consult promptly as soon as possible to amend the relevant provisions.

19.4 The two parties shall notify each other in time and take effective measures to prevent the loss of the expansion as a result of force majeure. Suffer from force majeure party should provide about the document of the events of force majeure occurrence and impact of the event of force majeure to each other after the incident 15workdays , the details and the relevant government departments issued. The two sides should promptly consult the solution.

19.5 Trust is not established, the lender has the right to terminate this contract and does not have to bear the liability for breach of contract. Such as for borrowers do not provide timely relevant loan before the review, the guarantor not timely processing of related security procedures and other reasons resulting in trust is not established, the lender has the right to require the borrower and guarantor bear the resulting liability for damages.

Article 20 Notice

20.1 Notification and delivery

20.1.1 Any party sends a notice or other correspondence (hereinafter referred to as the "correspondence") to another should be in accordance with the contract records on the other side of the contract, by personal delivery, courier, registered letter or fax issued, and entry into force in the following conditions:

- (1) Delivered by personal, the delivery date is deemed to be served;
- (2) Send by express delivery or registered letter, the date of receipt is deemed to be served;
- (3) If the recipient did not sign or reject, third working days from the the date of sending document held by notification party or the date recorded in the domestic registered mail as served.
- (4) Issued by fax, deemed as sender receive the fax confirmation from recipient.
- (5) When using the above methods at the same time , according to the fastest to reach each other.

20.1.2 The two parties confirm the contact details as follows:

Party A: National Trust Ltd
Contact: Zhang Lei
Address: Yeard 1, Anwai Binhe West Road No. 18, Dongcheng District, Beijing City, Zip code: 100011
Tel: 029-86265402
Fax: 029-86265402

Party B: Wuhan Kingold jewelry Limited by Share Ltd
Contact: Huang Yi
Address: No. 15, Economic Development Area, Jiangan District, Wuhan
Zip code: 430023
Tel: 027-65694977
Fax: 027-65694977

20.1.3 If the contacts (including contact person or contact information) of this contract changes, the change party shall notify the other party in writing within 5 days after the change. Before the receipt of the notice of the change party's information, the other party shall deem the documents and notice issued by the contact information before change.

Article 21 Applicable of law and dispute resolution

21.1 The conclusion, effectiveness, performance, interpretation, amendment and termination of this contract shall apply to Applicable of Law of People's Republic of China (for the purposes of the contract, not including the laws and regulations of the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan region).

21.2 If dispute occurs in the performance of this contract, the two parties shall conduct consultation or mediation; if the negotiation or mediation fails, the court shall file a lawsuit to the people's court that has jurisdiction over the contract.

21.3 During the litigious process, the parties shall continue to perform the obligations of other parts in addition to matters where the parties in dispute.

Article 22 Effective conditions and conditions of the loan contract

22.1 This contract is valid after the legal representatives or authorized representatives from both sides sign and stamp the contract.;

22.2 This contract shall fail when satisfy the following conditions:

22.2.1 Party B pay off all the Mortgage Payment and other expenses under the contract;

22.2.2 In accordance with the conditions of this contract, according to the instructions of the principal, Party A decide to terminate the contract;

Article 23 Other matters stipulated by Party A and Party B

23.1 According to "Trust industry security fund management approach" of China Banking Regulatory Commission and related regulatory policies, Party B shall entrust Party A to subscribe trust industry security fund. Party B should sign "Trust industry security fund subscription agreement" according to the requirements of Party A and the industry commissioned subscription agreement "and subscribe trust industry security fund in time accordance with the contract, the amount should be 1% of the loan fund from Party A to Party B.

23.2 Issues unmentioned in the contract, the lenders and the borrowers negotiate to deal, or shall perform in accordance with the provisions of relevant laws and regulations of the state. The two parties may reach a written supplementary agreement in writing by the laws and administrative rules and regulations, which shall have the same legal effect as this contract.

23.3 This agreement is in 8 duplicates. Part A and Part B each have two copies. Remaining used for the relevant procedures, each of which has the same legal effect.

Special note: All the terms and conditions of this contract have been fully negotiated. Text in print statements of the contract and the handwritten text representation have equal effect. The borrower shall ensure that prior to the signing of this contract have to has fully paid attention to the terms of the waiver or limitation of liability and terms and conditions agreed upon by the borrower under this contract before signing this contract. Both parties have no objection to understand all the terms and conditions of this contract.

(No body)

(This is signature page with number "NT 16-020-013-002" of the "contract of trust loans", no body)

Party A: Wuhan Kingold jewelry

Party B: National Trust Ltd

Limited by Share Ltd

Legal representative:

Legal representative:

Authorized representative

Authorized representative

(signature or seal):

(signature or seal):

Signing date:

Place of signing: [Chaoyang District, Beijing]

NOTARY CERTIFICATE

Shanghai Huangpu Notary Office of the People's Republic of China

AJ Trust & Wuhan Kingold Jewelry Gold Income Right Collective Fund Trust Plan

The Gold Income Right Transfer and Repurchase Contract

April, 2016

AJ Trust & Wuhan Kingold Jewelry Gold Income Right Collective Fund Trust Plan

The Gold Income Right Transfer and Repurchase Contract

Party A: Wuhan Kingold Jewelry Co., Ltd (hereinafter referred to as “Kingold Jewelry”)

Legal representative: Zhihong Jia
Address: No. 15 (special), Huangpu Science Park, Jiang'an District
Zip code: 430023
Tel: 027-65694977
Fax: 02765660703

Party B: Shanghai AJ Trust Co., Ltd. (hereinafter referred to as “AJ Trust”)

Legal representative: Weizhong Zhou
Address: AJ Finance Plaza, No. 746, Zhaojiabang Road, Xuhui District, Shanghai
Zip code: [200030]
Tel: 021-64396600
Fax: 021-64390176

WHEREAS:

1. Kingold Jewelry agrees to transfer the corresponding income right to its legal owned inventory gold (the corresponding market value of the closing price on the most recent trading day of Shanghai Gold Exchange shall not be lower than RMB 412.5 million of Au99.99 standard gold when pledging, quantity [] bars, weight [] kg) (hereinafter referred to as the “Object Gold Income Right”) to AJ Trust, and received amount shall be used to purchase gold raw material. AJ Trust receives the transferred Object Gold Income Right of Kingold Jewelry by the trust fund in accordance with the trust contract, and under the agreed circumstances, Kingold Jewelry shall repurchase the unfulfilled Object Gold Income Right held by AJ Trust during that period according to this contract.

2. AJ Trust intends to establish the "AJ Trust & Wuhan Kingold Jewelry Gold Income Right Collective Fund Trust Plan" (hereinafter referred to as the "Trust Plan") to possess the transferred Object Gold Income Right of Kingold Jewelry with the trust fund.

According to *The Contract Law of the People's Republic of China*, *The Corporation Law of the People's Republic of China* and other laws and regulations, based on the principles of good faith and justice and through friendly consultation, both sides reach this contract to comply regarding the transfer and repurchase of the Object Gold Income Right.

Article 1 Transfer Object

The Object Gold Income Right that AJ Trust receives is: the gold income right of Kingold Jewelry that possesses for its inventory gold.

(1) Right basis of Object Gold Income Right

Object Gold Income Right is one of the rights that Kingold Jewelry possesses for its inventory gold.

(2) Content and amount of Object Gold Income Right

Object Gold Income Right is one of the powers and functions that Kingold Jewelry possesses for its inventory gold.

Both parties of this contract hereby agree: the Object Gold Income Right of this contract includes but is not limited to the right of claim of the following income:

Since the delivery date of Object Gold Income Right, any other cash or other revenue earned from the Object Gold Income Right.

(3) In respect of the representations and warranties of Object Gold Income Right

Kingold Jewelry hereby promises that the Object Gold Income Right meets the following conditions:

j Object Gold Income Right is one of the powers and functions that Kingold Jewelry possesses for its inventory gold; it is valid and legally existing;

k Object Gold Income Right has the real trading background with complete business invoices;

l Object Gold Income Right can be transferred according to laws and regulations;

m Guarantee or right limitations are not set for the Object Gold Income Right; Except for the items of this contract, Kingold Jewelry does not make any other disposal for the Object Gold Income Right;

n Any parties concerned of the Object Gold Income Right shall be legal persons of institutions within China's territory;

o As of the signing date of this contract, the Object Gold Income Right does not violate existing valid laws, regulations, relevant business guidance and internal management system of Kingold Jewelry.

Article 2 Transfer Price

1. The transfer price of the Object Gold Income Right of this contract is RMB 300 million, which is paid in lump sum using collective fund of the Trust Plan by AJ Trust. AJ Trust intends to pay RMB 300 million to Kingold Jewelry as the transfer price of the Object Gold Income Right with the trust fund collected via Trust Plan under which it is a trustee.

2. The transfer price of the Object Gold Income Right under this contract is RMB 300 million, which is paid in lump sum using the trust fund corresponding to the collected trust unit of Trust Plan by AJ Trust.

Article 3 Payment Time of Transfer Price and Delivery of Gold Income Right

1. AJ Trust promises to pay for all the transfer amount ruled by Article 2 to Kingold Jewelry within ten business days after signing The Gold Pledge Contract of AJ Trust & Wuhan Kingold Jewelry Gold Income Right Collective Fund Trust Plan" (hereinafter referred to as the "Gold Pledge Contract", No. [AJJHZB-03]) and Kingold Jewelry transfers all pledged gold mentioned in the Gold Pledge Contract to AJ Trust.

2. Both parties agree and confirm that the total transfer price from AJ Trust to Kingold Jewelry is RMB [300 million]. Only when the prerequisites below are met should AJ Trust pay all transfer amount to Kingold Jewelry within one business day after the establishment of the Trust Plan:

(1) The Trust Plan has been established, and collected fund has reached RMB [300 million];

(2) This contract has been signed validly and been effective, and has finished the compulsory notary process other procedures such as appraisal, insurance and delivery and custody, and Kingold Jewelry has issued the valid written authorized resolution documents of signing this contract;

(3) "The Guarantee Contract of AJ Trust & Wuhan Kingold Jewelry Gold Income Right Collective Fund Trust Plan" (hereinafter referred to as "The Guarantee Contract", No. [AJJHZB-02]) and "The Gold Pledge Contract" have been signed validly and goes into effect, compulsory notary process and relevant processes as authentication, insurance buying and warehouse shifting and safekeeping have finished, and Kingold Jewelry has issued the valid written authorized resolution documents of signed "The Gold Pledge Contract";

(4) Kingold Jewelry does not violate the representations and warranties, items under commitment or obligation under this contract, and there is no situation that might significantly influence adversely the rights of AJ Trust under this contract.

(5) Kingold Jewelry has transferred the documents of title of all Object Gold Income Right to AJ Trust in accordance with this contract (including but not limited to the original copy or photocopy of the contract and receipt of gold purchasing) and other documents.

3. AJ Trust should pay the transfer amount of Object Gold Income Right to the appointed bank account of Kingold Jewelry:

Account Name: Wuhan Kingold Jewelry Co., Ltd.

Account: [420011 162080 5301 7159]

Bank: [China Construction Bank Wuhan Jiang'an Sub-branch]

4. Both parties agree and confirm that when AJ Trust pays the transfer amount of Object Gold Income Right in accordance with this article, the payment obligation of AJ Trust under this article is considered to have been performed.

5. The transfer and delivery of Object Gold Income Right

(1) The transfer and delivery of Object Gold Income Right

The date that AJ Trust pays the transfer amount of Object Gold Income Right according to this article shall be deemed as the delivery date of Object Gold Income Right, and AJ Trust obtains all the Object Gold Income Right since this date. Since this delivery date, all rights, interests, earnings and claim rights of Object Gold Income Right are possessed by AJ Trust.

(2) Transfer consent of Object Gold Income Right

Kingold Jewelry consents that all involved Object Gold Income Right under this article can be transferred to a third party, including but not limited to the situations of transferring from Kingold Jewelry to AJ Trust, and from AJ Trust to a third party.

Article 4 Submission of Document Materials

Kingold Jewelry should submit necessary documents and materials according to the requirements of AJ Trust, including but not limited to:

1. The documents proving that Kingold Jewelry legally owns the Object Gold Income Right (including but not limited to the original copy or photocopy of the purchase contract and invoices).
2. The internal resolution documents of signing and performing this contract.

Any photocopy of document from Kingold Jewelry should be submitted to AJ Trust after been sealed. All the documents and materials Kingold Jewelry submit to AJ Trust are valid attachments, which are integral part of this contract and shall have the same legal force as that of the contract.

Article 5 Gold Income Right Repurchase

1. Repurchase object

Kingold Jewelry has the obligation of repurchase in accordance with this article, and the repurchase object is the Object Gold Income Right under Article 1 of this contract possessed by AJ Trust.

After Kingold Jewelry fully pays all repurchase amount according to this article, the Object Gold Income Right under Article 1 of this contract possessed by AJ Trust shall belong to Kingold Jewelry. In the meanwhile, this contract shall be terminated as both parties have fulfilled their obligations.

2. Ordinary repurchase

Kingold Jewelry has the obligation to fully pay the repurchase amount of Object Gold Income Right according to the following items:

No.	Paying Repurchase Price Date	Repurchase Amount
1	Within 10 business days since the establishment of Trust Plan	Total trust unit × 1 Yuan/unit × [1] % × calendar days of the period from the date of establishment of trust unit (included) to the date when 12 trust months have passed (not included) ÷ 360

[Note: Where the trust is terminated in advance, AJ Trust shall not return the collected transfer amount during this period, or credit against the other due repurchase amount payable by Kingold Jewelry to AJ Trust or any creditor's right that possessed by AJ Trust (if any)]

2	The date when every 6 months passed since the establishment of Trust Plan	Total trust unit \times 1 Yuan/unit \times [10]% \times days in this accounting period/360
3	The date when 24 months passed since the establishment of Trust Plan	Total trust unit \times 1 Yuan/unit \times (1+[10]% \times calendar days from the date when 24 calendar months passed since the establishment of Trust Plan (not included) \div 360 - the total amount of paid repurchase amount of the Gold Income Right by Kingold Jewelry up to this date (not included)

Note: The mentioned "days in this accounting period" in item 2 of the above formulas refers to the days from the previous payment date (included) to this payment date (not included). And for the first payment date, the "days in this accounting period" refers to the days from the establishment of trust unit (included) to this payment date (not included).

Where any of the payment date is also the statutory holiday, it should be moved to the nearest previous business day, but the debtor shall still pay AJ Trust the object credit with the payment amount according to the above table.

3. Delayed Repurchase

Kingold Jewelry shall not delay in fulfilling the obligation of repurchase, except that Kingold Jewelry applies in advance and receives the written consent from AJ Trust.

4. Repurchase in Advance

After 12 months from the establishment of Trust Plan, Kingold Jewelry has the right to repurchase all or part of the Object Gold Income Right in advance, and shall inform AJ Trust 10 days ahead of the in advance repurchase.

Except as otherwise provided herein, Kingold Jewelry shall not repurchase the Object Gold Income Right in advance. If Kingold Jewelry repurchases the Object Gold Income Right in advance without permission of AJ Trust, it shall be deemed as the violation of contract by Kingold Jewelry, and Kingold Jewelry shall pay the one-time repurchase amount for all remained Object Gold Income Right.

AJ Trust will monitor the asset-liability ratio of Kingold Jewelry every month during the term of the Trust Plan. Where the asset-liability ratio of Kingold Jewelry is higher than (greater than or equal to) 75%, one month of observation period shall be given to Kingold Jewelry by AJ Trust. If the asset-liability ratio of Kingold Jewelry is still higher than (greater than or equal to) 75% after the one-month observation period, Kingold Jewelry shall pay the repurchase amount of all remained Object Gold Income Right in a lump sum according to the stated repurchase amount on written notification from AJ Trust on the day or within the period determined by AJ Trust.

Where Kingold Jewelry violates the representations and warranties of this contract, or Object Gold Income Right is identified as invalid, cancelled or any other right limitation situation happens, or AJ Trust takes measures according to this contract, Kingold Jewelry shall fulfill the repurchase obligation of Object Gold Income Right in advance in accordance with the requirements of AJ Trust. Where AJ Trust requires Kingold Jewelry to fulfill the repurchase obligation of Object Gold Income Right in advance in accordance with the contract, Kingold Jewelry shall pay the repurchase amount of all remained Object Gold Income Right in a lump sum according to the stated repurchase amount on written notification from AJ Trust on the day or within the period determined by AJ Trust.

5. Guarantee

Zhihong Jia provides irrevocable unlimited joint and several liability guarantee for all obligations, responsibilities, statements, representations and warranties of Kingold Jewelry under this contract, and has signed the Guarantee Contract with AJ Trust.

Kingold Jewelry provides pledge guarantee for all obligations, responsibilities, statements, representations and warranties with its inventory gold under this contract, and has signed the Gold Pledge Contract with AJ Trust and shall fulfill the following agreements:

(1) Appraisal: Kingold Jewelry, AJ Trust and insurance company jointly spot check 1% of pledged object gold for destructive appraisal to confirm its purity and value of assessment, and related authentication costs shall be borne by AJ Trust.

(2) Insurance: insurance shall be bought for all pledged object matters at PICC Property and Casualty Company Limited and the beneficiary shall be AJ Trust. The insurance costs shall be borne by Kingold Jewelry.

(3) Moving to warehouse and safekeeping: AJ Trust sets safe deposit box in Industrial and Commercial Bank of China. AJ Trust keeps the key to the safe deposit box, and PICC Property and Casualty Company Limited reserves the fingerprints for the safe deposit box. The pledge shall not be used during pledging period. The rent fees of the safe deposit box shall be borne by AJ Trust.

(4) AJ Trust sets safe deposit box in Industrial and Commercial Bank of China, and the pledge shall be deposited in this safe deposit box set by AJ Trust. Where Kingold Jewelry violates the provisions of the contract, AJ Trust shall have the right to apply for compulsory enforcement to the People's Court with jurisdiction for directly disposing the pledged object.

(5) The initial pledging rate of the pledging object shall not be higher than 72.72%, which means the total amount of pledging object shall not lower than RMB 412.5 million when pledging. During the trust period, according to daily closing price of gold in Shanghai Gold Exchange, if the gold price decreases to the 85% of the initial price, Kingold Jewelry shall add enough pledging gold so the closing price of gold on that day * the value of the pledging gold is not lower than RMB 412.5 million. Otherwise, AJ Trust has the right to announce the expiry of Trust Plan in advance and dispose the pledging object. The fund gained shall be used to pay the repurchase amount of Object Gold Income Right, on a priority basis.

6. Repurchase Payment

Kingold Jewelry shall pay the repurchase amount of Object Gold Income Right to the following trust account on time:

Account Name: Shanghai AJ Trust Co., Ltd. Special Trust Account

Account: [216200100101305531]

Bank: [Business Department of Industrial Bank Shanghai Branch]

Article 6 Obligations of Kingold Jewelry

1. After the commencement of the contract, Kingold Jewelry shall send a written notice to AJ Trust within five days after knowing the event when one of the following conditions occurs. The influence which has already been made or probably will be made, the remedial measures that have been taken or will be taken, the duration of remedy and the expected result shall also be listed in the written notice explicitly:

(1) The execution of this contract may be affected under the adverse circumstances caused by Kingold Jewelry such as the default of significant amount of money to any creditors, major economic disputes and the deterioration of financial condition and so on.

(2) Kingold Jewelry is involved in litigation or arbitration of major cases as a defendant or respondent.

(3) The subject gold income right has been frozen or enforcement or limit measures have been taken on it by competent authority for any reason.

(4) Kingold Jewelry breaches any contract, commitment or acknowledgement signed with AJ Trust.

(5) Kingold Jewelry is registered for investigation by the judicial authority, supervision department etc., which has influenced the performance capabilities seriously, or has other situations that badly affect its social reputation, performance ability and so on.

(6) The execution of this contract may be affected under the adverse circumstances caused by the guarantor who provides the guarantee for the debts of Kingold Jewelry under this contract, including the default of significant amount of money to any creditor, major economic disputes and the deterioration of financial condition and so on, or the guarantor is involved in litigation or arbitration as a defendant or respondent.

(7) Other situations that have significant adversary influences on performance of this contract by Kingold Jewelry identified by AJ Trust.

2. Kingold Jewelry shall assist AJ Trust and the insurance company to select and inspect 1% of pledge subject gold under the Gold Pledge Contract for destructive appraisal, in order to identify the quality and valuation of the pledge subject. The appraisal charge shall be borne by the AJ Trust.

3. Kingold Jewelry shall make sure that all the pledge subjects in the Gold Pledge Contract need to be insured with the PICC Property and Casualty Company Limited and designated AJ Trust as the beneficiary and bear the insurance cost.

4. AJ Trust sets a safe deposit box in the Industrial and Commercial Bank of China and keep the key of the safe-deposit box. PICC Property and Casualty Company Limited reserves the fingerprints of the safe-deposit box. The rental charges shall be borne by AJ Trust.

5. AJ Trust shall set a safe deposit box in the Industrial and Commercial Bank of China and keep the pledge material in the safe deposit box. AJ shall have the right to apply for compulsory enforcement in the court with jurisdiction for directly disposing the pledge subject when Kingold Jewelry breaches the contract.

-
6. The transfer amount of the gold income right obtained by Kingold Jewelry can only be used for the purchase of gold raw materials.
 7. Any payments to AJ Trust by Kingold Jewelry under this contract shall be paid to the special account of trust property under Article 5.6.
 8. Kingold Jewelry shall urge Zhihong Jia (hereinafter referred to as "guarantor") to sign the Guarantee Contract with AJ Trust in time.

Article 7 Payment of Security Fund and Taxation

1. The expenses produced in the process of the exercise of rights or obligations in under the contract shall be paid by each party respectively, including but not limited to the costs of engaging lawyers, accountants and auditors.

2. All the parties agree that Kingold Jewelry shall fully pay the subscription money of security fund of trust industry (hereinafter referred to as "Security Fund") to Kingold Jewelry within 3 business days since the establishment of the Trust Plan and authorize AJ Trust to subscribe the security fund on the behalf of Kingold Jewelry.

The amount of Security Fund which shall be subscribed= Principal of trust fund × 1%

The subscription money of the Security Fund shall be transferred to the account of the security fund company before the statutory time limit for payment through the special account of security fund (hereinafter referred to as "Special Fund Account") opened by AJ Trust. AJ Trust shall pay the corresponding principal and income of the Security Fund to the related parties within 3 business days after the liquidation of the Trust Plan (including the termination of the Trust Plan, termination of some trust units, the redemption of trust parties and other related situation that need to pay the trust benefit or distribute the trust property to related parties).

Corresponding principal and income of the Security Fund of each terminated trust unit = corresponding principal of the Security Fund of this trust unit × (1 + return rate of the security fund × number of days during benefit calculation ÷ 360).

In the above formula, the return rate of the Security Fund is the one-year fixed deposit rate published by the People's Bank of China on the day of the termination of this trust unit. The number of days for the benefit calculation is the actual number of days from the date on which the corresponding subscription money of the Security Fund of this trust unit is transferred into the Special Fund Account opened by AJ trust to the termination date of this trust unit (not included), calculating the beginning day without the ending day and sectional calculation shall not be adopted.

If the subscription money is transferred into the collecting account of the Trust Plan or the special account of trust or other account controlled by AJ Trust instead of the Special Fund Account due to reason of Kingold Jewelry, AJ Trust shall return the above payments to Kingold Jewelry within [3] business days after receiving the application.

In case any following defaulting situations arises due to Kingold Jewelry, AJ Trust has the right to offset the outstanding payments that should be duly paid to AJ Trust according to this contract with the principal and interest of the Security Fund subscribed by Kingold Jewelry. The payment shall be classified as trust property.

If Kingold Jewelry fails to offer any subscription payments in full duly in accordance with the contract, AJ Trust has the right to collect the penalties according to [0.05% of the unpaid value] per day from Kingold Jewelry during the overdue period until all the overdue has been paid completely. If the overdue time is more than [15] business days, AJ Trust has the right to stop transferring the subsequent trust fund and/or ask for a lump sum payment in advance from Kingold Jewelry under this contract, besides requiring the penalties from it.

The Trust Special Fund Account of AJ trust fund is as followed:

Account Name: Special Fund Account of Security Fund of Shanghai AJ Trust Company Limited

Account No.: [97990153900001129]

Correspondent Bank: [First Business Department of Shanghai Pudong Development Bank]

The principal and income of the Security Fund shall be returned to the bank account designated by Kingold Jewelry, and the account information is as followed:

Account Name: Wuhan Kingold Jewelry Company Limited

Account NO.: 420011 162080 5301 7159

Correspondent Bank: Wuhan Jiangan Branch of China Construction Bank.

3. AJ Trust, as the trustee, shall bear the costs specified in this item with the trust property.

Article 8 Representation and Warranties

1. Follows are the representation and warranties of Kingold Jewelry, which will be continually valid during the term of the contract:

(1) An enterprise as a legal person, which forms legally according to the Law of the PRC and validly exists, and guarantees that it operates legally.

(2) This deal has passed the inner procedure for examination and approval. After this contract is signed, it will constitute the legal, valid and binding obligation to it.

(3) Guarantees the validity, authenticity, legality and compliance of the Object Gold Income Right, and guarantees that there are no any other priority rights or third part rights (including that the Object Gold Income Right has been transferred, and set pledge before this contract, or will be transferred once again, and set pledge after this contract).

(4) Interests of Kingold Jewelry's any creditors will not be harmed by signing and performing this contract, and none of Kingold Jewelry's creditors will put forward any rights proposal and objections involving this contract; signing and performing this contract will neither violate any legal and statutory regulations having restrictions or influences on this contract, or government approval, authorization, information, or other government documents or judgment, adjudication, commands, nor any contracts, agreements signed with any other third party or any commitments offered to the third party, or any other obligations should be performed.

(5) The transfer amount of the gold income right gained by Kingold Jewelry should be used only for purchasing gold materials, cannot be used to do something which is restricted or prohibited by the nation's policy or laws and regulations.

(6) Relevant materials offered by Kingold Jewelry to AJ Trust are true, effective, complete and there is no material omission or concealment.

(7) Sign the Gold Pledge Contract with AJ Trust as soon as possible, and urge the guarantor to sign the Guarantee Contract timely.

(8) There are no other financial institution priority rights formed by the Object Gold Income Right, and the Object Gold Income Right is not supervised by other third party institutions, otherwise Kingold Jewelry should compensate all losses that AJ Trust or trust property may suffer, and its repurchase obligation will not be relieved.

2. Follows are the representation and warranties of AJ Trust, which will be continually valid during the term of the contract:

(1) Is an enterprise legal person, which forms legally according to the Law of the PRC and validly exists, and guarantees it operates legally.

(2) According to regulations of the "Trust Contract", uses the trust fund to receive the transfer object.

(3) After this contract is signed, it will constitute the legal, valid and binding obligation to it.

Article 9 Notification

1. All notifications between parties should be in the written form, which can be delivered by specially-assigned person, registered mail, EMS, and so on. The fax can be assistance; however, it also should be supplemented by the above agreed means afterwards.

2. The notification is regarded as being delivered in following date:

(1) The notification delivered by the specially-assigned person is regarded as an effective delivery on the delivery day;

(2) The notification delivered by the registered mail (postage paid) is regarded as an effective delivery on the 7th day after being sent off (postmark serves as a proof).

(3) The notification delivered in the way of EMS (postage paid) is regarded as an effective delivery on the 3rd day after being sent off (postmark serves as a proof).

3. Contact addresses filled in the contract by parties are their effective mail addresses

4. Two parties all have the right to change their mail addresses at any time; however, they should send notification within 7 days after the change to the other party by the delivery ways agreed under this Article.

5. Follows are addresses and fax numbers used in the second provision under this Article by parties:

The contacts of Kingold Jewelry:

Address: Te No. 15, Huangpu Science and Technology Park, Jiang'an District

Contact Person: [Yi Huang]

Tel: [027-65694977]

Fax: [027-65660703]

The contacts of Shanghai AJ Trust Co., Ltd:

Address: Aijian Financial Tower, No. 746 Zhaojiabang Road, Xuhui District, Shanghai

Contact Person: [Jianxiang Lu]

Tel: [021-64382881]

Fax: [021-64814366]

Article 10 Confidentiality

Each party should maintain confidentiality about this contract and matters related with this contract. If there are no written permissions of the other party, any matters related with this contract cannot be disclosed to a third party, except the disclosures because of following reasons:

1. AJ Trust performs the obligation of disclosing information ruled by the laws and regulations or trust documents and discloses information to clients and beneficiaries.

2. Disclose information to auditors, lawyers and other working staff, who are authorized in the normal business, with the precondition that these people should perform the obligation of maintaining confidentiality to the information related with this contract in their work.

3. The data and documents can be gained publicly or the disclosure of this data is required by laws and regulations.

4. Disclosing information to court, arbitration institution, or the disclosure related with this contract is required by the disclosure procedures before lawsuit or the similar procedures, or the law procedure requires information to be disclosed.

5. According to the requirement of financial regulator, AJ Trust discloses information to the financial regulator.

6. Because Kingold Jewelry violates the contract, AJ Trust can disclose information to transferees or potential transferees when it addresses the creditor's rights under this contract.

Rules of this article are still valid after the termination of contract.

Article 11 Anti-commercial Bribery Terms

Anti-commercial bribery terms are the necessary attachment of this contract, and have the same legal effect with this contract. The party who signs this contract with us (AJ Trust), please read this Article carefully, agree to sign following anti-commercial bribery terms with us (AJ Trust) and obey them.

1. Both parties understand and are willing to obey the anti-commercial bribery legal rules of PRC. Both parties understand that the bribery and corruption behaviors in any forms violate laws and will be punished seriously by the law.

2. Neither party shall claim, receive, offer, give any interests outside of this contract to the other party or responsible person of the other party or other relevant people, including but not limited to public rebate, hidden rebate, cash, gift card, physical items, securities, traveling, or other non-material interests and so on, however, if these interests are under industry practice or the common practice, they shall be explicit in the contract.

3. We (AJ Trust) will prohibit strictly any commercial bribery behaviors of our (AJ Trust's) responsible person. If our (AJ Trust's) responsible person does anything listed in the Provision 2 of this Article, it will be deemed as breaking rules of us (AJ Trust), and will be punished by our (AJ Trust's) rules and national law.

4. If one party or one party's responsible person violate rules of Provisions 2 and 3, and causes losses to the other party, they should be responsible for damaging and compensation.

5. "Other relevant people" mentioned in this Article refers to the people, except the responsible person of two parties of this contract, who have direct or indirect interests in the contract, including but not limited to relatives and friends of the contract's responsible person.

Article 12 Special Agreement

1. After coming into force of this contract, if the Object Gold Income Right is deemed void, cancelled or any other situations which limit the right, Kingold Jewelry shall inform AJ Trust within one day after these situation happened. Effects, possible effects on Kingold Jewelry, and remedial measures which has taken or are going to take all should be listed carefully in the written information.

2. After this contract becomes effective, if AJ Trust thinks that if offering guarantee to the third party by Kingold Jewelry or the guarantor has serious adverse impact on the performance of this contract's obligation and /or the obligation of the relevant transactional documents of the Trust Plan by this party, AJ Trust has the right to require the guarantee offering party to make a written statement on how to remedy this situation and take remedial measures.

3. After this contract becomes effective, if one of the following credit risks happens, Kingold Jewelry shall inform AJ Trust in written form within five business days after knowing this situation. Effects, possible effects on Kingold Jewelry, and remedial measures which has taken or are going to take, deadline of remedy and expected effects should be listed carefully in the written notice.

(1) The operating status of Kingold Jewelry deteriorates.

(2) Kingold Jewelry has lost the business reputation.

(3) Significant suit or arbitration cases happen which affect or may affect interests of Kingold Jewelry and make the operating status of Kingold Jewelry deteriorate.

(4) Events happen in Kingold Jewelry, which may have material adverse influences on Kingold Jewelry's business, capital and property status.

(5) Other items which have material adverse influences on Kingold Jewelry when it performs this contract's obligation and /or the obligation of the relevant trade documents of the Trust Plan.

4. The parties hereby agree that: after this contract becomes effective, AJ Trust has the right to know Kingold Jewelry's finance status, status of participating suits or arbitration, significant transactional contracts and so on; has the right to check Kingold Jewelry's operating and finance status monthly or quarterly, but AJ Trust shall not intervene with Kingold Jewelry's normal activities.

5. During the term of the contract, if any situation listed in this article happens, and AJ Trust thinks that it may have influences on the realization of the Object Gold Income Right and /or its rights of relevant transactional documents of the Trust Plan, AJ Trust has the right to inform Kingold Jewelry and require Kingold Jewelry to pay the repurchase amount of the rest Object Gold Income Right to the special account of trust property.

Article 13 Force Majeure

1. The force majeure referred in this contract, means earthquake, flood, war, governmental behaviors and other events which cannot be foreseen, whose results can't be prevented or avoided reasonably.

2. If one party of this contract cannot perform this contract completely or partly, this party shall inform the other party within 5 business days after the happening of the force majeure; and offer the detail situation of the event within 15 business days and the documentations offered by the relevant competent authorities, functional departments, or notary public which proves that this contract cannot be performed completely or partly.

3. If one party cannot perform this contract completely or partly because of force majeure, this party is not responsible for breaking the contract, but this party shall take the necessary and proper measures to relieve losses which may bring to the other party.

4. If the force majeure happens, two parties shall have a negotiation and decide to change or end this contract by the degree of the force majeure' s impact on this contract.

Article 14 Amendment and Supplement to the Contract

1. The agreed content in this contract can be changed after negotiating of two parties.

2. On the matters not being specified in this contract, two parties can sign supplement to the contract.

3. The contents which have changed in this contract or supplement contract have the same legal effect with this contract. If there are conflicts between the content after the change or supplement contract and this contract, the content after the change or supplement contract prevails.

Article 16 Responsibility of Default

1. Both parties shall strictly abide by the provisions of this contract. Any party that breaches the contract or its representations and warranties shall bear the corresponding liability for breach of contract and compensate for all the loss of the observant party because of its default. If its default leads to the invalidation, revocation or rescission of the contract, the defaulting party shall compensate for all the losses caused to the observant party.

2. Both parties hereby agree: Once the contract comes into force, if one of the following circumstances occurs, which AJ believes to affect the execution of the contract, it is deemed as the default of Kingold Jewelry.

(1) Kingold Jewelry breaches the contract.

(2) Kingold Jewelry breaches the commitment on the use of funds.

(3) Kingold Jewelry has material breach to any third party.

(4) Significant suits or arbitration arises where Kingold Jewelry is the defendant or a third party.

(5) The key personnel of Kingold Jewelry are subject to the investigation or punishment by the supervision department or higher authorities.

(6) Any other matters occur, which may be seriously adverse for the business, capital and property situation of Kingold Jewelry.

(7) Other situations stipulated in the laws and regulations, or the notification and decision of the supervision departments.

3. If Kingold Jewelry breaches the obligation in the contract (including representations and warranties are not true) or any other default situation occurs, causing AJ Trust be not able to receive the repurchase amount of the Object Gold Income Right according to the Article 5 of the contract, AJ Trust is entitled to take one or more of the following measures:

(1) Require Kingold Jewelry to continue to pay the payables (including but not limited to the repurchase amount), and pay [0.05%] of the amounts payable per day as the damages. If the damages are insufficient to compensate all the losses of AJ Trust (including the fees of the exercise of pledge right, compulsory enforcement fees, court fees or arbitration fees, counsel fees and other dispute resolution fees), Kingold Jewelry shall continue to compensate AJ Trust the balance of the losses.

(2) Terminate this contract partially or completely according to Article 15, and require Kingold Jewelry to pay all the losses.

(3) Exercise the rights according to the other contracts signed by Kingold Jewelry and AJ Trust (if any).

Article 17 Dispute Resolution

All disputes arising from this contract shall be settled through friendly negotiation. In case no settlement can be reached through negotiation, they shall bring proceedings to the local People's Courts with the jurisdiction where AJ Trust is located.

Both parties have confirmed that any party that does not fulfill the obligations is willing to accept the compulsory enforcement.

Article 18 Others

1. In case any article of this contract is invalid for any reason, the invalidity of this article does affect the validity of other articles of this contract, so both parties shall continue to execute the other articles of this contract.

2. AJ Trust shall sign and execute this contract as the trustee of the Trust Plan, instead of the owner of AJ Trust's inherent property.

3. Headings of this contract are for convenience only and are not used for the interpretation of this contract. The words used in this contract have the same meaning with those in The Trust Contract of AJ Trust & Wuhan Kingold Jewelry Gold Income Right Collective Fund Trust Plan unless the context clearly requires otherwise.

4. Both parties hereby confirm that the debt relations in this contract are clear and both parties have no objection to the agreed content related to the payments. If Kingold Jewelry fails to perform the obligations and responsibilities in this contract wholly, partially or properly, Kingold Jewelry will voluntarily accept the compulsory enforcement. AJ Trust is entitled to decide whether this article is in preference to Article 17 (Dispute Resolution) in this contract.

Kingold Jewelry shall cooperate with AJ Trust to apply for the notarization of credit instruments to grant this contract the effectiveness of compulsory enforcement in the notary public office. The fees of the handling notarial affairs shall be paid by AJ Trust with trust property.

5. This contract becomes effective after being signed or sealed by the legal representative/director or authorized agent of both parties and affixed the official seal.

6. The contract is in quadruplicate. Kingold holds one copy while AJ Trust holds three copies, which are with equal legal effect.

(The following has no content)

[This page is the signature page of The Gold Income Right Transfer and Repurchase Contract of AJ Trust & Wuhan Kingold Jewelry Gold Income Right Collective Fund Trust Plan (No.: [AJJHZB-01]). No text.]

Both parties have read and understood all the articles without any disputes when signing the contract, and they also have correct understanding of the legal relation between both parties and the legal implications of the articles about both parties' rights, obligations and responsibilities.

Party A: Wuhan Kingold Jewelry Co., Ltd. (Official Seal)

Legal representative or authorized agent (Signature or seal)

Party B: Shanghai AJ Trust Co., Ltd. (Official Seal)

Legal representative or authorized agent (Signature or seal)

Signing date: 28th April, 2016

Signing location: Shanghai

Notarial Certificate of Credit Instruments with Effectiveness of Compulsory Enforcement

(2016) Hu Huang Zheng Jing Zi No. 7102

Applicants:

Party A: Wuhan Kingold Jewelry Co., Ltd

Address: Te No. 15, Huangpu Science Park, Jiang'an District

Legal representative: Zhihong Jia

Party B: Shanghai AJ Trust Co., Ltd

Address: 5/F, Comprehensive Building, 168 Gutai Road, China (Shanghai) Pilot Free Trade Zone

Legal representative: Weizhong Zhou

Issue under notarization: To grant The Gold Income Right Transfer and Repurchase Contract the effectiveness of compulsory enforcement

The applicants Wuhan Kingold Jewelry Co., Ltd and Shanghai AJ Trust Co., Ltd applied to us for the notarization of The Gold Income Right Transfer and Repurchase Contract to grant it the effectiveness of compulsory enforcement on 25th April, 2016.

Upon investigation, the applicants have signed the preceding The Gold Income Right Transfer and Repurchase Contract by mutual agreement. Each party has the legal capacity for civil rights and civil acts. Both Zhihong Jia, the legal representative of the transferor (the repurchase party) Wuhan Kingold Jewelry Co., Ltd and Weizhong Zhou, the legal representative of the transferee Shanghai AJ Trust Co., Ltd has the corresponding signing right. The meaning of The Gold Income Right Transfer and Repurchase Contract is true and the content is specific and explicit.

Both parties agreed in the contract that Wuhan Kingold Jewelry Co., Ltd agreed to transfer the income right to the stock gold it holds lawfully (Au99.99 standard gold of the corresponding market value of the closing price on the most recent trading day in Shanghai Gold Exchange no lower than the 412.5 million RMB when pledging) to AJ Trust with a transfer amount of RMB 300 million. The transfer fees are used to purchase gold material. Shanghai AJ Trust Co., Ltd shall receive the Object Gold Income Right from Wuhan Kingold Jewelry Co., Ltd with the trust fund according to the trust contract, and under the agreed circumstances, Wuhan Kingold Jewelry Co., Ltd shall repurchase the object gold income right held by Shanghai AJ Trust Co., Ltd, which has not been achieved, according to the contract.

Based on the above facts, we hereby certify that Zhihong Jia, the legal representative of the transferor (the repurchase party) Wuhan Kingold Jewelry Co., Ltd and Weizhong Zhou, the legal representative of the transferee Shanghai AJ Trust Co., Ltd have signed the preceding The Gold Income Right Transfer and Repurchase Contract in Shanghai on 28th April, 2016, the content of which is in accordance with the relevant regulations of *General Principles of the Civil Law of the People's Republic, Security Law of the People's Republic, Contract Law of People's Republic of China*. The seals of both parties are true.

According to Article 238 in *Civil Procedure Law of the People's Republic of China*, Article 37 in *Notarization Law of the People's Republic of China* and the regulations in *Joint Notification of the Supreme People's Court and the Justice Department on the Relevant Issues about the Credit Instruments Granted the Effectiveness of Compulsory enforcement by Public Security Organization*, since the date of the preceding The Gold Income Right Transfer and Repurchase Contract takes effect, this notarial certificate has the effectiveness of compulsory enforcement.

Shanghai Huangpu Notary Public Office of the People's Republic of China

Notary: Yang Gao

28th April, 2016

The Office Building Leasing Contract

Lessor (Party A): Wuhan HuaYuan Technology Development Co., Ltd

Lessee (Party B): Wuhan Kingold Jewlery Co., Ltd

According to the rules of "Contract Law" of our nation and the relevant laws and regulations, the following agreements which are relevant with the housing leasing should be established on the basis of equality, free will and consensus by negotiation:

Article 1 Premises and Purposes of Leasing

Party A agrees to lease 4/F, Tower A, Building 7, Kingold Jewlery Cultural Industry Quarter, located in No. 8 Hanhuang Road, Jiang'an District, Wuhan to Party B. The total area of the house for rental is 1,200 Square meters. The scope of operation of the leasing units is limited on the scope of operation ruled by Party B's business license.

Article 2 The term of lease is five years from July 1, 2016 to June 30, 2021.

Article 3 Rent:

The rent is 40 yuan/ Square meters/ Month (including the property management fee). The monthly rent is RMB 48,000 yuan; the rent should be paid quarterly. Party B should pay the rent of the first quarter in a lump sum in the day of signing the contract. The rest quarterly rent should be paid 5 days in advance before the expiration date. Party A should give the charges document to Party B after receiving the rent.

Article 4 Facilities and Expenses Undertaking

1. All expenses (including the housing leasing tax) during the housing leasing should be paid by Party B.
 2. If the house and its attached objects and devices are damaged or malfunctioned because of improper safekeeping or unreasonable using, Party B should be responsible for repairing or compensation.
-

3. After expiration of this contract, Party B cannot remove the floor tiles and ceiling lamps.

Article 5 Responsibilities and Obligations of Party A

1. Party A should guarantee that the property right of the leasing shops is clear, if there are disputes, Party A should take charge of them.
2. The house should be used by Party B when Party A signs the contract.

Article 6 Responsibilities and Obligations of Party B

1. According to the regulations of the contract, Party B shall pay the rent and other expenses on time, use the house legally, and not undertake activities which are guilty of dereliction or serious violation of law.
 2. If there are no written permissions of Party A and relevant departments, Party B shall not make any changes on the house's structure. About the decorations of the house, Party B shall obey the principle that do not damage the house's overall structure and devices, and shall be agreed by Party A.
 3. During the period of the lease, Party B shall not do anything detrimental to the interests of Party A, such as subleasing, transferring, under-leasing, pledging the house to a third party, or joint operation of the house.
 4. During the period of the lease, Party B shall be responsible for damage to Party A's house caused by the accidents, such as being stolen, fire etc., or the man-made accidents of Party B.
 5. On the premise of not in violation of the lease, Party B has the priority to continue renting the house. Party B shall notify Party A within three months before the contract expires, if it intends to extend the lease. In this situation, both parties will discuss relevant matters over the extension.
-

Article 7 Termination of Contract

Unless the following situations occur, this contract is completely effective during the contract period, and shall not be terminated unilaterally.

1. The expiration of the lease term.
2. The house is damaged seriously because of Party B.
3. The house is damaged by a force majeure, so that cannot meet the use purpose.
4. The government expropriates or dismantles forcibly the house.
5. Party B fails to pay the rent for more than 10 days after the due date.

Article 8 Responsibility of Default

Any one party, who breaks the contract and leads to termination of contract, shall pay 1% of the total contract value as liquidated damages to the other party, and compensate for all the other losses and costs.

Article 9 Supplementary Agreement

During the period of the lease, if this contract shall be terminated ahead of schedule because of the factors such as national policy changes or a force majeure, Party A shall notify Party B half a month early. Party B shall transact the formalities of termination of the contract according to the requirements of the notification and leave the house on time. Party A is not responsible for the losses cause by the above factors, but shall return the rent that Party A has paid but has not use yet.

Article 10 Party A shall provide the title deed (or the valid certification with the right to rent), identity certificate (business license) and other documents, while Party B shall provide the identity certificate. Both parties can copy each other's documents for being kept after validation. All the copies are only for this lease contract.

Article 11 All disputes arising from this contract shall be settled in time through friendly negotiation. In case no settlement can be reached through negotiation, any one party can bring proceedings to the People's Courts in the locality where the shop is located.

Article 12 Both parties can make supplementary terms on the matters not stipulated in this contract by mutual agreement. The supplementary terms and attachments are also the parts of this contract, which have the equal legal effect with this contract.

Article 13 This contract takes effect after the signature of both parties. This contract is in duplicate, and each party holds one.

Party A:

Party B:

Entrusted agent:

Entrusted agent:

Signing Date:



Fenghui No. 3 single trust fund

Contract of trust loans

NO: NT 16-020-021-002

National Trust Co.,Ltd;

7 Month 2016 Year

Contract of trust loans

Lender (Party A): National Trust Ltd

Address: No. 1, No. 18 in Anwai Binhe West Road, Dongcheng District, Beijing city

Zip code: 100011

Legal representative: Xiaoyang Yang

Fax: 010-84268000

Tel: 010-84268088

The borrower (Party B): Wuhan Kingold Jewelry Co., Ltd.

Address: No. 15, Huangpu Science and Technology Park, Jiang'an District, Wuhan City

Zip code: 430023

Legal representative: Zhihong Jia

Fax: 027-65694977

Tel: 027-65694977

Herein:

- I Party A according to the establishment of the National Trust - Fenghui No. 3 single trust fund (hereinafter referred to as "the trust or the trust scheme") in the trust documents agreed, in accordance with the wishes of the trustee of the trust, entrust by the trust funds to the lender's name Trust loans to Party B (hereinafter referred to as "trust loan" or "loan").

- II Terms that do not make a specific interpretation under this contract shall perform in accordance with the definition and meaning of the trust contract (No. NT 16-020-021-001) in accordance with the trust.
- III In accordance with the relevant laws and regulations, the two parties concluded this contract through consultation to comply with the implementation together.

Article 1 The contents of the loan

1.1 Amount of Loan

The contract under the loan amount is not more than RMB [500,000,000.00], Capital: RMB [Five hundred million]yuan as a whole. Agreed by the two parties, the contract under the loan funding for lenders to manage the trust under the trust fund.

1.2 Terms of Loan

(1) The term of the loan under this contract is the following ①:

①The term of the loan is [12] months, from the 15th July, 2016 to 14th July, 2017. The loan period from the date of payment, unless the agreement in accordance with the agreement, the Party B shall not make the repayment in advance;

②The loan period is [] a month, the surrender period of loans to the date of payment of the first phase of the loan which is reach to [] a month is the corresponding days; the first phase of the loan payment is the corresponding date for each period of the maturity date of the loan;

③Loan period for the surrender of the loan period is corresponding with the date of final issue of the loan which is full [] months, and the last issue of the loan is full [] months with the corresponding date for the loan maturity date;

④Loan installment payment, each installment of the loan for a period of [/] months, since the loans to the loans granted full [/] months corresponding, and the period of the loans issued full [/] months corresponding, expiry date for the loan;

(2) he principle of the loan shall not be extended under the contract. If the lender and borrower through consultation is loan extension conditions agreed, agree to roll over loans should be separately signed the contract in a supplemental agreement to be agreed by the parties, the extended deadline for a year.

(3) loan, Party B shall fill in borrowing IOU, the specific amount of the loan, is zoned shall date and the date of repayment to borrowing IOU recorded content.

1.3 Interest rate of loan

The calculation of interest under this contract shall be subject to the provisions of article third of this contract.

1.4 Purpose of loan

1.4.1 The purpose of the loan under this contract is the following (2) :

(1) all trust loans under the contract are used in the construction of the project;

(2) to provide liquidity loans to Party B.

1.4.2 Without the written consent of the lender, the borrower shall not arbitrarily change the use of the loans, including but not limited to, Party B shall be under the contract of loan funds for fixed assets or equity investment and national policy restrictions, and shall not use the loans for shares and Futures

Investment, such as financial derivatives, and shall not be used for the production and operation of the state to prohibit the use of the field.

Article 2 Release of loan

2.1 in addition to Party A in written form agreed to give up all or part of the conditions of the provisions of this article, when and only when the following terms of loan, continue to meet and the client issued "loan notice, Party A shall not be obligated to Party B Loan:

2.1.1 Party B has made the relevant laws and regulations and the articles of association of the company to obtain the right to agree with the effective resolution of this loan;

1.1.2 this contract has been signed and entered into force, and Party B has not been in breach of this contract;

2.1.3 this trust has entered into force;

2.1.4 Party B to provide Party A irrevocable "borrowing IOU";

2.1.5 Party B has submitted to Party A all the information requested by Party A, and the information is as follows:

- (1) Party B shall submit a copy of the business license of the enterprise legal person (a copy) with the official seal of the company;
- (2) Party B shall submit to Party A the current and effective regulations (copies) of Party B with the official seal;
- (3) Party B shall submit to Party A the legal representative ID card (photocopy) with the official seal;
- (4) Party B shall submit the annual financial audit report and the financial statements (copies) within the last three months of the year by the party A;

(5) Party B shall submit to Party A the right to approve the loan, the effective resolution or document of this loan;

(6) the relevant materials required by the other Party A to provide loans;

2.1.6 Borrower [Wuhan Kingod Co., Ltd. on its loans to the trust provides pledge, mortgage security matters issued by the internal corporation has the right to the examination and approval authority pledge collateral matters of legitimate and effective resolution, and signed by Party A. the NT support word 16-020-021-003 the pledge contract "and NT support word 16-020-021-004" mortgage contract "has been in force and completed the mortgage registration;

2.1.7 Assurance in Wuhan show only Jewelry Co., Ltd., Jia Zhihong (ID number: 420102196111133118) has been on its loans to the trust provides joint and several liability assurance of security matters and signed with the Party of the first part of the NT support word 16-020-021-005 "guarantee contract" and NT support word 16-020-021-006 "guarantee contract" has been in force;

2.1.8 Client to obtain the insurance policy in accordance with the requirements;;

2.1.9 The borrower will pledge deposit to the client specified by the client and safe, the insurance company to complete the pledge to keep.

2.1.10 The commitments made by Party B in the eleventh items of this contract are true and valid;

2.1.11 Party B has opened the RMB loan account for the trust loan in Article 2.5 of this contract;

2.1.12 Party B agrees to subscribe to the trust industry security fund in accordance with the requirements of Party A, and the trust agreement signed by Party A has entered into force;

2.1.13 Does not appear any modification or issue of laws and regulations, regulatory authorities put forward new regulatory requirements and other reasons, Party A can not issue a loan under this contract or to achieve the purpose of the contract

Confirmed by Party B, and Party B shall finish the requirements by 20th July, 2016.

2.2 Loans under this contract shall be issued by Party A in accordance with the following first 1):

1) Party A should be in after the establishment of the provisions of paragraph 2.1 of all lending conditions [5] a working days will be capital all loans once assigned to Party B for receiving loan trust loan account (hereinafter referred to as the "loan account, see Section 2.5).

2) Party A shall in all the loan conditions prescribed in paragraph 2.1 of this article established and continue to meet the established state, and Party B has initial interest on the loan in full payment to the trust property accounts, and to the party to provide the loan period can not be revoked of the borrowing IOU "[5] a working days will be the second phase of the loan funds.

2.3 If the paragraph 2.2 choice 1) issued by the way loan payment date: for loan funds actually included in the account of Party B's loans, and principle of loan funds actually included in the recorded on the Party B loan account, and borrowing IOU's designated section, should be the same day, such as inconsistent, loans issued on borrowing IOU recorded in the designated section on the subject. Loan from the date of this contract is the date of payment of the loan.

Such as this paragraph 2.2 select the 2) issued, the loan payment date: under this contract the trust loan payment date for the loan funds actually included in the borrower's loan account, and in principle the loan funds actually assigned to the Party B loan account, and the corresponding borrow IOU recorded the loans designated section, should be for the same day, such as inconsistent, the period of the loans issued to borrowing IOU records of the loan period designated section on the date of. The date of issuance of loans for each period of the trust and loan.

2.4 A loan by loan account shall be transferred to Party B, Party A is deemed to have loan, Party B has promised to borrow.

2.5 Under this contract, Party B receives the loan account information of trust loans as follows:

Opening Bank: branch of the China Construction Bank, road 4 branch of Hou Lake

Account Name: Wuhan Kingold jewelry Limited by Share Ltd

Account No: 42050110242500000003

2.6 Party B shall, in accordance with the agreement or by Party A written approval of the consent of the use of paragraph (or application) drawing, unless the lender agreed in writing, the borrower may not advance, postpone or cancel the withdrawal. During the loan period, without the written consent of Party A, Party B shall not cancel the loan account.

Article 3 Interest of loan

3.1 Following article 2.3, which defines the date to pay back interest, the debt will be paid by Party B in accordance with method (5)

Party B shall, in accordance with the agreement or by Party A written approval of the consent of the use of paragraph (or application) drawing, unless the lender agreed in writing, the borrower may not advance, postpone or cancel the withdrawal. During the loan period, without the written consent of Party A, Party B shall not cancel the loan account:

(1) Loan interest by the party since the day of interest paid once every 6 months from the date of, interest settlement date for interest, each over six months of the date and the corresponding loan maturity, interest, interest settlement date, if the above term interest payment date is not a business day, postponed to the next working day. Loan maturity should be cleared with the amount and interest of the loan

Each interest calculation way: each interest payment date payable interest = σ (daily loan duration of the principal amount \times $[\]\%/360$. "Sigma" during the calculation for node on a daily interest (inclusive) to the interest settlement date (not included), at the end of a calculation period for adjacent a bear interest (including) loans to maturity, (not included).

(2) Corresponding to its specific respectively under the terms of the contract the trust loan interest, loan interest, $[\]$ working days to pay the loan principal amount $[\]$ as a percent of the loans of the first interest, the downpayment loan interest payment amount = $[\]$; the period of the loan, interest rates by Party B in accordance with every three months / months / 12 months) to pay the loan interest, respectively, for the period of loan interest as of the date of each full (3 months / months / 12 months), and the loan maturity, interest on interest settlement date, the maturity of the loan when Lee with the clear, if the above term interest payment date for non working days, will be postponed to the next working day.

Corresponding to its specific respectively under the terms of the contract the trust loan interest, loan interest, $[\]$ working days to pay the loan principal amount $[\]$ as a percent of the loans of the first interest, the downpayment loan interest payment amount = $[\]$; the period of the loan, interest rates by Party B in accordance with every three months / months / 12 months) to pay the loan interest, respectively, for the period of loan interest as of the date of each full (3 months / months / 12 months), and the loan maturity, interest on interest settlement date, the maturity of the loan when Lee with the clear, if the above term interest payment date for non working days, will be postponed to the next working day.

(3) Loan interest by Party B in accordance with the quarter payment, the interest, the last month of each quarter [], (that is, [] days and months [] days and months [] days and months []), and the maturity of the loan, interest, interest settlement date, where the interest from the date of the first naturally quarter at the end of the month [] days for the first bear interest, if the above term interest payment date is not a business day, will be postponed to next work;

Each interest payment date payable interest = (daily loan duration of the principal amount x []%/360. "Sigma" during the calculation for node on a daily interest (inclusive) to the interest settlement date (not included), one of the first calculation period for daily interest (inclusive) to adjacent the first node daily interest (not included); at the end of a calculation period for adjacent a bear interest (including) loans to maturity (not included) or loans repaid after the day (not included), sigma.

(4) Natural specific interest as the date of the period of the loans interest from [/] a working days to pay the loan principal amount of [/% of the loan period of the first, the loan period of the first interest payment amount = []; the rest of the loan loan interest by Party B according to the natural quarterly payments, interest settlement date for each calendar quarter at the end of the month [/], (i.e. March [] on June [] on September [] on December []), and the term loan maturities, interest on interest settlement date, interest, where the first quarter at the end of the month [], for the remaining loan interest of the first node information, and if the above term interest payment date for non working days, will be postponed to the next working day;

Or a first (including interest, "the existence of the downpayment loan interest beyond the calculation of interest on the way: each period for each loan interest, interest payable = \sum (the day loans loan principal amount \times $\frac{[]\%}{360}$ the loan sigma calculation period for the loans on a node to the node information day (not including) the first calculation period for the period of loan interest, (including) to the adjacent node information day (not included). At the end of a calculation period for the neighboring node information day (inclusive) to the period of the loan maturity date (not including) the loan repaid completed (not included)

(5) Under this contract, the loan interest divided two ways of collecting:

A. The first loan interest rate and payment time :

The borrower shall to the loan payment date [3] a working days, a one-time payment of RMB [20.5 million yuan, as an integral part of the initial interest. The borrower hereby confirmed that the initial loan interest is not to the borrower's actual borrowing period limit, the lenders charge upfront loan interest, non refundable borrower nor for any reason on the initial loan interest to the lender of any claim.

B. Remaining loan interest and payment time :

The remaining loan interest calculated in accordance with the interest rate of a year $8\%/2$, in the initial loan interest paid, full 6 months corresponding to the date of payment, if the payment date is not a business day, will be postponed to next working day.

Recovery under this contract trust loan interest, Party A has the right to 3 working days to Party B to send the interest receivable in advance notice, Party B guarantees at the appointed time according to the notice of the interest receivable, record the amount of unconditional to party a pay interest and / or principal.

3.2 After Party A's receipt of Party B to pay the interest payments, such as Party A Party B's written request to provide the collection documents ", the Party of the first part only according to its internal regulations issued by Party B to the stamped with the interest income from a special financial stamp" receipts ", as the Party of the first part has received B to pay interest on interest income certificate.

Article 4 Loan principal repayment

4.1 Except otherwise stipulated in this contract, Party B as any other contract party to Party B the repayment of funds sources of any agreement, the agreement was not affected and against Party B to perform this contract under the terms of payment of principal and interest obligations.

4.2 Party B shall repay all the principal of the loan before the maturity date of the loan. Party B shall repay the principal of the loan in accordance with the following (1):

(1) Lump sum, Party B shall repay all the principal of the loan on the maturity date of the loan.

(2) On the day of the month of the date of the full moon, Party B shall pay back the principal of the loan. Party B shall repay all outstanding principal balances on the maturity date of the loan.

(3) Each loan from the date of each full [] months of the corresponding date, B direction of the first party to repay the loan principal [million], while the interest of the. Party B shall repay all the principal balance on the maturity date of the loan.

(4) Each loan from the date of each full [] months of the corresponding date, B direction of the first party to repay the loan principal [], while the interest of the. Party B shall repay the principal balance of the loan at maturity on the maturity date of each period of the loan.

4.3 Party B shall pay to Party A the loan principal, interest, and such as breach of this contract shall be paid to party a penalty interest and compound interest, default damages and compensatory damages, the contract of all payments, should be merged in the following account designated by Party A:

Bank: Industrial and Commercial Bank of China Beijing branch of the Golden Tree Street

Account Name: National Trust Ltd

Account NO: 0200 2914 1920 0056 695

4.4 Party B in accordance with the contract agreed in advance of the repayment, must advance [15] a written application to Party A, the party a written consent before the repayment, the contract otherwise agreed.

Article 5 Guarantee measures

5.1 The guarantee for the loan under this contract is:

Borrower [Wuhan Kingold Co., Ltd.] under this contract trust loans provide pledge, mortgage and security matters and party a signed number for NT support word 16-020-021-003, the pledge contract "and numbered for NT support word 16-020-021-004," mortgage contract ", specific to the number of NT support word no. 16-020-013-003" pledge contract "and numbered for NT support word no. 16-020-013-004 the mortgage contract of" Agreement shall prevail;

Assurance in Wuhan show only Jewelry Co., Ltd., Jia Zhihong (ID number: 420102196111133118 under this contract trust loans provide joint guarantee and ensures that matters to party a signed number for NT support word 16-020-021-005, the "guarantee contract" and number for NT support, 16-020-021-006 word of "guarantee contract", specific to the "guarantee contract" Agreement shall prevail.

5.2 Party B has the obligation to promote the mortgage, the pledge and the guarantor and Party A on the specific guarantee of the contract signed the relevant guarantee contract, the specific security matters related to the contract agreement shall prevail.

5.3 Party A shall have the right to request Party B or its designated third party to provide a separate guarantee when the value of the guarantee is reduced or destroyed or lost.

5.4 If the contract of two or more than two kinds of guarantee, Party A has the right to choose any of them a or several guarantee to achieve security interests and chosen by Party A a or several guarantee does not affect and the exclusion of other security contract shall enjoy any rights. Unless Party A written representation, Party of any of its guarantee rights fails to do so, part of the exercise and / or delay in exercising shall not constitute the rights and gave up, also do not affect, stop and prevent Party A the right to continue to exercise or the exercise of any other right.

Article 6 Repayment order

6.1 If the amount of money paid by Party B is less than the total amount paid in accordance with the terms of this contract, the payment shall in accordance with the following order:

6.1.1 Payment of expenses, damages and liquidated damages payable in accordance with the provisions of the contract or in accordance with the provisions of this contract;

6.1.2 Pay the penalty, interest;

6.1.3 Interest payable;

6.1.4 Payment of principal.

6.2 The amount of money paid by Party B is not enough to pay off all the money in the same order, and shall be paid in accordance with the proportion of the occurrence of the relevant payment.

Article 7 Maturity of the loan

7.1 Party B shall, in accordance with the contract, put forward the application for repayment ahead of schedule, and Party B may advance some or all of the repayment after Party A's written consent, except as otherwise provided in this contract.

7.2 Party B shall, in accordance with the contract, put forward the application for repayment ahead of schedule, and Party B may advance some or all of the repayment after Party A's written consent, except as otherwise provided in this contract;

7.2.1 Party B fails to draw money in accordance with the contract, or fails to use the loan fund in accordance with the provisions of article 1.4 of this contract;

7.2.2 Party B fails to comply with the commitments, or the loan application materials and procedures provided by the false ingredients;

7.2.3 Party B is forced or voluntarily closed down;

7.2.4 Party B shall be considered by Party A to affect the major operating errors or changes in the financial position of the loan security;

7.2.5 Party B shall be subject to administrative sanctions and judicial sanctions against major illegal business operations;

7.2.6 If Party B has the right to affect the ability to pay for the transfer, without prior notice to Party A or although the notice but without Party A's written consent;

7.2.7 Party B shall have the circumstances of separation, merger, liquidation, reorganization, revocation, bankruptcy, dissolution, etc. that may affect the safety of the loan.;

7.2.8 Party B fails to repay any principal or interest on time in accordance with the contract;

7.2.9 Party B misappropriation of loans;

7.2.10 Party B breaches the contract with Party A or other third party for other loan, loan and credit;

7.2.11 Party B in the bank account of the occurrence of the seizure, freezing, withholding funds and other legal enforcement measures or enforcement measures, the party that has affected the repayment capacity of Party B;

7.2.12 Party B is being sued by other creditors for major debt disputes (Zhong Cai) or by the court (Zhong Cai institution) to make the seizure, freezing, seizure of property or by the court to enforce the ruling;

7.2.13 Party B fails to subscribe to the trust industry security fund;

7.2.14 Party B violates other provisions of this contract.;

7.2.15 Other cases where Party B is considered to affect the safety of loan.

7.3 Not the prior written consent of Party A, Party B in advance to return debt contract under the loan in full or in part, Party A has the right to request Party B to deadline for repayment of the principal contract all loan principal and interest.

7.4 If 7.1 prepayment conditions occur, the interest rate of the loan in advance shall be calculated according to the actual number of surviving days of the loan, and the interest paid by Party A shall not be refunded.

and 7.3 paragraph, loan interest according to the contract interest rate and interest during the calculation to the agreed loan maturity. At the same time, Party B shall also be to Party A to pay the contract agreed by the principal, penalty interest and compound interest, default payment, compensation etc.

7.5 Party B shall not cancel the agreement: Party A shall have the right to require Party B to pay off all the debts in advance according to the requirements of the client. Party A hereby announces that the loan is due in advance, and Party B shall, in accordance with the requirements of Party A, pay off all the debts under this contract.

Article 8 Information disclosure

8.1 Party B shall, in accordance with the following requirements, disclose the relevant information to Party A in a timely manner:

8.1.1 During the trust loans under this contract, Party B shall annually in [], [] months ago [] to submit a quarter financial report within five working days every year. [] month and caring] recently submitted in the first half of the full set of financial report every year. [] month and caring] recently submitted will gauge accountants audit the fiscal year of the full set of financial statements (including balance sheet, income statement, cash flow statement and audit report);

8.1.2 such as change of enterprise name, domicile, registered capital, business scope, company type, amendments to the articles of association of the company, the three Fang Zengzi and equity structure changes, or in the aspects of financial, business occurred significant changes, should advance [10] working days prior written notice to Party A, and after the completion of the change of will relevant information of Party A for the record. Party B legal representative or responsible person in charge of a significant change, should be in the event of changes [10] written notice within a working day;

8.1.3 Party A shall have the right to request Party B to provide the important and dynamic information of the use of loan funds at any time, and Party B shall provide timely.

Article 9 Supervision of the use of loan

9.1 The Party A shall have the right to inspect the use of the trust loan funds under this contract after the trust loan fund is paid. Party B shall according to Party A's requirements to the submitted a written report on the implementation of trust loan funds and the corresponding funds to use certificate, including but not limited to, contracts, invoices, etc.; Party A has the right to the use of on-site inspection loan, Party B shall actively cooperate with, and in accordance with the requirements of Party A, provide relevant information.

9.2 The contents of Party A shall include but not limited to:

9.2.1 Whether the use of loans to change, whether for land consolidation, whether the inflow of securities trading, futures trading, venture capital and other laws and regulations and financial regulations prohibit the inflow of the field;

9.2.2 Party B operating conditions and performance is good, there is no major accident, whether it involves a major litigation seriously affect the repayment capacity;

9.2.3 Other circumstances that Party A considers to be checked.

9.3 If Party A in process inspection found that Party B is not according to the contract agreed by the uses use to borrow funds, have the right to take, including but not limited to announce in advance loan maturity, impose a punitive interest and require Party B to the deadline to be correction measures, and require Party B to assume the liability for breach of contract.

Article 10 Lender / Party A's statement and guarantee

10.1 The lender is a trust company established in accordance with the law;

10.2 The loan person shall have completed the internal authorization procedure required by this contract, and signed this contract is the effective authorized representative of the lender, and this contract shall be effective as to the lender;

10.3 The lender is in accordance with the provisions of the trust contract to trust funds to issue loans under this contract.

Article 11 Statement and guarantee of the borrower / Party B

11.1 Party B is enterprise legal person which register establishment and exist in administrative department for Industry and commerce in accordance with the law, which hold a valid business license, has the ability to remain in good operating condition, the right to operate the business related to the use of the loans under and the contract, and has the right to sign and the performance the contract ;

11.2 Party B has completed all authorization procedures for the signing of the contract required. Party B has got the approval and authorization of the transaction issued by the authority for examination and approval. Party B's effective authorized representative sign this contract and once the contract signed which has a legal binding to Party B;

11.3 Party B shall ensure that all the documents provided by Party B are true, accurate, legal and effective, and the copies of the documents presented are in conformity with the original;

11.4 The financial statements provided by Party A in accordance with the existing laws and regulations as well as the generally accepted accounting standards, the true and accurate reflection of the financial position of Party B during the reporting period;

11.5 Party B signs or performs the obligations under the contract does not violate any other agreement, administrative regulations or the company articles of association, there will not exist any legal and business interests conflict with the other agreement, administrative regulations or the company's articles of incorporation'

11.6 Party B shall not conceal any of the circumstances, including, but not limited to, any of which it has occurred or is occurring and may affect its performance:

(1) major violation of discipline, violation of law or claims that implicate in its principal leaders;

(2) major event of default under other contract terms;

(3) obligation incurred, or the debt, or the guarantee provided by the third party;

(4) major litigation and arbitration cases pending;

(5) other circumstances which may seriously affect its financial position and solvency;

11.7 Party B agreed to a direction of the people's Bank of China and the credit administration department approved the establishment of credit database or the relevant units, check with the Department of Party B's credit status, and agrees that Party A to provide information to the people's Bank of China and the credit administration department approved the establishment of credit database. Party B agrees that Party A may reasonably use and disclose Party B's information for business needs;

11.8 The above statement and pledge are effective before that all debt obligations under this contract are completed.

Article 12 The rights and obligations of Party A

12.1 The right to require Party B to provide all the information related to the loan;

12.2 Party A shall comply with the contract, the terms of the agreement, the amount and the interest rate to the borrower trust loans (except for the reasons for the borrower delays);

12.3 Party A have the right to request Party B to repay loans on schedule and in full;

12.4 The right to understand the production and operation of Party B, financial activities and operations and repayment plans;

12.5 Party A has the right supervise the borrower use the loan according to the contract agreed purpose, right personally on the borrower's funds use, business development and corporate management, supervision, inspection, require the borrower to make a note of related matter, require the borrower to correct the use of funds in the presence of breach of contract, the borrower escape Lender oversight, arrears of the principal and interest of loans or other breach of contract, the right to take the necessary legal, economic and administrative means to safeguard their legitimate rights and interests.

12.6 Party A has the right to request Party B to return the loan or stop payment of loans outstanding in accordance with the provisions of this contract, ;

12.7 When the Party B occur with major transfer of property rights, the institutional change, transfer of debt of creditor's rights and other factors that may affect the security of the loan behavior, Party A has the right to request Party B immediately settle the contract under the principal and interest of the loan and other related expenses, or transfer the debts implement under the names that Party A agrees to accept , or provide new security measures that Party A agrees to accept.

12.8 if the borrower fails to pay the contract trust loan or other related payments, have the right to exercise the right of guarantee;

12.9 people have the right to entrust the contract claims instructions will be funded by the loan at any time to transfer to the third party;

12.10 the obligations, finance, production and operation of Party B shall be kept confidential, except in accordance with the laws, administrative regulations, rules or the state's right to require the disclosure of the institution;

12.11 the client confront pledge during the custody period, pledge the dynamic pledge rate of 70% or less, if the investment period, pledge value fell by 5%, Party A has the right to request Party B immediately to cover short positions or to repay part of the loan to meet the pledge rate of 70% of the dynamic. If Party B fails to cover positions within the prescribed period or repay the loan, Party A has the right to terminate the contract in advance, the disposal of collateral.

12.12 Party B should pledge to be insured, insurance clauses by both parties jointly negotiated, in the two months prior to the expiration of the insurance, Party B shall pledge to renewal, if Party B fails to timely renewal as a breach of contract, Party A has the right to early termination of the contract and require Party B to repay the principal and interest.

12.13 Perform obligations and other rights according to the laws and regulations as stipulated in this contract.

Article 13 The rights and obligations of Party B

13.1 Have the right to extract and use all loans in accordance with the contract;

13.2 Party B shall faithfully provide the documents and information provided by Party B shall cooperate with Party A for loan investigation, examination and inspection, as well as the management of loan funds and post loan management;

13.3 Party B shall accept Party A's supervision and inspection of the use of loan funds and the production and operation and financial activities;

13.4 The borrower shall use the loan funds under the contract , shall not in any way misuse, misappropriation; the borrower is committed to the application of funds in accordance with laws and regulations and national industrial development policy guidance in the field, do not use to state expressly prohibited and the recent national macro-control policies to strictly control field, capital method is not in violation of the provisions of other laws, regulations and policies of the state, and truthfully provide loan funds instructions for use and payment vouchers;

13.5 The principal and interest of the loan shall be repaid on schedule and in full in accordance with the contract;

13.6 Party A transfer all or part of the contract to the third party, shall obtain the prior written consent of Party A;

13.7 The borrower's transfer or disposal of its operating assets in other ways related to the total assets listed in its recent financial statements, and more than 30 percent of the total assets listed in the financial statements shall be prior written consent by the lender;

13.8 The borrower as relates to the change of ownership and / or institutional changes (including but not limited to merger, division, reorganization, equity transfer, capital reduction), the borrower shall at least 15 working days will be related to changes in the plan submitted to the lender's written consent, but in case of borrowers Limited to the listed company to fulfill the obligation of information disclosure, except, the changes in the program shall not damage the lender of the legitimate rights and interests of the contract under the;

13.9 The borrower, such as the transfer, pledge, set off or otherwise disposed of its third party held a major creditor's rights (the amount of the creditor's rights of [10] million yuan, including the number), prior written consent of the lender;

13.10 The borrower shall not sign any agreement or document that damages the interests of the lender or any of the interests of the lender;

13.11 The borrower shall cooperate with the lender, according to the contract of loan funds use, loan business development, the company's major business are understand, check and the obligation to provide relevant information to the lender.

13.12 The borrower should cooperate with the lender to the borrower's credit rating, credit investigation, and in accordance with the requirements of the lender to provide the relevant information;

13.13 The borrower to provide guarantees, such as the amount of the guarantee will be more than 50 of the net assets listed in its recent annual financial statements, should be prior written consent of the lender;

13.14 Ensure that the person's ability to guarantee the decline, enough to affect the safety of the loan, the borrower should promptly notify the lender, and the lender required within the deadline to make up the guarantee;

13.15 Reduce the value of collateral, enough to affect the safety of the loan, the borrower should promptly notify the lender, and in accordance with the requirements of the lender to take the necessary measures;

13.16 In fiscal year net profit after tax to zero or negative, or after tax profit is not enough to make up for the previous accounting year of the cumulative loss or pre tax profit for the borrower pays off in accounting for the annual internal settlement of principal, interest and fees or a pre tax profit is not sufficient to pay off a principal, interest and other charges, the borrower is not in any form to the shareholders dividends, dividend;

13.17 In the validity period of the contract, the borrower in the event of discontinued, closed, cancellation of registration, revocation of the business license, the legal representative or the main person in charge of the to engage in illegal activities, involving the major litigation activities, production and operation of the serious difficulties, the deteriorating financial situation should immediately notify the lender, according to lenders to implement the requirements of the contract under the debt settlement and guarantee;

13.18 Perform the laws and regulations and other rights and obligations as stipulated in this contract.

Article 14 Charges Clause

14.1 Party B shall bear the expenses for reasonable expenses under this contract, including but not limited to the expenses for notarization, authentication, evaluation, registration, etc..

14.2 Party B failed to repay the loan principal and interest and lead to Party A for collection of the loan principal and interest expenses, including but not limited to the announcement, serve, appraisal fees, attorney fees, litigation costs, poor travelling expenses, assessment fees, auction fees, property preservation fee, compulsory execution fees, realize the creditor's rights fees, shall be borne by Party B.

Article 15 Default event and default liability of the Lenders

15.1 The lender has no justifiable reason for breach of this contract, the borrower has the right to require the lender to correct the deadline; if borrower to make a loss, the borrower shall have the right to claim damages for the lender.

15.2 As a result of the trust is not set up or should be regulated by the requirements of the lender and the lender can not be issued to the borrower, the lender does not assume liability for breach of contract.

Article 16 Default event and default liability of the borrower

16.1 Default event and default liability of the borrower

(1) Borrow provides a true, complete and effective financial statement, production and operation status and other relevant information not in accordance with the requirements of the lender;

(2) The loan is not used in accordance with the prescribed purpose;

- (3) Fails to repay the principal and interest of loans;
- (4) Refuse or obstruct the lender to implement supervision and inspection of the use of the loan;
- (5) Transfer of assets to escape the debt;
- (6) The borrower's operating and financial conditions deteriorates, likely to endanger the safety of loan, or involved in or is going to be involved in a major lawsuit or arbitration procedure and other legal dispute, have been or may affect or impair the lender in the rights under the contract.
- (7) Any other debt that has been held to affect or may affect the performance of the obligations of the Lender under this contract;
- (8) During the validity period of the contract, the implementation of contracting, leasing, mergers, acquisitions, joint ventures, division, joint venture, joint-stock transformation and change or conversion mode of operation management mechanism, have been or may affect or impair the lender in the rights under the contract.
- (9) In violation of the borrower's statement and guarantee;
- (10) The collateral endanger the contract creditor's rights security when appears one of the following circumstances: (I) collateral value decreased significantly; (II) collateral is seized, lien, auction, supervision of the executive authorities, or ownership dispute; (III) the mortgagor violates matters of mortgage contract either agreed or representations and warranties of any false, errors, omissions, and (IV) endanger the lender guarantees the realization of the rights of other circumstances;
- (11) Guarantee (in whole or part) does not come into existence, not effective, invalid, revoked, rescinded, the guarantor defaults or expressly or by their actions that will not perform the obligation of warranty, or the value of the security reduction, and other situations, endangering the creditor's right security under this contract ;
- (12) The borrower's guarantee for the pledge, dynamic pledge rate higher than 75%, and the borrower fails to cover short positions or repayment of loans;

- (13) For security of the pledge, the borrower fails to insure according to the lenders' requirement or renew the insurance before two months' expire ;
- (14) Other circumstances in which the lender considers sufficient to affect the realization of the creditor's rights;
- (15) The borrower did not subscribe to the trust fund in accordance with the requirements of the lender;
- (16) Other contractual obligations in breach of this contract.

16.2 The borrower does not issue "Borrowing certificate" to lender as promised and does not submit other documents to apply for a loan as required by the lender, then the contract would be terminated in advance, the borrower shall pay RMB 50,000 as compensation to the lender.

16.3 The lender has the right to exercise one or more of the following events in the case of a breach of the above 16.1:

- (1) Stop lending, announce the loan in whole or in part due immediately, require the borrower to immediately repay the debt contract principal of all loans and calculated interest rate and term of the loan interest according to the contract;
- (2) In the case of a breach of contract 16.1 other than the (2) and (3) of the borrower, the lender shall have the right to charge the borrower a default payment with 0.1 % of the principal amount of the loan;
- (3) The borrower fails to repay the loan in full trust contract under the principal or interest (including all or part of loan principal and interest payable announced by the lender that ahead of maturity), the lender shall have the right to require the borrower to pay within a set time and then the unpaid loan principal since the late date according to the overdue penalty the interest rate (rise up to 50% according to the actual loan interest rates, which is overdue loans overdue impose a punitive interest rate = actual loan fund rate X 150%) received daily penalty, until the trust loan repaid on time; when the accrued interest contract in accordance with the loan interest rates rise up 50% by the recovery of profits since the late date interest payable, until paid in full.

(4) The borrower misappropriation and diversion of the contract under the loan, the lender shall have the right in advance to recover the full trust loans, and has the right to self misappropriation and diversion of the day was misappropriated loan trust principal by impose a punitive interest rate (according to the actual loan annual interest rate broke surface 100%, that is, misappropriation of impose a punitive interest rate = misappropriation of loan fund start lending in real interest rate x 200%) daily impose a punitive interest, until the trust loan principal and interest in full settlement date.

If the borrower is diverted to the misappropriation of loan under this contract and fails to return the principal and interest of loans should be in accordance with higher penalty rates impose a punitive interest, can not impose.

(5) Requiring the borrower to make corrections within a time limit.

(6) Enforcement of security rights.

6.4 Because of the borrower's breach of contract and filed a lawsuit / application for arbitration, the loan for the litigation / arbitration payment litigation / arbitration fees, hire lawyers and other legal costs should be borne by the borrower.

6.5 If the lender is not sufficient to make up for the loss of the lender (including direct and indirect losses), the lender shall have the right to claim compensation for the loss;

Article 17 The division of tolerance and clause

17.1 within the validity period of the contract, lenders to borrowers any default given any tolerance, grace or delay the exercise, not the rights under the contract, are without prejudice, affect or restrict the lender, in accordance with the provisions of this contract and the provisions of relevant laws to enjoy all the benefits, regarded as the lender of any default by the license, shall not be regarded as the lender any default to take legal action to give up, also should not be regarded as a lender to under this contract rights, rights and interests of give up, nor does it affect the borrower in the contract should bear any obligation.

17.2 the rights, interests and remedies provided for in this Agreement are cumulative and may be exercised at the same time, and may be exercised separately, without the exclusion of any other rights, interests and remedies provided by law.

17.3 if any provision of this contract is null and void and does not affect the validity of any other provision of this contract.

Article 18 Secrets

18.1 Both parties assume the obligation of confidentiality on matters related to this contract and the contract , without the written consent of the other party, any party shall this contract any related matters in addition to the contract related when disclosure parties other than the others, but because of the following situations of disclosure except:

- 1) The disclosure obligations of the lender to the client and the beneficiary, in fulfillment of the information disclosure obligations specified in the legal regulations or trust documents;
- 2) In the normal course of business commissioned audit, lawyers and other staff to the disclosure, but the premise is the staff must be on the aforementioned work informed with the contract related information undertakes the obligation to keep confidential.
- 3) The information and documents can be obtained from the public access or disclosure of the information is required by laws and regulations;
- 4) To the court or in accordance with the requirements of any pre litigation disclosure procedures or similar procedures, or in accordance with the legal procedures adopted by the disclosure relating to the contract;

- 5) The lender's disclosure to the financial regulatory authorities in accordance with the requirements of the financial;
- 6) Disclose to the transferee or the potential transferee as a result of the lender's disposal of the loan.

18.2 The provisions of this article shall remain in effect after the termination of this contract.

Article 19 Changes, termination and termination of the contract

19.1 Except as otherwise provided in this contract, any party may unilaterally modify or terminate this contract after the effect of this contract. Modifications or changes to the contract must be agreed upon by the lender and the borrower and a written agreement shall be reached.

19.2 The borrower hereby agree that the lender has the right to the contract under all or part of the transfer of rights to the third person, no need to ask the borrower's consent, but the lender shall timely notify the borrower of the above transfer matters; not the written consent of the lender, the borrower shall not the contract under the obligations transferred to the third party.

19.3 In case of national laws, regulations, rules or policy changes, resulting in all or part of the terms of the contract no longer meets the requirements of national laws, regulations, rules or policies, both the lender and the borrower shall consult promptly as soon as possible to amend the relevant provisions.

19.4 The two parties shall notify each other in time and take effective measures to prevent the loss of the expansion as a result of force majeure. Suffer from force majeure party should provide about the document of the events of force majeure occurrence and impact of the event of force majeure to each other after the incident 15workdays , the details and the relevant government departments issued. The two sides should promptly consult the solution.

19.5 Trust is not established; the lender has the right to terminate this contract and does not have to bear the liability for breach of contract. Such as for borrowers do not provide timely relevant loan before the review, the guarantor not timely processing of related security procedures and other reasons resulting in trust is not established, the lender has the right to require the borrower and guarantor bear the resulting liability for damages.

Article 20 Notice

20.1 Notification and delivery

20.1.1 Any party sends a notice or other correspondence (hereinafter referred to as the "correspondence") to another should be in accordance with the contract records on the other side of the contact, by personal delivery, courier, registered letter or fax issued, and entry into force in the following conditions:

- (1) Delivered by personal, the delivery date is deemed to be served;
- (2) Send by express delivery or registered letter, the date of receipt is deemed to be served;
- (3) If the recipient did not sign or reject, third working days from the the date of sending document held by notification party or the date recorded in the domestic registered mail as served.
- (4) Issued by fax, deemed as sender receive the fax confirmation from recipient.
- (5) When using the above methods at the same time , according to the fastest to reach each other.

20.1.2 The two parties confirm the contact details as follows:

Party A: National Trust Ltd
Contact: Zhang Lei
Address: Yard 1, Anwai Binhe West Road No. 18, Dongcheng District, Beijing City, Zip code: 100011
Tel: 029-86265402
Fax: 029-86265402

Party B: Wuhan Kingold jewelry Limited by Share Ltd
Contact: Huang Yi
Address: No. 15, Economic Development Area, Jiangan District, Wuhan
Zip code: 430023
Tel: 027-65694977
Fax: 027-65694977

20.1.3 If the contacts (including contact person or contact information) of this contract changes, the change party shall notify the other party in writing within 5 days after the change. Before the receipt of the notice of the change party's information, the other party shall deem the documents and notice issued by the contact information before change.

Article 21 Applicable of law and dispute resolution

21.1 The conclusion, effectiveness, performance, interpretation, amendment and termination of this contract shall apply to Applicable of Law of People's Republic of China (for the purposes of the contract, not including the laws and regulations of the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan region).

21.2 If dispute occurs in the performance of this contract, the two parties shall conduct consultation or mediation; if the negotiation or mediation fails, the court shall file a lawsuit to the people's court that has jurisdiction over the contract.

21.3 During the litigious process, the parties shall continue to perform the obligations of other parts in addition to matters where the parties in dispute.

Article 22 Effective conditions and conditions of the loan contract

22.1 This contract is valid after the legal representatives or authorized representatives from both sides sign and stamp the contract.;

22.2 This contract shall fail when satisfy the following conditions:

22.2.1 Party B pay off all the Mortgage Payment and other expenses under the contract;

22.2.2 In accordance with the conditions of this contract, according to the instructions of the principal, Party A decide to terminate the contract;

Article 23 Other matters stipulated by Party A and Party B

23.1 According to "Trust industry security fund management approach" of China Banking Regulatory Commission and related regulatory policies, Party B shall entrust Party A to subscribe trust industry security fund. Party B should sign "Trust industry security fund subscription agreement" according to the requirements of Party A and the industry commissioned subscription agreement "and subscribe trust industry security fund in time accordance with the contract, the amount should be 1% of the loan fund from Party A to Party B.

23.2 Issues unmentioned in the contract, the lenders and the borrowers negotiate to deal, or shall perform in accordance with the provisions of relevant laws and regulations of the state. The two parties may reach a written supplementary agreement in writing by the laws and administrative rules and regulations, which shall have the same legal effect as this contract.

23.3 This agreement is in 8 duplicates. Part A and Part B each have two copies. Remaining used for the relevant procedures, each of which has the same legal effect.

Special note: All the terms and conditions of this contract have been fully negotiated. Text in print statements of the contract and the handwritten text representation have equal effect. The borrower shall ensure that prior to the signing of this contract have to has fully paid attention to the terms of the waiver or limitation of liability and terms and conditions agreed upon by the borrower under this contract before signing this contract. Both parties have no objection to understand all the terms and conditions of this contract.

(No body)

(This is signature page with number "NT 16-020-021-002" of the "contract of trust loans", no body)

Party A: National Trust Co., Ltd

Party B: Wuhan Kingold Jewelry Co., Ltd

Legal representative:

Legal representative:

Authorized representative

Authorized representative

(signature or seal):

(signature or seal):

Signing date: July 11st, 2016

Place of signing: [Chaoyang District, Beijing]

**Trust Loan Contract for Assembled Funds
Trust Plan between JIC Trust Co., Ltd and
Yongquan Series (Kingold Jewelry)**

Contract No.: [JIC Trust (2016) Hang Tou Ji 006-01]

JIC Trust Co., Ltd

August 2016

Party A (the Lender): JIC Trust Co., Ltd

Residence: Zones C & D, Floors 18~19 (Tower A), 1#
Building, Legend City EAC Center (Tower A), 18#
Jiaogong Road, Hangzhou City
Legal Representative: Yang Jinlong
Telephone: 0571-89891626

Post Code: 310012

Fax: 0571-85064871

Party B (the Borrower): Wuhan Kingold Jewelry Inc.

Residence: 1# Jinhuang Road, Jiang'an Economic
Development Zone, Wuhan City
Legal Representative: Jia Zhihong
Telephone: 027-65660346

Post Code: 430023

Fax: 027-65660703

Hereafter, Party A and Party B are separately called "**one party**" and jointly called "**both parties**".

Whereas:

Party B intends to apply to Party A for RMB trust loan, and Party A agrees to issue loans to Party B as agreed in the Contract. Hereby, both parties conclude the following contract for mutual compliance through negotiation on the basis of equality principle.

Definition and Interpretation Rule

1. Definition

Unless otherwise interpreted in the Contract or indicated in the context, the following terms or abbreviations should be defined as follows:

- (1) **The Contract:** it refers to the *Trust Loan Contract for the Assembled Funds Trust Plan between JIC Trust Co., Ltd and Yongquan Series (Kingold Jewelry)* [Contract No.: Contract No.: JIC Trust (2016) Hang Tou Ji 006-01] concluded and signed between both parties, as well as any valid revision and supplementation thereto.
- (2) **Cooperation documents:** the cooperation documents refer to the Contract and the documents concluded and signed between Party A and Party B or the third party for the cooperation issues as agreed in the Contract, including but not limited to:
 - A *Guaranty Contract* [Contract No.: JIC Trust (2016) Hang Tou Ji 006-02] concluded and signed between Party A and Jia Zhihong;
 - B *Gold Pledge Contract* [Contract No.: JIC Trust (2016) Hang Tou Ji 006-03] concluded and signed between Party A and Wuhan Kingold Jewelry Inc. (hereinafter referred to as "Kingold Jewelry").
- (3) **Trust plan:** it refers to the "Trust Loan Contract for the Assembled Funds Trust Plan between JIC Trust Co., Ltd and Yongquan Series (Kingold Jewelry)", legally concluded between the consignor and the consignee, for the consignor to entrust the funds or other properties legally owned and able to be freely disposed thereby to Party A on the basis of the sufficient trust to Party A as the consignee and to allow the consignee to manage, utilize and dispose the funds or other properties in his/her own name according to the consignor's intentions.
- (4) **Trust loan or loan:** it refers to the loan issued by Party A from the trust fund under the trust plan to Party B, including lump loan or various loans issued by installment.
- (5) **Borrowing account:** it refers to the bank account opened by Party B for receiving the trust loan fund from Party A.
- (6) **Collection account:** it refers to the bank account opened by Party A for collecting the principal, interest, default penalty, etc. paid by Party B for the loan concerned.

- (7) **Loan term:** it refers to the trust loan term specified in Article 3 of the Contract.
- (8) **Loan interest rate:** it refers to the annual interest rate of the loan specified in Article 4.1 of the Contract.
- (9) **Default interest rate:** it refers to the overdue default interest rate and the defalcation default interest rate specified in Articles 4.3 & 4.4 of the Contract.
- (10) **Interest expiry date:** it refers to the loan interest accounting date specified in Article 6.1.2 of the Contract.
- (11) **Interest payment date:** it refers to the loan interest payment date specified in Article 6.1.3 of the Contract.
- (12) **Prerequisite conditions for loan issuance:** it refers to the precondition specified in Articles 11.1 & 11.2 of the Contract for the loan issuance of Party A.
- (13) **Loan confirmation:** it refers to the reception confirmation document signed by Party B according to Party A's requirements for format and content and meanwhile submitted to Party A.
- (14) **Target item:** it refers to the gold purchasing and storage issues regarding Kingold Jewelry.
- (15) **Pledgor:** the pledgor is Kingold Jewelry.
- (16) **Warrantor:** the warrantor is Jia Zhihong.
- (17) **Guarantor:** the pledgor and the warrantor are jointly called the guarantor.
- (18) **Liability:** it refers to all external payment or repayment obligations of Party B, regardless of property, principal debt or guarantee duty, actual or probable obligation, due or undue debt.

- (19) **Major event:** it means that Party B has significant change in legal status, assets condition, financial condition or business condition, and according to Party A's reasonable judgment, such change has brought or will bring significant adverse impact on Party B's capability for performing the obligations under the Contract.
- (20) **Below or less than:** such words as "below" and "less than" mentioned in the Contract all exclude the number concerned.
- (21) **Accounting standard:** it refers to the currently effective accounting standard which conforms to the Chinese laws and is universally accepted within China.
- (22) **China:** it refers to the People's Republic of China, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region.
- (23) **Working day:** it refers to any day except Saturday, Sunday (excluding the days adjusted by the State Council as the working days) and statutory holidays in China.
- (24) **Organization:** it refers to the legal person and other legal organizations.
- (25) **Laws:** the laws refer to all laws, regulations, rules, specifications, ordinances, instructions, etc., which are issued by any legislative body, state institution or supervision organization in China, and which apply to and restrain any party under the Contract.
- (26) **Yuan:** unless otherwise specified in the Contract, Yuan refers to the legal tender in China, namely RMB.

2. Interpretation rule

- (1) The contents and the titles of the terms of the Contract are only set for convenient reading, and may be ignored for the interpretation of the contract terms.
- (2) "Assets" should be understood as all present and future tangible or intangible assets, properties, incomes, profits, receivables and various rights and interests in any asset.

- (3) "Person" should be understood as any natural person, company, partnership, individual proprietorship, or any other legal person, or unincorporated organization, or any other legal entity.
- (4) "Existence" of one default event means that the default event concerned has occurred and not disappeared, and has not been compensated or exempted according to the Contract.
- (5) "One month" refers to a period calculated from one day (including current day) of a calendar month to the corresponding day (excluded) of the next calendar month, but if the corresponding day is not included in the next calendar month, the period should be ended at the last day of the next calendar month.
- (6) "Period" or "term" refers to the duration from the starting date (included) to the expiry date (excluded). The "days/actual days" of a "period" or "term" refer to the days from the starting date (included) to the expiry date (excluded).
- (7) "Business cessation", "dismissal", "liquidation", "bankruptcy", "reorganization", "reconciliation" or "rectification" of any person should be understood as any same or similar legal procedure initiated according to the laws of the establishment place or the business operation place, and the "initiation" of such legal procedure should include that the person concerned agrees the decision or any person applies for initiating such legal procedure.
- (8) One party or any other person under the Contract should include the legal inheritor and the permissible assignee.
- (9) The Contract, any other agreement or document should include above data themselves and any revision, modification, replacement or supplementation frequently made thereto according to the applicable terms thereof.

Special Terms and Conditions

Article 1 Loan Currency and Amount

- 1.1 The amount of the loan is RMB 300,000,000 (Amount in Words: RMB THREE HUNDRED MILLION ONLY) ("Trust Loan Principal").
- 1.2 In case the actual loan amount is inconsistent with above amount, the amount actually transferred from Party A to the borrowing account should be regarded as the loan amount.

Article 2 Intended Use of the Loan

- 2.1 The loan is dedicated for the gold purchasing and storage of Kingold Jewelry. Without the written consent from Party A, Party B should not change the intended use of the loan.
- 2.2 Party A should not entrust any supervision bank to supervise the loan use of Party B.

Article 3 Loan Term

- 3.1 The term of any loan under the Contract should be [twenty four] months, calculated from the date of the actual loan transfer to the borrowing account (namely "each loan issuance date" to the loan expiry date mentioned above (namely "each loan expiry date"). The term of the loan under the Contract should not be extended. For the prepayment, please refer to Article 13 of the Contract.
- 3.2 According to the conditions specified in the Contract, in case Party A announces loan expiry acceleration or Party B applies for prepayment and Party A agrees such application, the date clearly indicated in Party A's notification for the loan expiry acceleration should be regarded as the accelerated expiry date of all loans under the Contract ("accelerated loan expiry date").

Article 4 Loan Interest Rate and Interest

- 4.1 The annual interest rate of the loan under the Contract is [8%/year], and should not be adjusted within the loan term.

The corresponding interest should be calculated for the loan under the Contract since the loan issuance date according to the interest rate agreed in the Contract, and the daily interest rate should be calculated as annual interest rate/360. Unless otherwise specified, the interests of various loans within the loan term should be calculated as: loan interest rate = trust loan principal x actual loan days x daily interest rate. Therein, each trust loan principal balance refers to the difference between the total amount of the trust loans issued by Party A and the total amount of the loan principal actually repaid by Party B (hereinafter inclusive). Within the loan term, in case any trust principal balance is changed, the loan interest should be calculated by installment. Additionally, the actual days of each loan refers to the days from the issuance date to the expiry date of the loan concerned.

- 4.2 In case the Borrower fails to pay off any due payables as agreed in the Contract, additional interests should be collected for such overdue funds at [50]% ("overdue default interest rate") of the loan interest rate since the overdue date till all payables are paid off.
- 4.3 In case the Borrower embezzles any loan fund, additional interests should be collected for such embezzled funds at [100]% ("embezzlement default interest rate") of the loan interest rate since the embezzlement occurrence date till the end of such embezzlement.
- 4.4 In case the same loan is overdue and embezzled, the higher default interest rate should prevail.
- 4.5 For the interests incurred from the overdue funds and the embezzled funds, the compound interests should be calculated according to the corresponding default interest rate.
- 4.6 For any unliquidated funds under the Contract, the corresponding interests should be calculated and/or the default interests should be daily calculated according to the actual days, and the daily interest rate should be calculated as annual interest rate/360.

Article 5 Borrowing Account

- 5.1 Party A should transfer the loan to the following borrowing account designated by Party B within three working days after the prerequisite conditions of the loan concerned can be met:

Account Name: Wuhan Kingold Jewelry Inc.

Deposit Bank: Wuhan Jiang'an Branch, CCB

Account No.: 4200 1116 2080 5301 7159

- 5.2 After transferring any loan under the Contract to above borrowing account, Party A should be deemed to issue the loan to Party B, and Party B should bear the responsibility and obligation for principal and interest repayment.

Article 6 Principal and Interest Repayment

- 6.1 The interest of the loan under the Contract is divided into two parts for repayment, namely the first loan interest and the second loan interest:

6.1.1 The first loan interest should be paid before December 25, 2016, and the payable interest of each first loan should be calculated as the amount of the trust loan issued thereby for current period \times 1%. Particularly, where Party B repays the loan as agreed in the Contract or Party A, according to the Contract, requests Party B to repay part or all of the trust loan principals, the loan interest concerned should not be returned.

6.1.2 The second loan interest should be calculated on each interest expiry date, and the interest expiry date should be: (1) the [25th] day of the last month of each natural quarter within the loan term; (2) the date when Party B repays part or all of the loan principals as agreed in the Contract; (3) the loan expiry date. The payment date should be the interest expiry date, and if the interest expiry date is a non-working day, the payment date should be the recent working day before the interest expiry date.

6.1.3 The payable interest of each second loan = the amount of trust loan principal \times actual days of current accounting period \times [7.5%]/360. In order to avoid doubt, the loan interest paid by Party B on each payment day should be the sum of the second payable loan interests for current period.

Within the above accounting period, in case the loan principal balance is changed, the corresponding loan interest should be calculated by installment. The actual days of current accounting period should be the days between the last interest expiry date and the current interest expiry date. Specially, the actual days of the first accounting period should be the days between the loan issuance date of each loan to the last interest expiry date after the loan issuance date of each loan, and the actual days of the last accounting period should be the days between the recent interest expiry date before the expiry date of the corresponding loan and the expiry date of the corresponding loan.

6.1.4 In case a certain trust loan under the Contract is prepaid, the sum of the first loan interest and the second loan interest actually paid by Party B should be equal to the amount calculated according to the actual existence days x 8%/360, namely: the first loan interest + the second loan interest of the loan = the trust loan principal balance x actual loan existence days x 8%/360.

6.2 Unless otherwise specified, Party B should pay off the loan principal, the interest accrued and other expenses on the loan expiry date.

6.3 Fund collection measure is [not adopted] for the project.

6.4 For the loan under the Contract, Party B should firstly repay the interest accrued and then the principal.

6.5 Party B should pay the loan principal, interest, default penalty and other expenses as agreed in the Contract to the following collection account designated by Party A:

Account Name: JIC Trust Co., Ltd

Deposit Bank:

Account No.:

6.6 Party B should pay off the payable funds under the Contract at a full amount, without any offset, claim or restriction, or any taxation expense deduction or pre-withholding.

6.7 In case any fund received by Party A is less than the fund that should be paid by Party B as agreed in the Contract as of the payment date of the fund concerned, Party A has the right to transfer the funds according to the sequence of ① the expenses for the realization of the creditor's rights and the damage compensation, and the default penalty; ② the default interest and compound interest payable; ③ the interest payable; ④ the loan principal, and any insufficient amount should be supplemented by Party B.

Article 7 Fund Supervision

The Contract is [inapplicable] to the fund supervision measures.

Article 8 Guarantee Arrangement

- 8.1 In order to guarantee Party A's interests, Party B has the obligation to ensure that the following guarantee and supervision arrangements are implemented according to the conditions and ways specified in the Contract.
- (1) Provide warranty guarantee to Party A according to the *Guaranty Contract* [Contract No.: JIC Trust (2016) Hang Tou Ji 006-02];
 - (2) Provide pledge guarantee to Party A according to the *Gold Pledge Contract* [Contract No.: JIC Trust (2016) Hang Tou Ji 006-03];
- 8.2 Within the loan duration, in case Party B and the guarantor concerned apply for changing the guarantee measure, Party B and the guarantor concerned should submit the written application to Party A thirty working days in advance, and should, after receiving the written consent from Party A, provide Party A with movable property, right, land usage right, house property or other assets accepted by Party A; Party A has the right to employ professional assessment agency to assess the substitute guaranty, and Party B should bear the assessment expense incurred, and the estimated value of the new guaranty should not be lower than that of the original guaranty.
- 8.3 Party B /The guarantor should sign the corresponding pledge contract, guaranty contract, etc. and handle the pledge procedure for the substitute guaranty, and the original guarantor can be cancelled after the pledge procedure for the substitute guaranty is completely handled.

Article 9 Notification and Delivery

- 9.1 Unless otherwise specified in the Contract for call instruction or notification, all notifications, requests, instructions and other communications required or allowed in the Contract to be provided to any party should be issued in a written form, and the party issuing such notification or the representative thereof should sign the notification. Moreover, the notification should be delivered through fax, or specially-assigned person, or prepaid registered mail, or email or express delivery to the address or fax No. listed below (or other address or fax No. formally notified according to this article):

Party A: JIC Trust Co., Ltd

Contact Person: Zhu Zhiyue
Address: Zones C & D, Floors 18~19, Building 1, Legend City EAC Center (Tower A), 18# Jiaogong Road, Hangzhou City
Post Code: 310012
Telephone: 0571-89891626
Fax: 0571-85064871

Party B: Wuhan Gold Jewelry Inc.

Contact Person: Li Qing
Address: 1# Jinhuang Road, Jiang'an Economic Development Zone, Wuhan City
Post Code: 430023
Telephone: 027-65660346
Fax: 027-65660703

- 9.2 The notifications delivered through specially-assigned person, fax, email, mail or express delivery should be deemed to be effectively delivered at the following time:
- ① When being sent by the specially-assigned person to the designated address, the notification should be deemed to be delivered;
 - ② In case of fax delivery, when the fax is sent or the fax machine has generated the conformation for successful transmission, the notification should be deemed to be delivered;
 - ③ In case of prepaid registered mail delivery, the notification should be deemed to be delivered at the fifth working day after mail submission;
 - ④ In case of email delivery, the notification should be deemed to be delivered when the email is sent to the email server of the receiver;
 - ⑤ In case of special express delivery, the notification should be deemed to be delivered at the third working day after express delivery submission.
- 9.3 In case the address or contact information of any party is changed, the changing party should inform the other party in a written form within fifteen working days since the date of change. However, the documents sent by the other party according to the previous contact information before receiving the change notice should be deemed as valid documents

Article 10 Contract Termination

- 10.1 In case of any one of the following conditions, the Contract may be terminated:
- (1) In case Party A's interests are significantly influenced due to Party B's default behaviors and accordingly the contract conclusion basis for contract performance becomes unnecessary or impossible, Party A has the right to terminate the Contract through a written notice.
 - (2) Due to condition change, the Contract is agreed to be terminated through the negotiation between both parties.
 - (3) Other contract termination conditions regulated in laws or specified in the Contract.
- 10.2 In case the Contract is terminated or the loan expiry date is antedated due to the reasons not attributed to Party A, Party B should once pay the loan principal and interests accrued to Party A at a full amount within three working days since the date of contract termination, and furthermore, Party B should pay ten million Yuan as the default penalty to Party A, except that Party B prepays the loan according to Article 13 of the Contract.
- 10.3 In case the Contract is terminated through a written notice, the date indicated in the written notice should be deemed as the date of formal contract termination. In case the Contract is terminated through negotiation, the date when both parties reach an agreement for contract termination should be deemed as the date of formal contract termination.
- 10.4 The contract termination should not influence the right for one party to claim for damage compensation from the other party.

General Terms and Conditions

Article 11 Loan Issuance

- 11.1 Party A can issue the initial loan only when all following conditions are met, and one or more prerequisite conditions may be abandoned or exempted by Party A in a written form (prerequisite conditions for initial loan issuance):

- (1) Where Party B should obtain the authorization, approval or consent from relevant government organization and any third party for the contract signing or for the performance of the business indicated in the Contract, Party B has obtained such authorization, approval or consent which continuously has full validity.
- (2) Both parties should have completed all internal approval procedures (for the Contract, cooperation documents, etc.) regarding the cooperation, and obtained all necessary authorizations (including but not limited to the resolutions of the board and the share meeting and other documents).
- (3) There is no any administrative act, administrative decision, third party agreement, lawsuit or any other administrative or judicial process or threat which can prohibit or restrict the Contract or cause substantial damage compensation to the Contract or substantially increase Party A's cost for contract performance; the contract signing and performance of Party B will not violate any legal requirement or any regulation of the binding document.
- (4) The Contract and each cooperation document have been signed and submitted to Party A and have come into effect, and the pledged gold regarding the cooperation document has been completely detected, accepted by Party A and stored in the bank custody issued in the name of Party A; meanwhile, the hypothec should have legally come into effect and the corresponding documentary evidence should have been obtained and submitted to Party A.
- (5) The third party property insurance for the pledged gold should have come into effect and confirmed by Party A.
- (6) The causes which may influence Party A's loan issuance under the contract or Party A's contract performance should not exist, such as alternation or issuance of laws, change of national micro-control policy, new supervision requirement proposed by relevant administration department or Party A's funding failure.
- (7) Party B, the guarantor and any party of relevant contract signed with Party A according to the Contract should not have no any default behavior or involve in any event probably threatening Party A's rights security under the Contract, the Guarantee Contract and relevant contracts.

- (8) The business condition and the financial condition of Party B and the guarantor should not have significant adverse change.
- (9) Party A's trust plan for the loan should have been established.
- (10) The loan issued by Party A under the Contract should not be prohibited or restricted by laws & regulations, rules or the supervision department.
- (11) Other conditions required by Party A.

11.2 Party A can issue subsequent loans only when all following conditions are met, and one or more prerequisite conditions may be abandoned or exempted by Party A in a written form (prerequisite conditions for subsequent loan issuance):

- (1) The prerequisite conditions mentioned in Article 11.1 should be continuously met and effective.
- (2) Party A should have funded for the corresponding trust fund of the loan concerned.
- (3) The causes which may influence Party A's loan issuance under the contract or Party A's contract performance should not exist, such as alternation or issuance of laws, change of national micro-control policy, new supervision requirement proposed by relevant administration department or Party A's funding failure.
- (4) The signing parties of the cooperation document should not have no any default behavior or involve in any event probably threatening Party A's rights security under the cooperation document.
- (5) The business condition and the financial condition of Party B and the guarantor should not have significant adverse change.
- (6) Other conditions required by Party A.

11.3 In case any condition mentioned in Article 11.1 is not met, Party A has the right to refuse to issue the initial loan according to the Contract, without bearing any responsibility; in case any condition mentioned in Article 11.2 is not met, Party A has the right to refuse to issue the subsequent loans according to the Contract, without bearing any responsibility; moreover, Party A has the right but no obligation to abandon or exempt any one or more conditions mentioned in Articles 11.1 & 11.2, and also has the right to request to supplement other prerequisite conditions for loan issuance. Party B should ensure that the prerequisite conditions for loan issuance can be continuously met within the loan term.

- 11.4 In case the prerequisite conditions for loan issuance cannot be met due to Party B, Party B should be regarded as the defaulting party to compensate all losses caused thereby to Party A, and Party A has the right to unilaterally terminate the Contract, without bearing any responsibility.
- 11.5 Party B should issue the loan confirmation with the reserved legal seal (see Annex 1) to Party A within three working days since the reception of the loan concerned under the Contract.
- 11.6 Before certain loan issuance, in case Party A fails to issue certain loan under the Contract or perform the Contract as intended due to alternation or issuance of laws, change of national micro-control policy, new supervision requirement proposed by relevant supervision department of Party A, or unestablished trust plan, or trust plan funding failure, etc., Party A has the right to stop issuing part or all of the loans and/or to unilaterally terminate the Contract, without bearing any default responsibility, and Party B should not have any objection thereupon.

Article 12 Transfer of Rights and Obligations

- 12.1 Party A may transfer all or part of the rights or obligations thereof under the Contract, without being agreed by Party B, and may inform Party B in an appropriate way after transfer.
- 12.2 Without the written consent from Party A, Party B should not transfer any right or obligation under the Contract.

Article 13 Prepayment

- 13.1 After each loan is borrowed for twelve months, Party B may apply for prepayment and Party A may also request Party B for prepayment. In case of proposing the prepayment requirement, the party concerned should send the written notice to the other party within two months. After receiving the prepayment notice from Party B, Party A should inform Party B in a written form for confirmation.

13.2 The accelerated expiry date of certain loan should be confirmed according to Article 3.2 of the Contract. Afterwards, Party B should perform the prepayment obligation as agreed in the Contract. For the prepayment, the corresponding loan interest should be paid according to Articles 4.1 & 6.1 of the Contract.

Article 14 Party A's Rights and Obligations

14.1 Party A's rights

- (1) Party A has the right to request Party B to repay the loan principal and interest and the expenses incurred at a full amount as scheduled, and perform various rights and obligations specified in the Contract.
- (2) Party A has the right to collect the loan principal and interest, the overdue interest, the default penalty interest, the compound interest, the default penalty and other payable expenses as scheduled or in advance according to laws or the Contract.
- (3) Party A has the right to understand, investigate and inspect the production & operation and financial activities of Party B, check and copy relevant data.
- (4) Party A may inspect and supervise the intended use of the loan issued thereby to Party B, and Party B should cooperate with Party A for loan payment management, after-loan management and relevant inspection. Party A's inspection and supervision measures should include but not be limited to: (i) requesting Party B to provide the effective evidence for loan use; (ii) carrying out account analysis, voucher inspection or field investigation for the loan use and (iii) other legal ways. (In case the *Fund Supervision Agreement* is concluded and signed between both parties, Party A may not only perform the supervision rights thereof according to the specific regulation of the *Fund Supervision Agreement*, but also inspect and supervise the use of the loan issued thereby to Party B through a reasonable way considered thereby.)
- (5) There is no need for Party A to issue the interest invoice for the loan under the Contract, and if it is required by Party B, Party A may issue the corresponding interest receipt.
- (6) Other rights specified in laws and agreed in the Contract.

14.2 Party A's obligations

- (1) Party A should issue the loans to Party B as agreed in the Contract.
- (2) Other obligations specified in laws and agreed in the Contract.

Article 15 Party B's Rights and Obligations

15.1 Party B's rights

- (1) Party B has the right to request Party A to issue the loans as agreed in the Contract.
- (2) Party B has the right to use all loans as agreed in the Contract.
- (3) Other rights specified in laws and agreed in the Contract.

15.2 Party B's obligations

- (1) Party B should truthfully provide all documents required by Party A within three working days since the reception of the notice from Party A, and cooperate with Party A for investigation, examination and inspection.
- (2) Party B should accept the supervision from Party A for loan use, relevant fund use, production & operation and financial activities.
- (3) Party B should use the loans as agreed in the Contract.
- (4) Party B should repay the loan principal and interest at a full amount as agreed in the Contract.
- (5) Party B should provide Party A with the copy of the financial statement (including the annexed tables) at the latest within thirty days after the end of each natural quarter.
- (6) Party B should provide the copy of the financial statement (including the annexed tables) for last year at the latest before April 30 of each year, and should ensure that the financial statement provided thereby is prepared according to laws & regulations and accounting standards.
- (7) The financial statement or the copies of other documents provided by Party B should be stamped with the corresponding official seal.
- (8) Party B should not neglect management or press for the payment of due credit, or dispose the properties owned thereby freely or improperly or at a price obviously lower than the market price.
- (9) Party B should not involve in dismissal, liquidation or any other behavior influencing the realization of creditor's rights of Party A.

- (10) In case of any one of the following conditions, Party A should immediately inform Party A in a written form and cooperate with Party A to implement the guarantee measures for the scheduled full-amount payment of the interests of the loan under the Contract and other expenses incurred according to Party A's requirements. Meanwhile, Party A has the right to directly stop loan issuance and unilaterally terminate the Contract as well as announce the accelerated expiry of the loan, and Party B should not have any objection thereupon.
- A Party B involves in any default behavior.
 - B Party B suffers from significant financial loss, asset loss or other financial crises.
 - C Party B involves in such alteration matters as consolidation (or merger), separation, reorganization, joint venture (or cooperation), capital reduction, transfer of major property rights and shareholding reform.
 - D Party B suffers from business cessation, business license revoking or cancellation or dismissal, or applies or is requested for bankruptcy, etc.
 - E The business or financial conditions of the controlling shareholders and other affiliated companies of Party B are caught in significant crisis, thus influencing the normal operation of Party B.
 - F Party B has major connected transaction with the controlling shareholders and other affiliated companies thereof, thus influencing the normal operation thereof.
 - G Any significant lawsuit, arbitration, administrative procedure, executive procedure of judicial or administrative organization or other similar legal procedures, with the amount involved equal to or above [ten million] Yuan, is proposed to Party B or is proposed by Party B to others.
 - H Party B changes the business scope, the legal representative, etc.; any important asset of Party B has involved in any compulsory execution, sealed up, detained, retained, supervised or disposed similarly.
 - I Party B's debt under any other loan financing agreement or similar agreement is due but unpaid, or such debt is announced and required to be repaid before the specified expiry date.
 - J Party B involves in other major events probably influencing the debt paying ability thereof.

- (11) In case the warrantor of the loan involves in any one of the following conditions and Party A believes that such condition may influence the warrantor's guarantee capability, Party B should strengthen or replace the guarantee measures as required by Party A. meanwhile, Party A has the right to directly stop loan issuance and unilaterally terminate the Contract as well as announce the accelerated expiry of the loan, and Party B should not have any objection thereupon.
- A The warrantor suffers from significant financial loss, asset loss or other financial crises, or involves in significant dispute, lawsuit, administrative penalty, criminal investigation, etc.
 - B The warrantor involves in such alteration matters as consolidation (or merger), separation, reorganization, joint venture (or cooperation), capital reduction, transfer of major property rights and shareholding reform.
 - C The warrantor suffers from business cessation, business license revoking or cancellation or dismissal, or applies or is requested for bankruptcy, etc.
 - D The business or financial conditions of the controlling shareholders and other affiliated companies of the warrantor are caught in significant crisis, thus influencing the normal operation of Party B.
 - E The warrantor has major connected transaction with the controlling shareholders and other affiliated companies thereof, thus influencing the normal operation thereof
 - F The warrantor involves in any lawsuit, arbitration or criminal, or administrative penalty bringing significant adverse consequences to the business or financial conditions thereof.
 - G The warrantor changes the business scope, the legal representative, etc.
 - H The warrantor has concealed the actual capability for bearing the guarantee responsibility when signing the guaranty contract or issuing the guarantee letter, or the internal approval for loan guarantee is not obtained, or the authorization (if needed) is not obtained from relevant organization.

- I Party B neglects management or presses for the payment of due credit, or disposes the properties owned thereby freely or improperly or at a price obviously lower than the market price.
 - J Any important asset of the warrantor has involved in any compulsory execution, or has been sealed up, detained, retained, supervised or disposed similarly.
 - K The warrantor involves in other major events probably influencing the debt paying ability thereof.
- (12) In case the pledgor or the pledged property involves in any one of the following conditions and Party A believes that the pledge may not be available or the pledged property may be devaluated, Party B should strengthen or replace the guarantee measures as required by Party A. Meanwhile, Party A has the right to directly stop loan issuance and unilaterally terminate the Contract as well as announce the accelerated expiry of the loan, and Party B should not have any objection thereupon.
- A The pledgor does not have the ownership or the disposition right of the pledged property, or the ownership is disputed, or the internal approval for the pledge guarantee of the loan is not obtained, or the authorization (if needed) is not obtained from relevant organization, or the pledged property involves in dispute, lawsuit, administrative penalty, criminal investigation, etc.
 - B The pledgor conceals the facts that the pledged property has been co-owned, rented, sealed off or supervised, or has legal priority superior to the mortgage, etc.
 - C The pledgor optionally transfers, rents, re-pledges or disposes the pledged property through other improper methods.
 - D The pledged property is obviously devaluated due to the pledgor's behavior; or the pledged property is directly endangered due to the pledgor's behavior and is accordingly devaluated; or the pledgor fails to insure the pledged property as required by Party A; the pledged property is obviously devaluated due to any other cause.

- (13) In case the mortgager or the hypothecated property involves in any one of the following conditions and Party A believes that the mortgage may not be available or the hypothecated property may be devaluated, Party B should strengthen or replace the guarantee measures as required by Party A. Meanwhile, Party A has the right to directly stop loan issuance and unilaterally terminate the Contract as well as announce the accelerated expiry of the loan, and Party B should not have any objection thereupon.
- A The mortgager does not have the ownership or the disposition right of the mortgaged property, or the ownership is disputed, or the internal approval for the mortgage guarantee of the loan is not obtained, or the authorization (if needed) is not obtained from relevant organization, or the mortgaged property involves in dispute, lawsuit, administrative penalty, criminal investigation, etc.
 - B The mortgager conceals the facts that the mortgaged property has been co-owned, rented, sealed off or supervised, or has legal priority superior to the mortgage, etc.
 - C The mortgager optionally transfers, rents, mortgages or disposes the mortgaged property through other improper methods.
 - D The mortgaged property is obviously devaluated due to the mortgager's behavior; or the mortgaged property is directly endangered due to the mortgager's behavior and is accordingly devaluated; or the mortgager fails to insure the mortgaged property as required by Party A; the mortgaged property is obviously devaluated due to any other cause.
- (14) Other obligations specified in laws and agreed in the Contract or the cooperation document.

Article 16 Statement and Guarantee

16.1 Party A should state and guarantee as follows to Party B upon the contract signing and performance:

- (1) Party A, as an existing business entity legally established, has the corresponding civil right capability and civil act capability for signing the Contract.
- (2) Party A has completed the external approval and the internal authorization procedures needed for signing the Contract, and the Contract is signed by the signatory authorized by Party A, and the Contract is legally binding upon Party A since the execution thereof.
- (3) Where Party A should obtain the authorization, approval or consent from relevant government organization for the contract signing or for the performance of the business indicated in the Contract, Party A promises to have obtained such authorization, approval or consent which has full validity.
- (4) Party A guarantees to carefully read the Contract before signing the Contract and accurately understand the legal implications of the rights and obligations among the contracting parties and the responsibility articles, and have no objection upon all articles of the Contract.
- (5) Party A has the right to issue the trust loans to Party B in its own name, and the trust fund for trust loan issuance is legally sourced.

16.2 Party A should state and guarantee as follows to Party B upon the contract signing and performance:

- (1) Party B, as an existing business entity legally established, has the corresponding civil right capability and civil act capability for signing the Contract.
- (2) Party B has completed the external approval and the internal authorization procedures, including but not limited to the resolutions of the board and the share meeting, etc., needed for signing the Contract; the Contract is signed by the signatory authorized by Party B, and the Contract is legally binding upon Party B since the execution thereof.
- (3) Where Party B should obtain the authorization, approval or consent from relevant government organization for the contract signing or for the performance of the business indicated in the Contract, Party B promises to have obtained such authorization, approval or consent which has full validity.

- (4) Party B guarantees that the contract signing or the performance of the business indicated in the Contract shall not violate current valid laws and other relevant regulations or conflict with other binding legal documents signed thereby or other transactions concluded thereby.
- (5) Party B guarantees to carefully read the Contract before signing the Contract and accurately understand the legal implications of the rights and obligations among the contracting parties and the responsibility articles, and have no objection upon all articles of the Contract.
- (6) Party B guarantees to strictly abide by various national laws during the business activities and strictly develop various businesses within the validated business scope.
- (7) In case Party B fails to perform the repayment obligation as agreed in the Contract, when Party A applies to the jurisdictional court for the order of payment, Party B waives the right for objection.
- (8) Party B guarantees to maintain or improve the present business management level for preserving or increasing the value of existing assets, and promise not to waive any debt or dispose existing properties freely or improperly or at the price obviously lower than the market price.
- (9) Party B promises not to have any major event, which may influence the obligation performance thereof under the Contract, at contract signing.
- (10) Party B guarantees that the financial statement provided thereby to Party A is prepared according to existing laws and accepted accounting standards, and can truthfully accurately reflect the financial condition of Party B in the accounting period concerned; other information provided thereby to Party A for the loans under the Contract is truthful, accurate, legal and valid, and the copies or the scanning copies submitted thereby are consistent with the original copies.
- (11) Unless otherwise specified in laws, the indemnification sequence of the loans should be in preference to any current or future debt of Party B.

- (12) In case the event, which is sufficient to influence the contractual capacity of Party B under the Contract, occurs or will occur, Party B promises to immediately provide other measures for guaranteeing or improving the contractual capacity thereof as required by Party A before continuous contract execution.
 - (13) Party B promises not to involve in any intentional, potential or existing, pending or possible civil or criminal lawsuit, arbitration, dispute, administrative procedure or other legal procedures
 - (14) Party B guarantees that all documents regarding the Contract or the loans, including but not limited to all documents listed in the "**Definition and Interpretation Rule**" of the Contract, are not violated, and Party A's rights under these documents are not damaged.
 - (15) Party B agrees Party A to check the credit status thereof from the People's Bank of China, or the credit database approved to be established by the competent department for loan credit investigation, or relevant units and departments, and also agrees Party A to provide the information thereof to the People's Bank of China and the credit database approved to be established by the competent department for loan credit investigation. Moreover, Party B agrees that Party A may reasonably utilize and disclose the information thereof according to business needs but should abide by the confidentiality responsibility as agreed in the Contract.
 - (16) In case Party B involves in the arrears of loan principal and interest or other default events, Party A has the right to notify to relevant department or unit and announce relevant collection through news media.
- 16.3 Various statements and guarantees mentioned in the Contract should be deemed to be remade on the basis of the duly existing facts and situations at any time within the period from the date of contract signing to the date of contract termination or to the completion date of contract performance.

Article 17 Taxation Expense

- 17.1 Both parties should, according to the laws in China, pay the corresponding taxation expenses.
- 17.2 Unless otherwise specified by both parties, the following expenses should be separately borne by both parties:

- (1) Relevant expenses incurred from the loan should include but not be limited to the stamp tax, the communication expense, the mail charge, the enquiry fee, etc. for the loan.
- (2) The assessment fee, the audit fee, the counsel fee, the registration fee, the notarial fee, etc. incurred for contract negotiation, drafting and signing.

17.3 The following expenses should be borne by Party A:

The appraisal cost and the storage cost (namely, the rent expense for safe deposit boxes in a bank) of the pledge.

17.4 The following expenses should be borne by Party B:

- (1) All expenses accrued for Party A to realize the creditor's rights (including but not limited to legal fare, arbitration fee, property preservation expense, travel expense, execution fee, assessment expense, auction fee, notarial fee, delivery expense, announcement fee, counsel fee, etc.);
- (2) The property insurance expense of the pledge;
- (3) Other expenses agreed thereby.

Article 18 Confidentiality

18.1 Both parties hereto should bear the confidentiality obligation for the documentation regarding the Contract and obtained during contract signing and performance and the business secret of the other party (hereinafter generally called "confidential information"). Except for any one of the following conditions, any party concerned should not disclose the above confidential information to the third party:

- (1) For such legal dispute procedures as litigation and arbitration;
- (2) For contract performance;
- (3) For the supervision duty performance of the supervision organization;
- (4) Disclosure permission from the party with confidential information disclosure right;
- (5) Legal requirements.

18.2 Both parties hereto unanimously agree to further make all reasonable efforts and take prevention measures to prevent any associated company, employee or any other person or intermediary organ or enterprise employed thereby from obtaining and/or utilizing or/and disclosing any confidential information without the corresponding authorization.

- 18.3 Both parties hereto unanimously agree that no matter whether the Contract is changed, cancelled or terminated, this article is always binding upon both parties, unless the obligee of the confidential information agrees the other party to be released from the confidentiality obligation; or, such confidential information is entered into the public place and known by the public due to other causes except the contract violation of one party; or, the confidentiality obligation and responsibility may be exempted according to laws.

Article 19 Force Majeure

- 19.1 Force majeure refers to the events which all contracting parties hereto cannot reasonably control, or predict, or avoid after prediction, and which can obstruct, influence or delay any party to perform part or all of the obligations as required by the Contract. Such events should include but not be limited to earthquake, typhoon, flood, fire disaster, other natural disasters, war, disturbance, strike or other similar events, issuance of new laws or alteration of original laws or other political factors.
- 19.2 In case of force majeure, the party suffering from the force majeure should immediately inform the other party as soon as possible, and provide relevant documentary evidence within fifty working days to explain the detailed event & cause for partial contract performance or failed contract performance or delayed contract performance; subsequently, the parties concerned should negotiate with each other to delay the contract performance or terminate the Contract.
- 19.3 In case of force majeure, the party suffering from the force majeure should immediately take appropriate measures to avoid loss expansion; in case of not taking appropriate measures and accordingly causing loss expansion, the party concerned should not request to be exempted from part or all of responsibilities within the expanded loss scope.

Article 20 Default Responsibility

- 20.1 In case Party A or Party B violates the obligation agreed in the Contract, the party concerned should bear the corresponding default responsibility.
- 20.2 In case Party A or Party B fails to truthfully make the statement or guarantee under the Contract or abide by the statement or guarantee, such behavior should be deemed as contract violation and the party concerned should bear the corresponding default responsibility.

- 20.3 In case the default penalty agreed in the Contract is not enough to compensate for the actual loss caused by the defaulting party to the other party, the defaulting party should compensate the other party for all losses caused by the default behavior thereof and for the profits able to be obtained after contract performance, but such profits should not be more than the losses which are caused by contract violation and can or should be predicted at contract conclusion.
- 20.4 In case Party B fails to repay the loan as scheduled, Party A has the right to collect the interests according to the overdue default interest rate agreed in Article 5.3 of the Contract, and perform other rights agreed in the Contract.
- 20.5 In case Party B fails to utilize the loan as agreed in the Contract, Party A has the right to collect the interest according to the embezzlement default interest rate agreed in Article 4.4 of the Contract, and perform other rights agreed in the Contract.
- 20.6 In case of having any one of the following behaviors, Party B should be deemed to violate the Contract, and Party A has the right to directly stop loan issuance and unilaterally terminate the Contract as well as announce the accelerated expiry of the loan, and Party B should not have any objection thereupon.
- (1) Party B loses the contractual capacity, including but not limited to unscheduled insufficient loan principal or interest repayment to other financial institutions;
 - (2) Party B fails to pay the loan principal and interest or other expenses at a full amount as scheduled;
 - (3) Party B fails to utilize the loan as agreed in the Contract;
 - (4) The funds are not collected as agreed;
 - (5) Party B externally has important investment, etc., thus significantly influencing or threatening the realization of the creditor's rights of Party A;
 - (6) Party B involves in major economic dispute or suffers from financial situation deterioration, etc., thus significantly influencing or threatening the realization of the creditor's rights of Party A;
 - (7) Party B fails to perform any one of the agreements or obligations under the Contract;

- (8) Party B involves in any untruthful, inaccurate or incomplete statement or guarantee under the Contract, intentional concealment, intentional misconception for others or unimplemented statement or guarantee;
 - (9) Party B violates the obligations against Party A under any one of the cooperation documents including but not limited to the *Mortgage Contract*, the *Guaranty Contract*, the *Gold Pledge Contract*, etc.;
 - (10) Party B fails to ensure the continuous satisfaction of the prerequisite conditions for loan issuance within the loan term;
 - (11) Party B fails to strength or replace the guarantee measures as required by Party A;
 - (12) Other cases that Party A deems to influence the realization of the creditor's rights thereof.
- 20.7 In case one party violates the Contract and accordingly causes the other party to realize the creditor's rights thereof through litigation, the defaulting party should bear the reasonable expense paid by the other party for the litigation, including but not limited to legal fare, preservation fee, execution fee, execution fee, assessment expense, auction fee, delivery expense, announcement fee, counsel fee, travel expense, copying charge, information cost, etc.

Article 21 Application of Law and Dispute Solution

- 21.1 Establishment, validation, interpretation, performance, alteration, termination, etc. of the Contract are applicable to existing laws in China.
- 21.2 In case of any dispute under the Contract, the contracting parties hereto should negotiate such dispute through friendly negotiation; in case of failed negotiation, such dispute should be submitted to the jurisdictional people's court at the place where Party A is located.
- 21.3 During negotiation or litigation, or when Party B is applied for execution, both parties thereto should still perform the undisputed articles of the Contract.

Article 22 Establishment, Validation and Termination of the Contract

- 22.1 The Contract should be established and should come into effect since being officially stamped by Party A and Party B.
- 22.2 After loan principal, interest, penalty interest, default penalty and other expenses accrued are all paid off, the Contract should be automatically terminated.

Article 23 Independence of Articles

The articles of the Contract have independent effects, and in case any article of the Contract becomes invalid due to any change of national laws, government instruction or legal practice, the legality and the validity of other articles of the Contract should not be influenced, except that the invalid article severely damages the fundamental intention and implication of other parts of the Contract.

Article 24 Reservation of Right

- 24.1 Even though one party fails to perform the rights or take any action against the default behavior of the other party, this party should not be deemed to waive the rights or the responsibility or obligation for investigating the default behavior. Even though one party waives any right directing to the other party or for investigating any responsibility of the other party, this party should not be deemed to waive other rights directing to the other party or the right for investigating the other negligence of the other party. All waivers should be made in a written form.
- 24.2 In case any article of the Contract is determined to be invalid or cannot be implemented according to existing laws, other articles of the Contract should be continuously valid. In this case, the contracting parties hereto should replace the article concerned with valid article, and the valid article should be maximally approximate to the original article and the corresponding intention and spirit of the Contract.

Article 25 Acceleration of Period and Alteration of Account

- 25.1 In case the payment date of the contracting party is a non-working day, the party concerned should pay on the recent working day before above payment, but the days calculated for relevant funds should not be changed.
- 25.2 In case of changing the bank account under the Contract, the party concerned should send a written notice to the other party three days in advance; in case the above notice is not timely sent for account change, the losses incurred should be borne by the account changing party.

Article 26 Completeness of the Contract

- 26.1 In case of any unmentioned matters or contract alteration, both parties hereto may additionally conclude and sign a supplementary agreement through negotiation. Unless otherwise specified by both parties, the supplementary agreement, as a part of the Contract, should have equal legal effect.
- 26.2 Unless otherwise specified by both parties, any annex (including other legal documents based on the annex) should be regarded as a part of the Contract and have equal legal effect.
- 26.3 Unless otherwise specified by both parties, any written letter (including but not limited to notice, announcement, specification, etc.; hereinafter inclusive) should be regarded as a part of the Contract and have equal legal effect.

Article 27 Other Articles

- 27.1 Reserved official seal: unless otherwise agreed in the Contract or regulated in laws, all written correspondences under the Contract should be stamped with the reserved official seal (see Annex 2).
- 27.2 Binding force: the Contract should be binding upon and applicable to both parties and the legal inheritors or assignees thereof.
- 27.3 Specially, in order to successfully handle the corresponding pledge/mortgage procedures of the Contract, in case Party A and Party B or the guarantor should additionally conclude and sign the *Trust Loan Contract* (hereinafter referred to as "Registration Contract") as required by relevant pledge/mortgage department, the rights and obligations of Party B or the guarantor as the Borrower under the *Registration Contract* refer to the rights and obligations of Party B under the Contract, and the rights and obligations of Party A as the Lender under the *Registration Contract* refer to the rights and obligations of Party A under the Contract. The rights and obligations relation among Party A, Party B and the guarantor should be consistent with the Contract and the cooperation documents agreed in the Contract, Party B or the guarantor should not request Party A to perform relevant obligations on the excuse of any regulation under the *Registration Contract*.
- 27.4 Contract text: the Contract is made into [five] copies with equal legal effect, and both parties hereto respectively hold [two] copies, and the rest [one] copy is used for handling relevant procedures.

27.5 Remark (other articles agreed thereby): **Party B should have read all articles of the Contract. As required by Party B, Party A has interpreted the corresponding articles of the Contract. Moreover, Party B should have known and comprehensively understood the implication of the articles of the Contract and the corresponding legal consequences.**

(The remainder of this page is intentionally left blank.)

(This page is the signature page of the *Trust Loan Contract for the Assembled Funds Trust Plan between JIC Trust Co., Ltd and Yongquan Series (Kingold Jewelry)* (Contract No.: [JIC Trust (2016) Hang Tou Ji 006-01]).

Party A: JIC Trust Co., Ltd (Official Seal)

Legal Representative or Authorized Agent (Signature):

Date of Signing: , 2016

Party B: Wuhan Kingold Jewelry Inc. (Official Seal):

Legal Representative or Authorized Agent (Signature):

Date of Signing: , 2016

Location of Signing: Xihu District, Hangzhou City, Zhejiang Province

Annex 1: Loan Confirmation

Loan Confirmation

JIC Trust Co., Ltd:

According to the *Trust Loan Contract for the Assembled Funds Trust Plan between JIC Trust Co., Ltd and Yongquan Series (Kingold Jewelry)* (hereinafter referred to as the **Trust Loan Contract**) (Contract No.: JIC Trust (2016) Hang Tou Ji 006-01) concluded and signed between both parties, your company has transferred the loan fund under the *Trust Loan Contract*, namely RMB____,____,____.____ Yuan (Amount in Words: RMB____ ONLY) to the borrowing account designated by our party on Date.

Hereby confirmed!

The Borrower:

Date

Annex 2: Sample of Reserved Legal Seal

Reserved Legal Seal of Party A	
Reserved Legal Seal of Party B	

Trust Loan Contract

Sichuan Trust Co., Ltd.

____ Month of 2016

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This Contract of Trust Loans numbered SCXT2016(DXD)Zi. No.167-2 is concluded of and between the following two parties in Chengdu in ___year ___month:

Lender: Sichuan Trust Co., Ltd.

Legal Representative: MouYue

Address:No.18, Second section of South Renmin Avenue, Jinjiang District,Chengdu

Agent: Zhu Pan

Tel: 0571-85238957

Fax: 0571-85238957

Postcode: 610016

Borrower: Wuhan Kingold Jewelry Co., Ltd.

Legal Representative: JiaZhihong

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

Agent:

Fax: 027-65694977

Tel: 027-65694977

Postcode: 430023

The parties involved above is separately referred to as "one party" and collectively known as "both parties".

WHEREAS:

- (1) The lender, as the trustee of "Chuanxin-Kingold No.1 Single Trust" (hereinafter referred to as "this trust" or "the trust"), in accordance with the agreement in *Chuanxin-Kingold No.1 Single Trust Contract*, numbered SCXT2016(DXD)Zi.No.167-1 , planned to make loans which are delivered by the consignor for the borrower as the RMB trust loan, which shall be used by the borrower to purchase raw materials.
-

- (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 1 billion Yuan (Capital: One 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/ Sichuan Trust:** refers to Sichuan Trust Co., Ltd. and its legal successor.
- 1.3 **Both parties:** refers to the borrower and the lender.

- 1.4 **Consignor:** Zhangjiakou Bank Corporation
- 1.5 **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.
- 1.6 **Contract of Guaranty:** refers to the contract of guaranty signed between the borrower and the guarantor numbered SCXT2016(DXD)Zi. No.167-2 and the attachment as well as any valid change or supplementary agreement of it.
- 1.7 **Pledge contract of Gold:** refers to the Pledge contract of gold signed between the borrower and the guarantor numbered SCXT2016(DXD)Zi. No.167-4 as well as its enclosures (include but not limited to the pledged property listing) together with any valid change or supplementary agreement of it.
- 1.8 **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.
- 1.9 **Security file:** the contract of guaranty and the pledge contract of gold under this contract are jointly called security file.
- 1.10 **Pledgor:** the pledgor and borrower under this contract is the same person, namely Wuhan Kingold Jewelry Co., Ltd. and its legal successor.
- 1.11 **Guarantor:** refers to Mr. JiaZhihong, the real controller of the loan.

- 1.12 **Guarantor:** the pledger and the warrantor under this contract are collectively called as the guarantor.
- 1.13 **Standard gold:** refers to the AU9999 Standard Gold purchased from Shanghai Gold Exchange whose purity is 99.99%.
- 1.14 **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.
- 1.15 **Gold price:** Refers to the closing price of this contract at 15:30 of the Shanghai Gold Exchange Standard Gold, or closing price of this contract at 2:30 in the morning of Shanghai Gold Exchange Standard Gold if there are night market according to Shanghai Gold Exchange Au(T+D) contract, unless there is special agreement in this Contract.
- 1.16 **Base price of gold pledge/ pledge price:** The pledge price of pledge gold takes the lower price between Shanghai Gold Exchange AU(T+D) contract 30-day average of the previous session and the closing price at 15:30 of the previous session.
- 1.17 **Pledge Date:** refers to the day when each batch of pledge gold is stocked in the pledged property safe box rented by the borrower.
- 1.18 **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.
- 1.19 **Loan period:** refers to the loan period stipulated in the article 2.1 in this contract.
- 1.20 **Repayment:** refers to the repayment of any principal amount and interest of the trust loan stipulated in this contract.

- 1.21 **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 withdrawal application for the loan shall prevail (format of withdrawal application 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 three 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).
- 1.22 **Interest payment date:** refers to (i) article 1.20 in this contract (i) any day within the first five working days of each expiry date for interest under each fund; (ii) article 1.20 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.
- 1.23 **Trust plan/ this trust plan:** refers to "Chuanxin-Kingold No.1 Single Trust", subject to the name regulators approve.
- 1.24 **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.

- 1.25 **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 1 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. There into, 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.
- 1.26 **All payment liabilities:** refers to the liability that the borrower shall pay all the accrued fees to the lender according this contract.
- 1.27 **Default events:** refers to any default event stipulated in article 14.1 in this contract.
- 1.28 **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.
- 1.29 **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.

- 1.30 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.
- 1.31 **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.
- 1.32 **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.
- 1.33 **The Regulations**: refers to Trust Industry Security Fund Management Regulation as well as relevant regulations revised, supplemented and replaced by supervision department.
- 1.34 **Supervision department**: refers to China Banking Regulatory Commission as well as other government departments which bear the same obligations of supervision.
- 1.35 **Yuan**: refers to the legal currency unit of People's Republic of China, RMB, Yuan.
- 1.36 **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.
- 1.37 **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 1 billion Yuan (capital: one billion Yuan only). The trust loans are disbursed separately, 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 withdrawal application for the loan).

2.1.2 The total term of loans under this contract is 24 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 withdrawal application for the loan). It is expected to be from 2016 to 2018 (specifically subject to the withdrawal application 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.

(1) The lender is entitled to issue loans by stages. The limit of each stage is 24 months or no more than 24 months, and the expiry date of last stage loan should be before the expiry date for the total amount.

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)

2.1.4 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.

2.3 Payment in advance

When the term of each loan expires 12 month, the borrower can pay back the total sum of the trust loan with written application a month in advance and written approval of the lender. The borrower shall pay back the total loans and the interest of the lender as is stipulated in article 2.3.1 in this contract, then the loans all end in advance.

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.

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. The loan amount shall not surpass the gold amount confirmed by both the consignor and PICC Property & Casualty× the base price of gold pledge ×75%
- 3.2.1 This trust plan is set up, and the consignor has disbursed fund for trust loan to the special account for trust fund.
- 3.2.2 This Contract, Gold Pledge Contract, the Contract of Guaranty, Safe Deposit Box Rental Agreement, Funds Trusteeship Agreement, Financial Advisory Agreement, Gold Purchase Contract, Authorization Letter from the borrower to the lender and Insurance Contract all have been duly signed and notarized. There into, This Contract, Gold Pledge Contract, the Contract of Guaranty are under compulsory executive notarization.
- 3.2.3 The competent authority of the borrower has provided resolution on agreement on borrowing money and providing gold as pledge.
- 3.2.4 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 Chattel Mortgage*.

- 3.2.5 The consignor has provided written confirmation on the completion of in stock pledge gold; the consignor has provided insurance policy on the completion of pledge gold insurance; the consignor has provided written confirmation on the completion of registration of gold pledge in Unified Registration System for Real Estate Financing in Credit Center of People's Bank of China.; the consignor has provided agreement on the disbursement.
- 3.2.6 The subscription money for the trust insurance fun is paid off.
- 3.2.7 Legal opinion on this trust is acquired.
- 3.2.8 Other 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.

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, gold purchase certificate of Shanghai Gold Exchange 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 8.46%.

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 realize 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

Unless otherwise agreed in the contract, if the trust loan granting date is between January 1st to July 30st 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:

6.3.1 Within five days after each trust loan is issued and within five days after the loan is disbursed for one year, the interest amount the borrower should pay to the lender=the principal of this term of loan*1.21%

6.3.2 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*7.25%*duration date from interest-calculating date(including) to the interest-settling date(excluding) of the trust loan/360.

6.3.3 Despite the interest date stipulated in above articles in the trust loan duration, in the interest date of each trust loan, the interest amount the borrower should pay to the lender==the rest principal amount of this term trust loan*7.25%*duration date from interest-calculating date(including) to the interest-settling date(excluding) of the trust loan/360.

- 6.3.4 If the lender pays back part of the trust loan in advanced due date in accordance with article 2.3 in this contract, the payment amount of advanced due date=the planned payment in advanced due date of principal amount of this term trust loan*(1+7.25%* duration date from interest-calculating date (including) to the advanced due date of payment (excluding) of the trust loan/360.) – the interest that the borrower paid on the principle amount of advanced due date of this trust loan.
- 6.3.5 On the due date of each trust loan(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+7.25%*duration date of each trust loans/360)- interest of this term of trust loan already paid by the borrower- principal of this term of trust loan already paid by the borrower.
- 6.3.6 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+7.25%*duration date of each trust loans/360)- interest already paid by the borrower- principal already paid by the borrower.
- 6.3.7 In any circumstances (including but not limited to that the borrower paid the interest in advanced due date while the loan finished in advance), the lender will not return the interest 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: Sichuan Trust Co., Ltd.
Deposit bank:
Account number:

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 of which purity is 99.99% into cash or other capital which can be used to repay the loan.

7.4 Protection fund

In accordance with the stipulations in *Managing Methods in Trust Protection Fund* (China banking no.[2014]50, hereinafter referred to as "*method*") and *Notice on the Detailed Items of Trust Insurance Funding and Management and etc.* (China banking no. (2015) 32, hereinafter referred to as "*Notice*"), after amicable negotiation, an agreement is reached by both parties that the borrower should fund and delegate the lender to subscribe for the China Trust Protection Fund (hereinafter referred to as "Protection Fund"), and the subscription will be 1% of the total amount of the trust under the trust funding plan

The subscription will be conducted in this way:

- (1) when the lender pays each loan, 1% of the payment will be paid to the special account for protection fund(hereinafter referred to as "protection fund account") as subscription for the borrower, and this subscription will be counted as part of the principal loan.
- (2) After the borrower fund and delegate the lender to subscribe for the protection fund account, the corresponding rights and risks to the subscribed protection fund will be enjoyed and undertaken by the borrower; after the lender is paid the principal and return corresponding to the subscribed protection fund by the protection fund firm, the lender will give the actual payment from the protection fund to the borrower, and the lender will not undertake payment on account.

The revenue distribution and calculation of protection fund is subject to the provisions and stipulations of method, notice, relevant laws and regulatory department.

- (3) The items that are not involved in the agreement on protection fund subscription are subject to the provisions and stipulations of method, notice, relevant laws and regulatory department. If the agreements are not complied with the above provisions and stipulations since there are of newly issued or changed provisions and stipulations, the matters concerned the protection fund subscription will be conducted in accordance with the adjusted laws or provisions.

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 The Company is required to pledge of Au9999 gold as collateral to secure this loan
- 8.2.1 The borrower shall properly sign *Gold Pledge Contract* with the Lender 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 quality and quantity of pledged gold are subject to the common verification of the consignor and PICC Property & Casualty). 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 in accordance with *Withdrawal Application*; any batch of pledged gold shall be guaranteed with all payment obligations hereunder.
- 8.2.2 The amount of each loan. The value of pledge shall be determined by the lower price between the 30-day average of Shanghai Gold Exchange AU(T+D) and the Gold Price at 15:30 of the Pledge Gold on previous transaction day of Pledge Day, and is subject to the pledge rate under 75%.

For the convenience to calculate the amount of pledge gold, the pledge rate of each loan is calculated separately. The pledge rate is=the rest principal of this trust loan/(the lower price between the 30-day average of Shanghai Gold Exchange AU(T+D) and the Gold Price at 15:30 of the Pledge Gold on previous transaction day of Pledge Day,)

- 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 = the lower price between the 30-day average of Shanghai Gold Exchange AU(T+D) and the Gold Price at 15:30 of the Pledge Gold on previous transaction day of Pledge Day * 85% of weight of this pledged 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, and the relevant original copy of insurance policy is to be kept by the consignor, or the borrower is considered as default, then the lender is entitled to request the borrower to pay off the principal and interest of the trust and other payables in advanced due date and take corresponding responsibilities.

8.3 Marking to Market

The basis of calculation of separate precautions line, the open line and each precaution line of this trust stand the same, namely, the precaution line is 1.2 times of the pledge price;and the circulation basis of each open line, namely, the open line is 1.173 times of the pledge price. And in this trust, the lender should take the responsibility to mark the market, and the price is adopted as following:the closing price of this contract at 15:30 in the previous trading day afternoon of the Shanghai Gold Exchange Standard Gold if there is no night market, or closing price of this contract at 2:30 on this trading day morning of Shanghai Gold Exchange Standard Gold if there is night market.

8.3.1 Precaution operations

The lender has the obligation to cover to the borrower on the decrease of pledge gold price by providing corresponding cash (hereinafter referred to as "additional margin"). If the gold price falls down below (include) the precaution line, then the lender should inform the borrower immediately by call, fax, or message to cover with additional margin. The borrower should deposit the additional margin to the trust account before 10:30 of this trading day, until the total amount of pledge value and the additional cash deposit is 1.2 times of the pledge price. If it continues to be below the precaution line, the lender will not note. The borrower should keep in contact. If the lender is unable to timely contact with the borrower for the phone is out of service, or nobody answers, the relevant consequence will be taken by the borrower.

8.3.2 Close position

If the gold price falls down under (include) the open line of any loan, the borrower should deposit additional margin to the trust account before 10:30 in the morning of this trading day until the total amount of pledge value mentioned above and the additional cash deposit is 1.173 times the pledge price, or the lender will inform the consigner and begin the process of pledge disposal in accordance with the consigner's order.

The borrower confirms that any batch of the pledge gold under this contract is the guarantee for the entire obligation to pay.

8.3.3 If the borrower refuses or failed to deposit the payable additional margin timely as the contract requires, the lender has the right to claim that all the trust loan under the main contract is early due, and all the interest of the loan should be early repaid, and requires the borrower to immediately perform all the payment obligation under the main contract, meanwhile lender 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 the Main Contracts for priority. If the fund is not sufficient to pay off the items above, then the borrower directly pay lender the rest.

If any circumstances mentioned above, namely pledge preservation delay, not timely or not sufficient additional margin occurs to the pledge gold of any loan, the lender is entitled to claim that the entire loan under the main contract is early due and exercise mortgage to all the pledge gold, and has the priority to use funds gained from realizing hostage for compensation.

8.3.4 The additional margin paid by the borrower shall be paid into following bank account of the Lender:

Account Name: Sichuan 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 75% (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 for Capital Regulation
Account name: Wuhan Kingold Jewelry Co., Ltd.
Bank: Business Office, Bank of Zhangjiakou
Account No. : 374014169100015

The borrower opened the trust loans account in Zhangjiakou Bank Co., LTD, which is designated by the lender in accordance with the requirements to specially receive loans under this contract. And Zhangjiakou Bank Co., LTD is in charge of supervising the gold raw material of the borrower. When the trust fund is allocated from the regulation account, the borrower should provide the regulation bank with the relevant voucher of gold purchase in Shanghai Gold Exchange in 5 working days, and the regulation bank will check the authenticity; if the borrower fails to provide the relevant voucher of gold purchase or the voucher is considered to be fake by the regulation bank, or the usage of the fund is not complied with this contract, the borrower is breaking the contract(default of loan funds usage), the lender is entitled to request the borrower to pay back the entire trust principal and interest with the designation or the approval of the consignor and request the borrower to undertake the default as is agreed in this contract.

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 have taken, making it has all the necessary rights and authorization to sign and perform this contract, which complies with the firm's regulation.
- 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, distaining, lien, regulation, or deduct the deposit by financial institutions.
- 11.1.9 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.
- 11.1.10 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 departments and 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.

- 11.1.11 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.
- 11.1.12 The borrower assures: (1) the propriety and the right to disposal pledge gold, and that the consideration of pledge gold is paid. The pledge gold is freely circulated and not belongs to the objects which are forbidden or restricted to circulate by the laws, regulations, and the national policy. There is no controversy on the ownership of the pledge gold, or any encumbrances, defect or restriction of right; (2) before the gold is pledged to the lender, the gold has never been transferred, gifted or pledged in else places, neither did the borrower sign similar contracts; after the gold is pledged to the lender, the gold should not be transferred, gifted or pledged in else places, and borrower should not sign similar contracts. Any behavior that may damage the pledge rights and the right and interest of lender is prohibited.
- 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.
- 11.3 The borrower should undertake to renew the insurance for the pledge gold if meet with the due date of insurance when settling the pledge gold. The renewal of the insurance duration will allow the party to settle all the pledge gold.

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, except that lender provides materials or discloses information to the agent institutions like law firms, or the lender (beneficiary) following the laws, regulations, stipulations or the request of competent authority.
- 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 under pay 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 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 trading;
 - 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' 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 fail 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.
- 16.3 The lender is entitled to transfer the rights and obligations under this contract to any other party without the agreement of the borrower, however the borrower should be informed about this.

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: Sichuan Trust Co., Ltd.

Correspondence address: Room B1511, Oumei Center, EAC, Hangzhou City.

Postcode: 310000

Telephone numbers: 0571-85238957

Fax: 0571-85238957

Recipient: Zhu Pan

Borrower: Wuhan Kingold Jewelry Co., Ltd.

Correspondence address: Special No. 15 of Huangpu Science and Technology Park, Jiang'an District, Wuhan City

Postcode: 430023
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. Compulsory execution notarization

With the confirmation of the borrower and the lender, both parties have complete understanding on the meaning, content, procedure, responsibility and effect of the laws, rules, regulations have on compulsory execution effect and executive certificate. The borrower and the lender conduct notarial process on this contract and enforce it with effect after signing this contract with consent. The borrower does not have disagreement on the obligations under this contract. If the borrower does not or not fully perform his obligation under the main contract, or the borrower does not or not fully perform his obligation under this contract, or when the hostage is realized as is agreed in this contract happens, the lender is entitled to apply the people's court with jurisdiction for compulsory execution with this contract and executive certificate under notarization. The borrower should accept the compulsory execution and abstain the right to defend on his own accord. The cost for compulsory execution process is assumed by the borrower.

20. Other matters

- 20.1. 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.
- 20.2. 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.
- 20.3. 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.
- 20.4. 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.

- 20.5 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.
- 20.6 This contract has six original copies, two copies belong to the lender, and one copy is kept by the borrower, and the rest are used for conducting notarization and other procedures, and each one has the same legal effect.
- 20.7 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.)

(No text in this page, signing page of No. SCXT2016(DXD)Zi. No.167-2 Trust Loan Contract)

When signing this Contract, both parties read and know all the articles in this Contract, have no objection, and accurately understand all legal implications of all articles related to legal relations, related rights, obligations and responsibilities between both parties.

The lender: Sichuan Trust Co., Ltd.(Seal)

Legal Representative or Authorized Representative (Signature or Seal):

The borrower: Wuhan Kingold Jewelry Co., Ltd. (Seal)

Legal Representative or Authorized Representative (Signature or Seal):

Sign Date: Month Day , 2016

Place of signing: Chengdu

Letter of Authorization

Sichuan Trust Co., Ltd.:

Since our company is unable to undertake the obligation of calling margin and repayment (see details in Trust Loan contract numbered SCXT2016(DXD)Zi. No.167 -2), we have triggered the right of disposal on the pledge gold. Now our company leave the carte blanche to you to disposal the AU9999 gold bars that we pledged (see details in Gold Pledge Contract numbered SCXT2016(DXD)Zi. No.167 -3), which includes determining the buyer and the disposal operations, price, and sign the relevant contract with buyer on behalf of our company or your company. And we promise to issue invoice to the buyer on the gold bars. We will agree all the items on the disposal of pledge gold and undertake the revenue and the loss, relevant rights and obligations under laws.

This letter of authorization is not attached to any conditions and is irrevocable. This letter of authorization takes effect with the seal of our company and is legally binding on us.

Wuhan Kingold Jewelry Co., Ltd. (Seal)

Month Day , 2016

Trust Loan Contract

Sichuan Trust Co., Ltd.

____Month of 2016

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This Contract of Trust Loans numbered SCXT2016(DXD)Zi. No. 168-2 is concluded of and between the following two parties in Chengdu in ___year ___month:

Lender: Sichuan Trust Co., Ltd.

Legal Representative: MouYue

Address: No. 18, Second section of South Renmin Avenue, Jinjiang District, Chengdu

Agent: Zhu Pan

Tel: 0571-85238957

Fax: 0571-85238957

Postcode: 610016

Borrower: Wuhan Kingold Jewelry Co., Ltd.

Legal Representative: JiaZhihong

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

Agent:

Fax: 027-65694977

Tel: 027-65694977

Postcode: 430023

The parties involved above is separately referred to as "one party" and collectively known as "both parties".

WHEREAS:

- (1) The lender, as the trustee of "Chuanxin-Kingold No. 1 Single Trust" (hereinafter referred to as "this trust" or "the trust"), in accordance with the agreement in *Chuanxin-Kingold No. 1 Single Trust Contract*, numbered [SCXT2016(DXD)Zi. No. 168-1], planned to make loans which are delivered by the consignor for the borrower as the RMB trust loan, which shall be used by the borrower to purchase raw materials.
-

- (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 1 billion Yuan (Capital: One 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/ Sichuan Trust:** refers to Sichuan Trust Co., Ltd. and its legal successor.
- 1.3 **Both parties:** refers to the borrower and the lender.

- 1.4 **Consignor:** Zhangjiakou Bank Corporation
- 1.5 **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.
- 1.6 **Contract of Guaranty:** refers to the contract of guaranty signed between the borrower and the guarantor numbered SCXT2016(DXD)Zi. No. 168-2 and the attachment as well as any valid change or supplementary agreement of it.
- 1.7 **Pledge contract of Gold:** refers to the Pledge contract of gold signed between the borrower and the guarantor numbered SCXT2016(DXD)Zi. No. 168-4 as well as its enclosures (include but not limited to the pledged property listing) together with any valid change or supplementary agreement of it.
- 1.8 **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.
- 1.9 **Security file:** the contract of guaranty and the pledge contract of gold under this contract are jointly called security file.
- 1.10 **Pledgor:** the pledgor and borrower under this contract is the same person, namely Wuhan Kingold Jewelry Co., Ltd. and its legal successor.
- 1.11 **Guarantor:** refers to Mr. JiaZhihong, the real controller of the loan.

- 1.12 **Guarantor:** the pledger and the warrantor under this contract are collectively called as the guarantor.
- 1.13 **Standard gold:** refers to the AU9999 Standard Gold purchased from Shanghai Gold Exchange whose purity is 99.99%.
- 1.14 **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.
- 1.15 **Gold price:** Refers to the closing price of this contract at 15:30 of the Shanghai Gold Exchange Standard Gold, or closing price of this contract at 2:30 in the morning of Shanghai Gold Exchange Standard Gold if there are night market according to Shanghai Gold Exchange Au(T+D) contract, unless there is special agreement in this Contract.
- 1.16 **Base price of gold pledge/ pledge price:** The pledge price of pledge gold takes the lower price between Shanghai Gold Exchange AU(T+D) contract 30-day average of the previous session and the closing price at 15:30 of the previous session.
- 1.17 **Pledge Date:** refers to the day when each batch of pledge gold is stocked in the pledged property safe box rented by the borrower.
- 1.18 **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.
- 1.19 **Loan period:** refers to the loan period stipulated in the article 2.1 in this contract.
- 1.20 **Repayment:** refers to the repayment of any principal amount and interest of the trust loan stipulated in this contract.

- 1.21 **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 withdrawal application for the loan shall prevail (format of withdrawal application 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 three 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).
- 1.22 **Interest payment date:** refers to (i) article 1.20 in this contract (i) any day within the first five working days of each expiry date for interest under each fund; (ii) article 1.20 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.
- 1.23 **Trust plan/ this trust plan:** refers to "Chuanxin-Kingold No. 1 Single Trust", subject to the name regulators approve.
- 1.24 **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.

- 1.25 **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 1 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. There into, 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.
- 1.26 **All payment liabilities:** refers to the liability that the borrower shall pay all the accrued fees to the lender according this contract.
- 1.27 **Default events:** refers to any default event stipulated in article 14.1 in this contract.
- 1.28 **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.
- 1.29 **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.

- 1.30 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.
- 1.31 **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.
- 1.32 **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.
- 1.33 **The Regulations**: refers to Trust Industry Security Fund Management Regulation as well as relevant regulations revised, supplemented and replaced by supervision department.
- 1.34 **Supervision department**: refers to China Banking Regulatory Commission as well as other government departments which bear the same obligations of supervision.
- 1.35 **Yuan**: refers to the legal currency unit of People's Republic of China, RMB, Yuan.
- 1.36 **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.
- 1.37 **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 1 billion Yuan (capital: one billion Yuan only). The trust loans are disbursed separately, 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 withdrawal application for the loan).

2.1.2 The total term of loans under this contract is 24 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 withdrawal application for the loan). It is expected to be from 2016 to 2018 (specifically subject to the withdrawal application 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.

(1) The lender is entitled to issue loans by stages. The limit of each stage is 24 months or no more than 24 months, and the expiry date of last stage loan should be before the expiry date for the total amount.

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)

2.1.4 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.

2.3 Payment in advance

When the term of each loan expires 12 month, the borrower can pay back the total sum of the trust loan with written application a month in advance and written approval of the lender. The borrower shall pay back the total loans and the interest of the lender as is stipulated in article 2.3.1 in this contract, then the loans all end in advance.

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.

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. The loan amount shall not surpass the gold amount confirmed by both the consignor and PICC Property & Casualty× the base price of gold pledge ×75%
- 3.2.1 This trust plan is set up, and the consignor has disbursed fund for trust loan to the special account for trust fund.
- 3.2.2 This Contract, Gold Pledge Contract, the Contract of Guaranty, Safe Deposit Box Rental Agreement, Funds Trusteeship Agreement, Financial Advisory Agreement, Gold Purchase Contract, Authorization Letter from the borrower to the lender and Insurance Contract all have been duly signed and notarized. There into, This Contract, Gold Pledge Contract, the Contract of Guaranty are under compulsory executive notarization.
- 3.2.3 The competent authority of the borrower has provided resolution on agreement on borrowing money and providing gold as pledge.
- 3.2.4 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 Chattel Mortgage*.

- 3.2.5 The consignor has provided written confirmation on the completion of in stock pledge gold; the consignor has provided insurance policy on the completion of pledge gold insurance; the consignor has provided written confirmation on the completion of registration of gold pledge in Unified Registration System for Real Estate Financing in Credit Center of People's Bank of China.; the consignor has provided agreement on the disbursement.
- 3.2.6 The subscription money for the trust insurance fun is paid off.
- 3.2.7 Legal opinion on this trust is acquired.
- 3.2.8 Other 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.

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, gold purchase certificate of Shanghai Gold Exchange 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 8.46%.

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 realize 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

Unless otherwise agreed in the contract, if the trust loan granting date is between January 1st to July 30st 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:

6.3.1 Within five days after each trust loan is issued and within five days after the loan is disbursed for one year, the interest amount the borrower should pay to the lender=the principal of this term of loan*1.21%

6.3.2 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*7.25%*duration date from interest-calculating date(including) to the interest-settling date (excluding) of the trust loan/360.

6.3.3 Despite the interest date stipulated in above articles in the trust loan duration, in the interest date of each trust loan, the interest amount the borrower should pay to the lender==the rest principal amount of this term trust loan*7.25%*duration date from interest-calculating date (including) to the interest-settling date (excluding) of the trust loan/360.

- 6.3.4 If the lender pays back part of the trust loan in advanced due date in accordance with article 2.3 in this contract, the payment amount of advanced due date=the planned payment in advanced due date of principal amount of this term trust loan*(1+7.25%* duration date from interest-calculating date (including) to the advanced due date of payment (excluding) of the trust loan/360.) – the interest that the borrower paid on the principle amount of advanced due date of this trust loan.
- 6.3.5 On the due date of each trust loan(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+7.25%*duration date of each trust loans/360)- interest of this term of trust loan already paid by the borrower- principal of this term of trust loan already paid by the borrower.
- 6.3.6 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+7.25%*duration date of each trust loans/360)- interest already paid by the borrower- principal already paid by the borrower.
- 6.3.7 In any circumstances (including but not limited to that the borrower paid the interest in advanced due date while the loan finished in advance), the lender will not return the interest 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: Sichuan Trust Co., Ltd.

Deposit bank:

Account number:

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 of which purity is 99.99% into cash or other capital which can be used to repay the loan.

7.4 Protection fund

In accordance with the stipulations in *Managing Methods in Trust Protection Fund* (China banking no.[2014]50, hereinafter referred to as "*method*") and *Notice on the Detailed Items of Trust Insurance Funding and Management and etc.* (China banking no. (2015) 32, hereinafter referred to as "*Notice*"), after amicable negotiation, an agreement is reached by both parties that the borrower should fund and delegate the lender to subscribe for the China Trust Protection Fund (hereinafter referred to as "Protection Fund"), and the subscription will be 1% of the total amount of the trust under the trust funding plan

The subscription will be conducted in this way:

- (1) when the lender pays each loan, 1% of the payment will be paid to the special account for protection fund(hereinafter referred to as "protection fund account") as subscription for the borrower, and this subscription will be counted as part of the principal loan.
- (2) After the borrower fund and delegate the lender to subscribe for the protection fund account, the corresponding rights and risks to the subscribed protection fund will be enjoyed and undertaken by the borrower; after the lender is paid the principal and return corresponding to the subscribed protection fund by the protection fund firm, the lender will give the actual payment from the protection fund to the borrower, and the lender will not undertake payment on account.

The revenue distribution and calculation of protection fund is subject to the provisions and stipulations of method, notice, relevant laws and regulatory department.

- (3) The items that are not involved in the agreement on protection fund subscription are subject to the provisions and stipulations of method, notice, relevant laws and regulatory department. If the agreements are not complied with the above provisions and stipulations since there are of newly issued or changed provisions and stipulations, the matters concerned the protection fund subscription will be conducted in accordance with the adjusted laws or provisions.

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 The Company is required to pledge of Au9999 gold as collateral to secure this loan
- 8.2.1 The borrower shall properly sign *Gold Pledge Contract* with the Lender 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 quality and quantity of pledged gold are subject to the common verification of the consignor and PICC Property & Casualty). 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 in accordance with *Withdrawal Application*; any batch of pledged gold shall be guaranteed with all payment obligations hereunder.
- 8.2.2 The amount of each loan. The value of pledge shall be determined by the lower price between the 30-day average of Shanghai Gold Exchange AU(T+D) and the Gold Price at 15:30 of the Pledge Gold on previous transaction day of Pledge Day, and is subject to the pledge rate under 75%. For the convenience to calculate the amount of pledge gold, the pledge rate of each loan is calculated separately. The pledge rate is=the rest principal of this trust loan/(the lower price between the 30-day average of Shanghai Gold Exchange AU(T+D) and the Gold Price at 15:30 of the Pledge Gold on previous transaction day of Pledge Day.)
- 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 = the lower price between the 30-day average of Shanghai Gold Exchange AU(T+D) and the Gold Price at 15:30 of the Pledge Gold on previous transaction day of Pledge Day * 85% of weight of this pledged 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, and the relevant original copy of insurance policy is to be kept by the consignor, or the borrower is considered as default, then the lender is entitled to request the borrower to pay off the principal and interest of the trust and other payables in advanced due date and take corresponding responsibilities.

8.3 Marking to Market

The basis of calculation of separate precautions line, the open line and each precaution line of this trust stand the same, namely, the precaution line is 1.2 times of the pledge price;and the circulation basis of each open line, namely, the open line is 1.173 times of the pledge price. And in this trust, the lender should take the responsibility to mark the market, and the price is adopted as following:the closing price of this contract at 15:30 in the previous trading day afternoon of the Shanghai Gold Exchange Standard Gold if there is no night market, or closing price of this contract at 2:30 on this trading day morning of Shanghai Gold Exchange Standard Gold if there is night market.

8.3.1 Precaution operations

The lender has the obligation to cover to the borrower on the decrease of pledge gold price by providing corresponding cash (hereinafter referred to as "additional margin"). If the gold price falls down below (include) the precaution line, then the lender should inform the borrower immediately by call, fax, or message to cover with additional margin. The borrower should deposit the additional margin to the trust account before 10:30 of this trading day, until the total amount of pledge value and the additional cash deposit is 1.2 times of the pledge price. If it continues to be below the precaution line, the lender will not note. The borrower should keep in contact. If the lender is unable to timely contact with the borrower for the phone is out of service, or nobody answers, the relevant consequence will be taken by the borrower.

8.3.2 Close position

If the gold price falls down under (include) the open line of any loan, the borrower should deposit additional margin to the trust account before 10:30 in the morning of this trading day until the total amount of pledge value mentioned above and the additional cash deposit is 1.173 times the pledge price, or the lender will inform the consigner and begin the process of pledge disposal in accordance with the consigner's order.

The borrower confirms that any batch of the pledge gold under this contract is the guarantee for the entire obligation to pay.

8.3.3 If the borrower refuses or failed to deposit the payable additional margin timely as the contract requires, the lender has the right to claim that all the trust loan under the main contract is early due, and all the interest of the loan should be early repaid, and requires the borrower to immediately perform all the payment obligation under the main contract, meanwhile lender 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 the Main Contracts for priority. If the fund is not sufficient to pay off the items above, then the borrower directly pay lender the rest.

If any circumstances mentioned above, namely pledge preservation delay, not timely or not sufficient additional margin occurs to the pledge gold of any loan, the lender is entitled to claim that the entire loan under the main contract is early due and exercise mortgage to all the pledge gold, and has the priority to use funds gained from realizing hostage for compensation.

8.3.4 The additional margin paid by the borrower shall be paid into following bank account of the Lender:

Account Name: Sichuan 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 75% (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 for Capital Regulation
Account name: Wuhan Kingold Jewelry Co., Ltd.
Bank: Business Office, Bank of Zhangjiakou
Account No. : 374014169100015

The borrower opened the trust loans account in Zhangjiakou Bank Co., LTD, which is designated by the lender in accordance with the requirements to specially receive loans under this contract. And Zhangjiakou Bank Co., LTD is in charge of supervising the gold raw material of the borrower. When the trust fund is allocated from the regulation account, the borrower should provide the regulation bank with the relevant voucher of gold purchase in Shanghai Gold Exchange in 5 working days, and the regulation bank will check the authenticity; if the borrower fails to provide the relevant voucher of gold purchase or the voucher is considered to be fake by the regulation bank, or the usage of the fund is not complied with this contract, the borrower is breaking the contract(default of loan funds usage), the lender is entitled to request the borrower to pay back the entire trust principal and interest with the designation or the approval of the consignor and request the borrower to undertake the default as is agreed in this contract.

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 have taken, making it has all the necessary rights and authorization to sign and perform this contract, which complies with the firm's regulation.
- 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, distaining, lien, regulation, or deduct the deposit by financial institutions.
- 11.1.9 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.
- 11.1.10 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 departments and 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.

- 11.1.11 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.
- 11.1.12 The borrower assures: (1) the propriety and the right to disposal pledge gold, and that the consideration of pledge gold is paid. The pledge gold is freely circulated and not belongs to the objects which are forbidden or restricted to circulate by the laws, regulations, and the national policy. There is no controversy on the ownership of the pledge gold, or any encumbrances, defect or restriction of right; (2) before the gold is pledged to the lender, the gold has never been transferred, gifted or pledged in else places, neither did the borrower sign similar contracts; after the gold is pledged to the lender, the gold should not be transferred, gifted or pledged in else places, and borrower should not sign similar contracts. Any behavior that may damage the pledge rights and the right and interest of lender is prohibited.
- 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.
- 11.3 The borrower should undertake to renew the insurance for the pledge gold if meet with the due date of insurance when settling the pledge gold. The renewal of the insurance duration will allow the party to settle all the pledge gold.

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, except that lender provides materials or discloses information to the agent institutions like law firms, or the lender (beneficiary) following the laws, regulations, stipulations or the request of competent authority.
- 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 under pay 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 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 trading;
- 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' 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 fail 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.
- 16.3 The lender is entitled to transfer the rights and obligations under this contract to any other party without the agreement of the borrower, however the borrower should be informed about this.

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: Sichuan Trust Co., Ltd.

Correspondence address: Room B1511, Oumei Center, EAC, Hangzhou City.

Postcode: 310000

Telephone numbers: 0571-85238957

Fax: 0571-85238957

Recipient: Zhu Pan

Borrower: Wuhan Kingold Jewelry Co., Ltd.

Correspondence address: Special No. 15 of Huangpu Science and Technology Park, Jiang'an District, Wuhan City

Postcode: 430023

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. Compulsory execution notarization

With the confirmation of the borrower and the lender, both parties have complete understanding on the meaning, content, procedure, responsibility and effect of the laws, rules, regulations have on compulsory execution effect and executive certificate. The borrower and the lender conduct notarial process on this contract and enforce it with effect after signing this contract with consent. The borrower does not have disagreement on the obligations under this contract. If the borrower does not or not fully perform his obligation under the main contract, or the borrower does not or not fully perform his obligation under this contract, or when the hostage is realized as is agreed in this contract happens, the lender is entitled to apply the people's court with jurisdiction for compulsory execution with this contract and executive certificate under notarization. The borrower should accept the compulsory execution and abstain the right to defend on his own accord. The cost for compulsory execution process is assumed by the borrower.

20. Other matters

- 20.1. 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.
- 20.2. 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.
- 20.3. 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.
- 20.4. 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.

- 20.5 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.
- 20.6 This contract has six original copies, two copies belong to the lender, and one copy is kept by the borrower, and the rest are used for conducting notarization and other procedures, and each one has the same legal effect.
- 20.7 Loan application form, IOU, and other relevant documents and data provided by the borrower are integral parts of this contract.

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(No text in this page, signing page of No. SCXT2016(DXD)Zi. No. 168-2 Trust Loan Contract)

When signing this Contract, both parties read and know all the articles in this Contract, have no objection, and accurately understand all legal implications of all articles related to legal relations, related rights, obligations and responsibilities between both parties.

The lender: Sichuan Trust Co., Ltd.(Seal)

Legal Representative or Authorized Representative (Signature or Seal):

The borrower: Wuhan Kingold Jewelry Co., Ltd. (Seal)

Legal Representative or Authorized Representative (Signature or Seal) :

Sign Date: Month Day , 2016

Place of signing: Chengdu

**Loan Contract by and between AVIC Capital
Investment Management (Shenzhen) Co., Ltd and
Wuhan Kingold Jewelry Inc**

Date

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Loan Contract

The Loner (Party A): AVIC Capital Investment Management (Shenzhen) Co., Ltd
Residence: Room 201, Building A, 1# First Qianwan Road, Qianhai Hong Kong - Shenzhen Cooperation Zone, Shenzhen City
Business Address: 3906# Times Square Excellence, Futian Centre, Shenzhen City
Post Code: 518017
Legal Representative: Cai Mingsheng
Fax:
Telephone:

The Borrower (Party B): Wuhan Kingold Jewelry Inc.
Residence: 15# Huangpu Science and Technology Park, Jiang'an District, Wuhan City
Post Code: 430023
Legal Representative (Responsible Person): Jia Zhihong
Fax: 027-65694977
Telephone: 027-65694977

Whereas:

Party A is a limited liability company validly existing and established under the laws, and Party B is an incorporated company validly existing and established under the laws; both parties hereto conclude and sign the Contract for mutual compliance and execution through negotiation according to relevant laws and regulations.

Article I Definition

Unless otherwise specified in the Contract or explained in the context, the terms and definitions in the Contract should have the same implications as those in other documents concerned.

1.1 The Contract: it refers to the *Loan Contract* (Contract No.:) concluded and signed between Party A and Party B as well as any valid revision and supplementation concerned.

1.2 Loan issuance date: for each loan, it refers to the date when Party A issues the loan to Party B as agreed in the Contract, specifically the date indicated in the *Loan Receipt* corresponding to the loan. In case the initial loan issuance date is inconsistent with the effective date of the Contract or a certain subsequent loan issuance date is inconsistent with the actual capital appropriation date corresponding to the loan, the effective date of the Contract or the actual capital appropriation date corresponding to the subsequent loans should be regarded as the loan issuance date.

1.4 Interest settlement date: it refers to March 15, June 15, September 15, December 15 of each civil year and the loan expiry date. The interest settlement date should not be postponed.

1.5 Interest payment date: it refers to each interest settlement date, and in case the interest settlement date is a non-working day, the interest payment date should be postponed to the next working day.

1.6 Month: for each loan, it refers to the loan month calculated from the loan issuance date or the date corresponding to the monthly loan issuance date (including the current date; if no corresponding date in this month, it refers to the last day of current month) to the date corresponding to the loan issuance date of the next month (including the current date; if no corresponding date in this month, it refers to the last day of current month). The specific start date should be consistent with the date indicated in the *Loan Receipt* corresponding to the loan.

1.7 Year: for each loan, it refers to a loan year when the loan is issued for twelve months since the loan issuance.

1.8 Pledgor: it refers to Wuhan Kingold Jewelry Co., Ltd

1.9 Gold pledge contract: it refers to the *Gold Pledge Contract* (Contract No.:) concluded and signed between Party A and the pledgor.

1.10 Yuan: it refers to RMB.

1.11 China: it refers to the People's Republic of China (excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region).

Article II Loan Amount

The total amount of the loan under the Contract is RMB SIX HUNDRED MILLION ONLY (¥600,000,000.00).

Article III Intended Use of Loan and Supervision

3.1 The loan under the Contract should be used for supplementing the circulating fund of Party B.

Party B should strictly utilize the loan under the Contract as specified, and should not change the intended use of the loan without obtaining the written consent from Party A in advance. Moreover, Party B should not utilize the loan for fixed asset investment, equity investment, securities investment, land banking, real estate development, etc., or for other projects violating national laws & regulations and policies.

Article IV Loan Term

4.1 The loan under the Contract is issued by installment, and the amount of the first loan is RMB TWO HUNDRED AND NINETY MILLION ONLY (¥290,000,000.00), and the corresponding loan term should be twenty four months since each loan issuance date.

4.2 In case of any condition agreed in the Contract, Party A has the right to announce the accelerated expiry of all or part of the loans.

Article V Interest Rate, Arrangement Fee, Interest Accrual, Interest Settlement, Interest Payment and Default Interest

5.1 Borrowing rate

The borrowing rate under the Contract is the annual interest rate, namely 7.5%/year.

5.2 Arrangement fee

The arrangement fee under the Contract is 3% of the total amount of the loan, and should be paid by Party B to Party A within one month since the initial loan issuance date.

5.3 Interest accrual

The loan interest should be calculated since the loan issuance date according to the actual amount and the actual loan days. The interest of the loan under the Contract should be daily calculated: daily interest rate = monthly interest rate/30 = annual interest rate/360. Daily interest payable of Party B = current loan balance x [7.5%]/360.

5.4 Interest settlement

The loan interest for the period from the loan issuance date (including) or the previous interest settlement date (including) to current interest settlement date (excluding) should be calculated on the corresponding interest settlement date under the Contract, and the last interest settlement date of the loan under the Contract should be the principal repayment date of the loan under the Contract, and both the principal and the interests accrued should be paid off on that day.

5.5 Interest payment

Party B should pay the corresponding loan interest as scheduled at a full amount on each interest payment date. In case of installment loan issuance, the corresponding interest should be independently calculated and paid for each loan as follows:

The interest payable of Party B on each interest payment date in the first year of the loan issuance = \sum daily loan balance during the period from the loan issuance date (including) or the previous interest settlement date (including) to current interest settlement date (excluding) \times [7.5%]/360; The interest payable of Party B on each interest payment date in the second year of the loan issuance = \sum daily loan balance during the period from the loan issuance date (including) or the previous interest settlement date (including) to current interest settlement date (excluding) \times [7.5%]/360

5.6 Default interest

(1) In case Party B fails to utilize the loan as agreed, for the part of the loan, not utilized as agreed in the Contract, the interests accrued should be collected at double original interest rate since the date of loan utilization change.

(2) In case Party B fails to repay the loan as scheduled, for the unpaid loan, the interests accrued should be daily collected at the interest rate of 1‰. In case the interests accrued are not paid as scheduled, the compound interests should be collected according to above default interest rate.

(3) The original interest rate refers to the applicable interest rate before the loan expiry date (including the accelerated expiry date or the extended expiry date).

(4) In case the loan is overdue and is not utilized as agreed in the Contract, the higher default interest rate should be taken to calculate the interests accrued.

Article VI Loan Issuance

6.1 Only when the following conditions can be met, Party A has the obligation to issue the loan agreed in the Contract to Party B:

(1) Party B and other parties concerned should have provided their necessary and legally valid internal and/or external approval and authorization documents for relevant issues according to validly existing laws & regulations, articles of incorporation or other organization documents;

(2) Such transaction documents as the Contract, the *Gold Pledge Contract* and the *Guaranty Contract* should have been signed and come into effect;

(3) The notarial procedure for the compulsory execution of the Contract, the *Gold Pledge Contract* and the *Guaranty Contract* should have been completely handled;

(4) The pledge registration procedure should have been completely handled, and the pledged gold should have been sealed and stored in the safe deposit box of a local bank in Wuhan;

(5) All pledged objects should have been insured to the People's Insurance Company of China (PICC), and PICC should have issued the insurance contract in which Party A is the first beneficiary;

(6) As of the loan issuance date, any statement and guarantee made by Party B should be truthful, accurate and valid, and the financial condition of Party B should be basically as the same as that at the contract signing, without any significant adverse change;

(7) As of the loan issuance date, the loan issued by Party A to Party B according to the Contract should not violate any laws & regulations or any stipulation of the supervision department;

(8) The business condition of Party B (including but not limited to the financial condition) should not have any substantial change which may bring significant adverse influence on the transactions under the Contract;

(9) The loan under the Contract should not be prohibited or restricted by any law, regulation, rule or other normative document, or any supervision organization;

(10) Other conditions required by Party A.

6.2 Party A should, within [three] days after all preconditions specified in Article 6.1 are met (except that one or more preconditions are clearly exempted by Party A), issue the loan to the following account of Party B:

Deposit Bank:

Bank Account:

Account Name: Wuhan Kingold Jewelry Inc.

Article VII Repayment

7.1 Repayment principle

Any repayment from Party B under the Contract should be firstly for the interest accrued and then for the principal, but Party A has the right to use the repayment from Party B to pay various expenses that should be borne by Party B but is paid by Party A therefor and the expense for realizing the creditor's right of Party A.

In case the repayment from Party B is not enough to settle the due payable for Party A under the Contract (including but not limited to loan principal, interest, default interest, compound interest, default penalty, damage compensation, expense for realizing the creditor's rights of Party A and other accrual expenses), Party A has the right to determine the repayment sequence of loan principal, interest, etc.

7.2 Principal and interest repayment

Party B should pay the due interest to Party A on each interest payment date as agreed in Article 5.4 of the Contract, and the last interest payment date should be the principal repayment date of the loan under the Contract, and the principal and the interests accrued should be paid off on that day.

7.3 Prepayment

(1) Party B may, after each loan is issued for twelve months, request for the prepayment of the loan concerned, but must apply to Party A in a written form at least [sixty] days in advance.

(2) The interest rate agreed in the Contract should not be changed, regardless of the prepayment of Party B.

(3) The interest for the prepayment of Party B should be collected as agreed in the Contract. In case the loan term in current month is less than thirty days, the interest accrued should be also calculated according to thirty days; in case the loan term in current month is more than thirty days (including), the interest accrued should be calculated according to the actual borrowing days.

(4) In case of prepayment, Party B must once pay off the loan principal and interest.

Article VIII Loan guarantee

8.1 Party B should provide the following guarantees for all debts under the Contract (including but not limited to loan principal, interest, default interest, compound interest, default penalty, damage compensation, all expenses for the realization of the creditor's rights of the lender and other expenses payable):

(1) Pledge: Party B should provide legally owned gold with the content not less than 99.99% as the pledge guarantee to Party A. Please refer to the *Gold Pledge Contract* for the specific information.

(2) Guarantee: the actual controller — Jia Zhihong of Party B should provide guarantee for all debts under the Contract. Please refer to the *Guaranty Contract* for the specific information.

Article IX Party A's Rights and Obligations, Statement and Promise

9.1 Party A's rights

(1) Party A has the right to collect loan principal and other funds incurred from Party B;

(2) Party A has the right to request Party B to provide the latest financial statement audited by an accounting firm and all information regarding the loan under the Contract;

(3) Party A has the right to know the production & operation and financial activities of Party B;

(4) Party A has the right to report Party B's default behaviors, including avoidance of Party A's supervision, principal and interest arrears and other default behaviors, to relevant department or unit;

(5) Party A has the right to personally implement the after-loan management for the loan issued thereby or employ the third party to do the same, including but not limited to the acquaintance and the field inspection of Party B's production & operation and financial activities, loan utilization, funds or other matters agreed in the *Loan Contract*;

(6) In case Party B fails to repay the loan principal and interest as scheduled at a full amount, Party A or the third party employed thereby has the right to take collection actions (including but not limited to short message, email, telephone, etc.), and all expenses incurred by the collection, including but not limited to express fee, counsel fee, travel expense, etc., should be borne by Party B;

(7) In case the condition specified in Article XI of the Contract occurs and Party A believes that the creditor's rights thereof under the Contract may be endangered or Party B violates the Contract, Party A has the right to announce the immediate expiry of all loans under the Contract and request Party B to immediately repay all outstanding principals and interests;

(8) Other rights that Party A should entitle according to laws & regulations and the Contract.

9.2 Party A's obligations

(1) Party A should issue the loans as agreed in the Contract, except the delay caused by Party B or other reasons not attributed to Party A;

(2) Party A should have the confidentiality responsibility for relevant financial information and production & operation business secrets provided by Party B, except that such information should be disclosed as required by laws & regulations and the supervision department or the administrative department, or is disclosed to the intermediary organ employed thereby.

9.3 Party A's statement and promise

Party A states and promises as follows:

(1) Party A is a limited liability company validly existing and established under laws, and has the subject qualification for signing the Contract;

(2) Party A signs and performs the Contract for the truthful intentions thereof, and has obtained all necessary legal authorizations, and completely handled all legal procedures for signing and performing the Contract;

(3) Party A will issue the loan to Party B as agreed, and the contract signing and performance will not violate any obligation under the *Loan Contract*.

Article X Party B's Rights and Obligations, Statement and Promise

10.1 Party B's rights

(1) Party B has the right to withdraw and utilize the loan according to the loan term and the intended use agreed in the Contract;

(2) Party B has the right to request Party A to bear the confidentiality responsibility for relevant financial information and business secrets regarding production & operation, except that such information should be disclosed according to laws & regulations, rules and the Contract.

10.2 Party B's obligation

(1) Party B should withdraw the loans as agreed in the Contract;

(2) Party B should, as required by Party A, provide relevant financial accounting information and production & operation information to Party A, including but not limited to balance sheet, profit and loss statement, cash flow statement, loan utilization, and should be responsible for the authenticity, legality, completeness and validity of the information provided thereby;

(3) Party B should utilize the loans as agreed in the Contract, and should not occupy or embezzle for other purposes or utilize for the projects violating national laws & regulations and policies;

(4) Party B should positively cooperate for and conscientiously accept the inspection and supervision from Party A or the third party employed thereby, upon the production & operation and financial activities and the utilization of the loans under the Contract;

(5) Party B should pay the loan principal and interest and other payables as agreed in the Contract;

(6) Party B should bear the expenses of relevant insurance under the Contract;

(7) Party B and the investors thereof should not secretly withdraw the funds or transfer assets to avoid the debts owed to Party A;

(8) In case of transferring all or part of the debts under the Contract to the third party, Party B should obtain the corresponding consent from Party A in advance;

(9) In case of changing name, legal representative (responsible person), residence, business scope, registered capital, etc. within the contract term, Party B should inform Party A in a written form within ten days after occurrence;

(10) In case of involving in insurance acceptance, rent, shareholding reform, joint operation, consolidation, merge, separation, joint venture, capital reduction, stock right transfer, major assets transfer and other behaviors which are sufficient to influence the realization of the creditor's rights of Party A within the contract term, Party B should inform Party A in a written form at least thirty days in advance and obtain the corresponding consent, and should pay off and guarantee the debts under the Contract; or else, the above behaviors should not be allowed before all debts are paid off for Party A;

(11) In case Party B suffers from business suspension, bankruptcy, dismissal, rectification, business license cancellation or revoking, etc. within the contract term, the Contract should be deemed to be expired. Party B should inform Party A in a written form within three days after occurrence and immediately repay the loan principal and interest;

(12) In case Party B involves in the events that may threaten the normal operation thereof or bring significant adverse influence on the performance of the repayment obligation under the Contract, including but not limited to major economic dispute, litigation, financial condition deterioration, production & operation difficulty, bankruptcy, dismissal, business suspension for rectification, business license cancellation or revoking, etc. within the contract term, Party B should inform Party A in a written form within three days after occurrence, and should pay off and guarantee the debts under the Contract as required by Party A;

(13) Party B should guarantee various guarantors (if any) to cooperate with Party A for concluding and signing various guaranty contracts (if any) and handle relevant notarization and registration procedures, etc;

(14) In case any guarantor under the Contract involves in production suspension, business suspension, registration cancellation, business license revoking, bankruptcy, etc., or completely or partially loses the guarantee capability for the loan concerned, Party B should timely provide other guarantees accepted by Party A;

(15) Within the contract term, Party B should not provide dividends to the shareholders;

(16) Party B should bear all responsibilities for the losses caused thereby to Party A.

10.3 Party B's statement and promise

Party B states and promises to Party A as follows, and Party A issues the loans under the Contract according to such statement and promise:

(1) Party B is a validly existing legal entity registered under the laws and the regulations of the People's Republic of China. As of the loan issuance date, Party B is continuously under normal operation state, without any existing or reasonably predicted factors probably influencing the continuous and normal operation thereof within the contract term;

(2) Party B signs and performs the Contract for the truthful intentions thereof, and has obtained all necessary legal authorizations; the above authorizations and the contract signing and performance behaviors under the authorizations should not violate articles of incorporation or other organization documents or any binding laws, regulations, rules and other normative documents, judicial decision, contract, promise or arrangement; the procedure for signing and performing the Contract should have been completely handled and is legally valid;

(3) All documents, information, statements, vouchers, etc. provided thereby to Party A under the Contract should be truthful, accurate, complete and legally valid, without any misleading statement, false record or significant omission;

(4) Party B should not conceal any existing or probably existing conditions probably enabling Party A to disagree the loan issuance under the Contract, including but not limited to:

- 1) Significant discipline violation, law violation or claimed compensation concerning Party B or the main responsible persons thereof;
- 2) The default events under the contract concluded and signed with any other creditor;
- 3) Such dispute events as litigation and arbitration;
- 4) The debts borne thereby and the guarantees provided thereby;
- 5) Other conditions probably influencing the financial condition and the debt paying ability.

(5) Party B should agree Party A to check the credit status thereof from People's Bank of China, the credit database approved to be established by the competent department for credit investigation, relevant unit and department, or reasonably utilize and disclose the information for business needs;

(6) The legal documents corresponding to the existing financing and/or guarantee (if any) should exclude any article which restricts Party B for re-financing and/or providing guarantee, or which may influence the performance of Party B's obligations under the Contract.

In case of contract modification, supplementation or alteration, Party B should be deemed to repeatedly make the above statement and promise.

Article XI Default Responsibility

11.1 Default

(1) In case of any one of the following conditions, Party B should be deemed to violate the Contract:

1) Party B fails to provide truthful, complete and valid financial accounting information, production & operation information and other relevant information as required by Party A, or conceals the information probably influencing the debt paying ability thereof;

2) Party B fails to utilize the loans as agreed by both parties, or refuses or obstructs Party A or the third party employed thereby to supervise and inspect the loan utilization;

3) Party B fails to repay the loan principal or any interest or other payables (if any);

4) Party B transfers assets or secretly withdraws the capitals to evade debts;

5) Party B suffers from business deterioration and financial condition deterioration, cannot pay off the due debts, involves in or will involve in major litigation or arbitration procedure or other legal dispute, bears any other debts, etc., and Party A believes that the above events may influence or have influenced or damaged the rights and interests thereof under the Contract;

6) Party B involves in contracting, rent, consolidation, merge, joint venture, separation, joint operation, shareholding reform, registered capital reduction, or has other behaviors for business pattern change or business mechanism transform, and Party A believes that the above events or behaviors may influence or have influenced or damaged the rights and interests thereof under the Contract;

7) Party B changes legal representative/controlling shareholder/actual controller, or cannot normally perform the duty thereof or involves in major economic dispute or suffers from financial condition deterioration, compulsory measure, right limitation or unavailable contact, etc.;

8) Any other debt borne thereby has influenced or may influence Party A upon the obligation performance thereof under the Contract;

9) Without the consent from Party A, Party B provides dividends to the shareholders within the contract term;

10) Party B involves in such legal procedures as trusteeship, take-over, rectification, reconciliation, reorganization, bankruptcy or dismissal, or the business license thereof is forcedly revoked by relevant authority, or Party B is ordered by relevant authority to be suspended, closed, cancelled or dismissed;

11) In case the enterprise and/or the guarantor affiliated to Party B, the associated party or the actual controller are/is believed by Party A to be under significant adverse situation, or have/has any violation behavior against any project cooperation with Party A, the associated party or other third party of Party A, or against any contract signed thereby, Party A has the right to take the remedy measure for the breach of contract as agreed in Article 11.2 of the Contract; in case of severe default, Party A has the right to announce the termination of all project cooperation with Party B;

12) Party B violates other articles of the Contact or involves in other events that, in Party A's opinion, influence the realization of the creditor's rights thereof;

(2) In case the pledgor involves in any one of the following conditions, Party A believes that such condition may influence the guarantee capability of the pledgor and requests the pledgor to eliminate the adverse effect caused thereby, but the pledgor and Party B fail to cooperate, or Party B refuses to provide the new guarantee accepted by Party A and/or other remedial measures, Party B should be deemed to violate the Contract:

1) When signing the *Gold Pledge Contract*, the pledgor conceals the equity disposal of the pledge from Party A, including but not limited to pledge rent & selling, the pledgor's behaviors for transfer of usufruct & management right and long-term rent collection, pledge hypothecation & mortgage, etc.;

2) The third party causes the damage, loss or devaluation of the pledge, but the pledgor fails to provide the damage compensation as agreed in the *Gold Pledge Contract*;

3) The pledgor's behavior is sufficient to devalue the pledge, and Party A requests the pledgor to stop such behavior and recover the pledge or provide the corresponding guarantee, but the pledgor refuses or fails to implement as required by Party A;

4) Without the written consent from Party A, the pledgor disposes the pledge through donation, transfer, rent, repeated mortgage, migration or other modes, or sets other rights upon the pledge;

5) Although the pledgor is agreed by Party A to dispose the pledge, but the revenue obtained from the pledge disposal is not disposed according to the *Gold Pledge Contract*;

6) The pledge damage, loss or devaluation is sufficient to influence the debt settlement under the Contract, and the pledgor fails to timely recover the pledge value or provide other guarantees accepted by Party A or supplement the corresponding cash as agreed in Article 11 of the *Gold Pledge Contract*;

7) The compulsory execution notarization is not handled according to the corresponding regulations of the Contract and the *Gold Pledge Contract*;

8) The pledgor's other default behaviors specified in the *Gold Pledge Contract*.

11.2 Remedy measure for breach of contract

In case of any default event mentioned above, Party A has the right to take one or more following measures:

(1) Stop issuing loans granted to Party B

(2) Announce the immediate expiry of the loan, beforehand collect all loan issued thereby, request Party B to immediately pay off the loan principle, interest and other relevant funds under the Contract;

(3) Collect the default penalty from Party B at [20]% of the loan principal;

(4) Perform the guarantee right;

(5) Terminate the Contract and various guaranty contracts (if any);

(6) Other measures specified in laws & regulations, the Contract and the accessory contract;

Where Party A realizes the creditor's rights under the Contract through litigation due to Party B's default behavior, Party B should bear the reasonable expenses (including but not limited to legal fare, reasonable counsel fee, etc.) for Party A to realize the creditor's rights thereof.

11.3 Special agreement

Within [thirty] days since the signing of the Loan Contract, in case Party B fails to perform relevant obligations under the Contract without a warrant, Party B should pay RMB [THREE MILLION ONLY] as the default penalty once for all to Party A. Meanwhile, Party A has the right to unilaterally terminate the Contract.

Article XII Contract Alteration and Termination

Unless otherwise specified in the Contract, after the Contract comes into effect, any party should not unilaterally alter or terminate the Contract. Any contract modification or alteration must be agreed by both parties through negotiation, and the corresponding written agreement should be provided.

Article XIII Applicable Laws and Dispute Solution

13.1 In case of any dispute caused by the Contract or pertinent to the Contract, the parties concerned should solve such dispute through negotiation or conciliation; if failed, both parties should submit the dispute to the jurisdictional people's court at the place where Party A is located.

13.2 The establishment, interpretation, performance and dispute solution of the Contract are all applicable to existing laws, administrative regulations and rules in China.

13.3 During dispute solution, the articles of the Contract, not involved in the dispute, should be continuously executed, and both parties should not refuse to perform any obligation under the Contract on the excuse of dispute solution.

Article XIV Compulsory Execution Notarization

14.1 Both parties hereto jointly confirm that within three working days since the contract signing, both parties are willing to apply to the notary office for handling the compulsory execution notarization for the Contract.

14.2 Party B promises: in case of failing to perform or incompletely performing the obligations under the Contract, Party B is willing to accept the compulsory execution of the judiciary authority concerned, without the need of any judicial proceedings; Party A may, according to Article CCXXXVIII of the *Civil Procedure Law*, directly apply to the jurisdictional people's court for compulsory execution, without the need of any judicial proceedings, and Party B should waive the defense right for Party A's direct application for compulsory execution.

14.3 Both parties hereto jointly confirm: both parties have completely and clearly understood the implication, content, procedure, effect, etc. of the compulsory execution in relevant laws & regulations and normative documents.

14.4 In case Party B fails to perform or improperly performs the notarized debt claim with compulsory execution effect, Party A has the right to apply to the notary organ for issuing the execution certificate. Party B promises to fully cooperate for Party A's application behavior (including but not limited to the cooperation for the verification procedure at the notary office). In case Party B fails to perform the mentioned obligations as scheduled, Party B hereby confirms: under the absence of Party B, after the notary office completes the verification according to Party A's application and the internal procedure thereof, the verification procedure should be deemed to be completed at the notary office, and Party B should completely accept the legal consequence incurred thereby.

14.5 This article is preferentially applicable to Article 13.1 of the Contract. The expense for the application of the compulsory execution should be borne by Party B.

Article XV Notification and Delivery

15.1 All notices, documents, information, etc. sent or provided by both parties during contract performance should be delivered according to the contact information listed in Article 15.2 of the Contract. In case one party changes the contact information, the party concerned should inform the other party in a written form (fax or EMS should be valid) within three days since the change of the contact information; or else, when the party not changing the contact information informs the other party in a written form — fax or EMS according to the contact information indicated in the Contract, relevant information should be deemed to be delivered.

15.2 Contact information of the two parties is as follows:

Party A: AVIC Capital Investment Management (Shenzhen) Co., Ltd

Contact Address: 3906# Times Square Excellence, Futian Centre, Shenzhen City

Post Code: 518017

Contact Person: Gao Haifeng

Telephone: +8613581829156

Fax:

Email: gaohf@avicapital.com

Party B: Wuhan Kingold Jewelry Inc.

Contact Address: 15# Huangpu Science and Technology Park, Jiang'an District, Wuhan City

Post Code: 430023

Contact Person: Hu Qiao

Telephone: 13317109760

Fax: 027-65694977

Email: webmaster@kingold.com.cn

15.3 The notification should be deemed to be delivered to the informed party on the following date:

(1) The notification sent by a specially-assigned person should be deemed to be effectively delivered on the delivery date;

(2) The notification sent as a registered letter should be deemed to be effectively delivered on the third day after mailing (postmark as the voucher);

(3) The notification sent by fax should be deemed to be effectively delivered when the fax machine generates the corresponding confirmation for successful transmission;

(4) The notification sent by EMS should be deemed to be effectively delivered on the second day after mailing (postmark as the voucher);

(5) The notification sent by email should be deemed to be effectively delivered on the date when the successful transmission information is displayed in the mail system of the sender.

Article XIV Other Issues

16.1 Any supplemental agreement concluded and signed between both parties for the issues not mentioned in the Contract should be made as the annex of the Contract and should have equal legal effect.

16.2 The *Loan Receipt* under the Contract and relevant documents confirmed by both parties should be deemed as an integral part of the Contract.

16.3 Party B should have read all articles of the Contract, completely known and comprehensively understood the implications of the articles of the Contract and the corresponding legal consequence. As required by Party B, Party A should have interpreted the corresponding articles of the Contract.

16.4 During contract performance, in case Party A fails to perform or timely perform any right under the Contract, Party A should not be deemed to waive this right and such behavior should not influence the performance of other rights of Party A or the performance of any obligation of Party B under the Contract. All right waivers should be made in a written form.

16.5 The statements and the promises mentioned in the Contract should be separated from and independent of each other. Unless otherwise specified clearly or agreed by both parties in a written form, any statement or promise should not be expressed or restricted on the excuse of any opposite implication probably included in any other article of the Contract. In case an article or a part of an article of the Contract is or will be invalid, such invalid article or invalid part should not influence the Contract and the validity of the other articles or the other contents of the articles therein.

16.6 Any violation against any statement or promise clearly indicated and agreed in the Contract should be deemed as a default behavior.

16.7 Both parties hereto should prepare and sign or guarantee to prepare and sign the further actions, behaviors, events and documents needed for executing the articles of the Contract in order to fully achieve the expected purpose of the Contract.

16.8 Any title for an article of the Contract is only for convenient reading, and should not be deemed as a part of the Contract in any case or as the restriction to the article concerned.

16.9 The Contract should be deemed as a complete document concluded and signed by both parties for the issues concerned. The Contract and any annex of the Contract should be deemed to compose all agreements concluded between both parties. In case of any inconsistency between the Contract and the letter of intent previously signed by the parties or any other legal document or any written or oral agreement, the Contract should prevail.

16.10 The Contract should come into effect since being signed (or stamped) by the legal representatives/responsible persons of both parties and stamped with the corresponding official seal (or special seal for contract), and should be terminated on the date when the loan principal, interest, default interest, default penalty and other payables (if any) are paid off.

16.11 The Contract is made into [nine] parts with equal legal effect. Party A holds [three copies], Party B holds [two] copies, and the rest copies are used for handling the compulsory execution notarization, mortgage (pledge) procedure, etc.

When signing the Contract, the parties concerned should have read and understood all articles of the Contract, without any objection, and should have accurately understood the legal relation between both parties and the legal implications of the articles regarding rights, obligations and responsibilities. Any party should not propose any objection upon any article of the Contract on the excuse of serious misunderstanding, obvious unfairness, etc.
(The reminder of this page is intentionally left blank)

(This is the signature page of the *Loan Contract* (Contract No.: “”), no text)

Party A: AVIC Capital Investment Management (Shenzhen) Co., Ltd

Party B: Wuhan Kingold Jewelry Inc.

(Official Seal/Special Seal for Contract)

(Official Seal/Special Seal for Contract)

Legal Representative or Authorized Representative:

Legal Representative or Authorized Representative:

(Signature/Seal)

(Signature/Seal)

Date of Contract Signing:

Place of Contract Signing:

General Contract of Entrusted Loan

Notes: On the basis of equity and free will of each party, this contract is signed by the parties through legal negotiations. All articles hereby are truly the expression of the parties. In order to protect the rights of bailor and borrower, bailee calls up hereby **bailor and borrower** to give full attention to the terms of rights and obligations herein for the parties, **especially the bold parts**.

This contract is signed by three parties here below, dated 30th (day) September (month) 2016 (year).

Bailor:

Name: Hubei Asset Management Co., Ltd. Legal Representative: Li Niansheng

Address: 40th Floor, Hanjie Headquarter International B Tower, No. 86, Zhongbei Ave., Wuchang District, Wuhan City

Post Code: _____

Contact Person: _____ Phone No.: _____

Bailee:

Name: Wuhan Jiang'an Branch of Industrial & Commercial Bank of China

Person in Charge: Lai Jun

Address: No. 988, Zhongshan Road, Jiang'an District, Wuhan City

Post Code: _____

Contact Person: _____ Phone No.: _____

Borrower:

Name: Wuhan Kingold Jewelry Co., Ltd. Legal Representative: Jia Zhihong

Address: No. 15, Huangpu Science and Technology Park, Jiang'an District, Wuhan City

Post Code: _____

Contact Person: _____ Phone No.: _____

In accordance with General Authorized Agent Agreement for Entrusted Loan (Agreement No.: 2016 Entrusted No. 001) signed by bailor and bailee, dated 28th (day), September (month), 2016 (year), and at the request of borrower, bailee agreed to issue this entrusted loan through bailor's authorization. Through friendly negotiations, bailor, bailee and borrower hereby reach the agreements below and give full compliance.

Chapter I Amount, Interest Rate, Life of Entrusted Loan and others

Article 1 Loan Currency and Amount. This entrusted loan is RMB 300,000,000.00 (SAY: THREE HUNDRED MILLION RMB). This loan is entrusted loan.

Article 2 Interest Rate of the Loan. Interest rate of this entrusted loan is calculated in the (1) way below.

(1) Annual interest rate is a fixed interest rate of 9.5%, which keeps unchanged in the loan term.

(2) It is calculated by ___/___ (increasing/decreasing/zero) ___/___ % based on bench mark of corresponding term lending rate issued by People's Bank of China the day borrower withdraws. In the event People's Bank of China changes bench mark of lending rate, loan interest in the contract herein shall change simultaneously. Borrowing rate is calculated for one term with (1/ 3/ 6/ 12) month and the interest is adjusted every term with sectional interest.

Article 3 Calculation and Settlement of Loan Interest. This entrusted loan is calculated by daily interest, monthly (monthly/quarterly/annual) settlement, for monthly settlement, settlement day is the 20th day of the month, for quarterly/annual settlement, settlement day is the 20th day of the last month in that quarter/year. For the unpaid loan interest in due date, bailee shall not count (count/ not count) compound interest. If not counting compound interest, it is calculated by overdue penalty interest rate stipulated in the contract herein.

Article 4 Term of the Loan. The term of this trusted loan is 24 months, dating from _____ (day) _____ (month) 2016 (year) to _____ (day) _____ (month) 2018 (year). In the event the borrower pays the loan back with the acceptance by bailor, interest is calculated by actual days and amount of the loan.

Article 5 Use of the Loan. Trusted loan in the contract herein is used for turnover of current capital.

Article 6 Plan to Use the Loan. Pay to borrower at one time.

Article 7 Loan Repayment. Repayment plan and method of the borrower is agreed as following: Once payment for principal at maturity; Borrower could repay in advance.

The principal and interest of the loan shall be transferred to the account assigned by bailee on time.

Article 8 Guarantee of the Loan. Bailee confirms the guarantor of the loan is Jia Zhihong; guarantee type of the loan is joint liability guarantee.

Article 9 Loan Extension. After consultation between bailor and borrower, consensus is reached to extend trusted loan term; bailor, bailee and borrower should sign trusted loan extension agreement 10 days prior to the expiry of the loan.

Article 10 As required by bailee, bailor and borrower should provide such proof materials like business license, tax registration certificate, and annual inspection certificate.

Chapter II Rights and Obligations of Bailee

Article 11 As per the stipulations of General Authorized Agent Agreement for Entrusted Loan herein, bailee holds the right to confirm the borrower, loan use, loan amount, loan term, loan interest rate, and extension of the loan, and decide at its sole option to guarantee or not.

Article 12 Bailee should open special trusted loan account at bailor's office and deposit in ample capital. Bailee should transfer the capital to borrower's account within _____days.

Article 13 Bailor itself supervises/ a ~~uthorizes bailee to supervise~~ (delete unnecessary part) borrower's use of the loan. What bailee supervised which is entrusted by bailor includes the following: (tick the available, delete the unnecessary)

- to supervise the borrower on use of the loan as per the stipulation of the contract herein;
- to supervise the execution of the project;
- to assist to supervise borrower on production, operation, and management;
- to assist to supervise guarantor on production, operation, and management;
- to assist to supervise and urge mortgagor to keep mortgage appropriately (mortgage contract No. _____);
- to assist to keep mortgage and title certificate (Pledge contract No. _____);
- other special supervision (if any) _____;

Article 14 If bailor agrees borrower to pay in advance, bailor shall inform bailee in written notice and finish prepayment procedure for borrower.

Article 15 The principal and interest bailor requires should be transferred into the special entrusted capital account:

Company Name: Hubei Asset Management Co., Ltd.
Account Name: Wuhan Jiang'an Branch of Industrial & Commercial Bank of China
Account No.: 3202114419100021338

Article 16 **In case borrower has not paid the principal and interest in due time, bailor holds right to deduct directly from borrower's account** and borrower should not raise any objection on such acts.

Article 17 In case the loan is guaranteed, bailor should review guarantee capability of the guarantor, collateral ownership and value, and practicability of hypothec. Bailee undertakes no obligation of reviewing.

As for the guaranteed extension loan, bailor should get guarantor's prior acceptance and inform bailee and guarantor to renew extension contract 10 days in advance in written.

Cost for guarantee issues should be undertaken by bailor.

Article 18 In case of deterioration of borrower's operation and other situations endangering entrusted loan, the bailor has right to inform bailee to assist to recover entrusted loan in advance. Borrower accepts that bailee has right to declare the expiry of entrusted loan in advance as per bailor's instruction.

Article 19 Bailor holds right to request the principal and interest of entrusted loan directly from borrower, as well as to initiate legal proceedings.

Chapter III Rights and Obligations of Bailee

Article 20 As per the stipulation of General Authorized Agent Agreement for Entrusted Loan, bailee holds right to request for the detailed use of the entrusted loan from bailor. If any doubts about the legality of the use arise herein, bailee could refuse to handle procedures.

Article 21 Bailee should check the contract herein compared to the General Entrusted Loan Notice signed by bailor. Lending procedure could be implemented after confirmation of full payment of entrusted loan.

Article 22 Bailee should transfer capital and interest paid from borrower promptly to entrusted loan special account, as requested by bailor, and should mark out the amount of capital and interest on capital transfer voucher.

Article 23 During the term of the contract, if borrower could not pay back the principal and interest in due time owing to borrower's malfunction in management and operation; or guarantee herein occurs anything not in favor of loan asset; or borrower uses the loan not in compliance with the stipulation herein; bailee could terminate the contract in advance as requested by bailor, and deduct the principal and interest of the loan from borrower's account.

Article 24 Bailee should make prompt collection of unpaid principal and interest in written. If borrower is not able to repay the loan, during the guarantee period, bailee should make prompt collection from borrower in written and report the situation to bailor.

Article 25 If bailee and borrower are not at the same district; bailee could transfer the agency to local office of Industrial and Commercial Bank of China in borrower's district. Bailee undertakes responsibility for the acts of transferred agency.

Article 26 Bailee is entrusted by bailor to supervise the use of loan, and the following supervision measures should be taken:

Article 27 If guarantee is implemented in this entrusted loan, bailee should sign guarantee contract with guarantor designated by bailor, in accordance with bailor's written notice, and handle necessary notarization and registration procedure. Bailee has right to request as per the stipulation in the contract herein, bailor or borrower to pay for the cost arising in the process of handling guarantee procedure.

Chapter IV Rights and Obligations of Borrower

Article 28 Borrower should open basic account or general deposit account in bailor's operation agency to handle the issue of borrowing, repayment, payment of interest, etc.

Article 29 Before use of the loan, borrower should withdraw money once or more times from bailee in accordance with loan plan. Every time before withdrawing, borrower should hand in notice to delivery to bailee one day(s) in advance.

Article 30 Borrower should use the loan in accordance with agreed purpose, and should not use the loan in misappropriation or diversion.

Article 31 Borrower should prepare ample amount of principal and interest in the current period on Bailee's account before interest settlement or principal payment date, and should pay for the principal and interest as agreed hereto.

Article 32 In the duration of the contract, borrower should accept examination and supervision on the use of the loan from bailor and bailee. Borrower should provide timely financial accounting statement and other materials required by bailor and bailee.

Article 33 In the duration of the contract, if borrower is engaged in major investment, shareholding reform, contracting, leasing, joint venture, merging, division, foreign investment cooperation, paid property transfer and application for dissolution, etc. it should inform bailor and bailee 60 days in advance in written.

Article 34 If borrower requests to pay off the loan ahead of time, it shall submit to bailee the loan repayment application prior to _____ days of planned payment date and accept bailor's written approval.

Article 35 If borrower requests for loan extension, it shall submit to bailee the application prior to 30 days before expiry of the loan and accept bailor's written approval.

Article 36 Borrower should accept legal status of the transferred agency entrusted by bailee, and undertake all the obligations for transferred agency.

Chapter V Default Liability

Article 37 If borrower uses the loan inappropriately, bailee has right to, in accordance with default amount and term, make 0.5% daily rate penalty as per bailor's written instruction and loan interest rate stipulated in the contract herein.

Article 38 If borrower fails to pay the principal and interest of the loan in due date, bailee has right to, in accordance with default amount and term, make 0.5% daily rate penalty as per bailor's written instruction and loan interest rate stipulated in the contract herein.

Article 39 If bailee fails to release the loan as agreed date and amount, bailor has right to collect daily 0.5% default penalty.

Article 40 In the duration of the contract, the occurrence of any of the following events **shall be deemed a default by borrower under this contract, and bailee has right to stop releasing loan as per bailor's written instruction, recover loan in advance or deduct the principal and interest of the loan from borrower's account without prior notice to borrower: if borrower**

- 1. fails to pay the principal and interest of the loan as per the stipulation in the contract;**
- 2. fails to use the loan as agreed in the contract herein;**
- 3. loan is expired and fails to pay after Bailee's collection;**
- 4. fails to provide financial statement and other materials as required by bailor and bailee, or provide fake financial statement;**
- 5. involved in major litigation or arbitration proceedings and other legal proceedings;**

Article 41 If bailor fails to pay for procedure cost, guarantee, litigation and other costs in due date, bailee has right to deduct directly relevant cost from bailor's account in Industrial and Commercial Bank of China or from the principal and interest paid by borrower.

Chapter VI Miscellaneous

Article 42 Delivery. All the notice and instructions under the contract should be delivered in written. If delivered in person or by letter, signing date should be regarded as delivery date; through fax delivery, the date of receiving reply should be regarded as delivery date.

Article 43 Modification and Termination of the Contract. Once contract coming into force, if bailor, bailee, or borrower wants to modify the terms of the contract, modification could only occur when three parties reach a consensus after negotiation. If there were any guarantee herein, written approval from guarantor is indispensable.

Article 44 Disputes Settlement. Should any disputes happen in the process of the contract, all parties shall resolve them through consultations. If no settlement is reached; the following (2) settlement could be taken:

- (1) Arbitration commission gave arbitration at _____ based on arbitration rule when the issue was submitted.
- (2) Submitting to local People's Court where bailee lives.

Article 45 Other items that bailor, bailee and borrower have agreed upon (this Article should not have conflicts with other articles and impact practical rights and obligations between the parties.)

1. Bailor, bailee and borrower confirm collectively: if borrower fails or is not able to perform the obligation stipulated in the contract herein, bailor could institute a suit to People's Court in its own name.

2. Bailor, bailee and borrower confirm collectively: after prudent consideration, three parties agree voluntarily that the contract is notarized and given compulsory execution in notarial office in compliance with laws and stipulations from signing date of the contract. Bailor agrees that bailee could apply to handle by itself all the issues in relevance with applying for the issuing of certificates (include but not limited to, make notarization application, performing notarization procedure, check the debt, signing notarization documents, apply for prosecution from court, etc.) Three parties have a complete understanding of the definition, contents, procedure and effectiveness of compulsory execution notarization and bring no disputes to the obligations stipulated in the contract. Three parties agree collectively: if borrower fails or is not able to perform the obligations, bailor has right to apply for compulsory execution certificate directly from notarization office, or apply for compulsory execution from People's Court with jurisdiction, without implementing any issuing procedure; meanwhile, borrower accepts compulsory execution from People's Court voluntarily and gives up any counterpleading. The agreement hereof on compulsory execution of notarization prevails over implementation in Article 45, Section 1.

3. Bailor, bailee and borrower agree and confirm: Notice between three parties could be delivered by special messenger, certified mail, or express mail, etc. Three parties confirm address stipulated in the contract herein could be the deliver address for the notice deliver above. **Three parties confirm address stipulated in the contract herein could be delivery address for notarial certificate, arbitration certificate, and court's litigation documents;** if not informing other parties in written of any change of the address in the contract, the address is regarded unchanged; if notification, notarial certificate, arbitration certificate and litigation documents are not received owing to mistake of stipulated address or untimely informing of address change, the day the notification or documents are rejected is regarded as delivery date during the delivery of the mail.

Article 46 Unfinished Matters. Unfinished matters should comply with laws, regulations and financial stipulations in People's Republic of China.

Article 47 Contract Effectiveness. The contract shall go into effect after signed by bailor, bailee and legal representative/ responsible person or the authorized representative of the borrower, and sealed with common seal and special seal for contract. The contract will be terminated automatically after rights and obligations of all parties are fully realized/ performed.

Article 48 Components of the Contract. Any documents in relevance to the contract including General Authorized Agent Agreement for Entrusted Loan, receipts, supplementary Articles of the loan contract modified by three parties shall be parts under this contract and have the same legal effect.

Article 49 Copies of the Contract. This contract shall be made in quintuplicate, having the same legal effect; bailor holds two, each for bailee, borrower and notary organs.

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This page is signing page of General Contract of Entrusted Loan by and between Hubei Asset Management Co., Ltd., Wuhan Jiang'an Branch of Industrial & Commercial Bank of China, and Wuhan Kingold Jewelry Co., Ltd.

Bailor: (Seal) Hubei Asset Management Co., Ltd.

Legal Representative: (Signature)



Bailor: (Seal) Wuhan Jiang'an Branch of Industrial & Commercial Bank of China

Responsible Person or Authorized agent: (Signature)



Borrower: (Seal) Wuhan Kingold Jewelry Co., Ltd

Legal Representative: (Signature)



Trust Loan Contract

Between

China Minsheng Trust Co., Ltd.

And

Wuhan Kingold Jewelry Co., Ltd.

Contract No.: [2016-MSJH-103-2]

2016

Trust Loan Contract

Lender (Party A): China Minsheng Trust Co., Ltd.

Address: 19/F, Tower C, Minsheng Financial Center, No. 28, Jianguo Mennei Road, Dongcheng District, Beijing

Zip Code: 100005

Legal Representative: Zhiqiang Lu

Fax Number: 010-85259080

Phone Number: 010-85259071

Borrower (Party B): Wuhan Kingold Jewelry Co., Ltd.

Address: Te 15, Huangpu Science & Technology Garden, Jiangan District

Zip Code: 430023

Legal representative: Zhihong Jia

Fax Number: 027-65694977

Phone Number: 027-65694977

Whereas:

1. Party A is a duly incorporated trust company with good standing, and Party B is a duly incorporated limited liability company with good standing.
2. According to [2016-MSJH-103-1] China Minsheng Trust – Zhixin No. 255 Kingold Jewelry Loan Assembled Fund Trust Plan Trust Contract (“Trust Contract” or “Trust Document”), Party A sets up China Minsheng Trust – Zhixin No. 255 Kingold Jewelry Loan Assembled Fund Trust Plan (“Trust Plan”) and agrees the trust fund is used to issue loans to Party B.
3. According to the Trust Document, Party A plans to sign this Contract with Party B and issue a trust loan to Party B.

The Contract is made in line with relevant laws and regulations to specify the rights and obligations of both parties after reaching consensus through consultation.

Article 1 Definitions

1. In the Contract (as defined below), save where the context or text otherwise requires, the following words and expressions shall have the same meanings in the Trust Document:

1.1 **Contract**: the Contract [2016-MSJH-103-2] Trust Loan Contract between China Minsheng Trust Co., Ltd. and Wuhan Kingold Jewelry Co., Ltd . and any other effective revisions and annexes.

1.2 **Issuance Date of Loan**: for each allocation of trust loan, the date of issued loan by Party A to Party B, specified on the certificate of indebtedness of loan regarding that allocation. If the first Issuance Date of Loan is inconsistent with the date of establishment of the Trust Plan, or if any following Issuance Date of Loan is inconsistent with the date of successful funding of the fund corresponding to this loan, the date of when the Trust Plan begins effective or the corresponding following date of actual usage of each fund allocation is the Issuance Date of Loan.

1.3 **Expiration Date of Loan**: for each allocation of the trust loan, the expected expiration date of each trust loan, or the date of advanced expiration of loan of each trust loan, or the date when the extending period of this loan ends.

1.4 **Interest Settlement Date**: March 15, June 15, September 15, December 15 of each natural year and each Expiration Date of Loan. The Interest Settlement Date cannot be extended.

1.5 **Interest Payment Date**: each Interest Settlement Date. If Interest Payment Date is not a business day, then it will be the next business day.

1.6 **Month**: for each allocation of trust loan, the period from the Issuance Date of Loan or corresponding date of the Issuance Date of Loan (including that date; if there is no corresponding date of that month, then to be the last date of that month) to the corresponding date of the Issuance Date of Loan of next month (excluding that date; if there is no corresponding date of that month, then to be the last date of that month) is a loan Month for that allocation. The specific starting date and ending date should be the dates on the certificate of indebtedness of that allocation.

1.7 **Year**: for each allocation of the trust loan, the 12 Month period since the Date of Loan is a loan Year for that allocation.

1.8 **Pledgor**: Wuhan Kingold Jewelry Co., Ltd.

1.9 **Pledge Date**: The date of delivering pledge and setting up the pledge right by the Pledgor under Gold Pledge Agreement.

1.10 **Gold Pledge Agreement:** Gold Pledge Agreement between China Minsheng Trust Co., Ltd. and Wuhan Kingold Jewelry Co., Ltd. signed by Party A and Pledgor [2016-MSJH-103-3] and any amendments or supplements.

1.11 **Authorized Subscription Contract of Trust Industry Security Fund:** Authorized Subscription Contract of Trust Industry Security Fund [2016-MSJH-103-6] signed by Party A and Party B.

1.12 **Yuan:** refers to the monetary unit of China, the Reminbi or RMB.

1.13 **China:** Refers to the People's Republic of China excluding Hong Kong, Macau and Taiwan.

Article 2 Amount of Loan

The amount of loan under the Contract is no more than four Hundred Million Yuan, or RMB 400,000,000.00, in multiple allocations. The specific amount of each allocation of loan shall follow the amount specified on the certificate of indebtedness of loan.

Article 3 Purpose of Loan and Supervision

3.1 Party B shall use the loan for supplementary liquidity needs.

Party B is not allowed to change the purpose of loan without prior written consent of Party A. Party B is not allowed to use the loan for fixed investment in assets and stock rights etc., securities market investment, land storage, and real estate development, projects prohibited by any law, regulation, regulatory provision and national policy.

3.2 The trustor under the trust or a third party designated by it supervises if Party uses the money according to this Contract. Both parties should comply with *Capital Supervision Agreement* signed by party B and the supervision bank.

3.3 The content of *Capital Supervision Agreement* should be confirmed with consents of each party.

Article 4 Length of Maturity

4.1 The loan under this Contract is issued in allocations. The life of loan of each allocation of loan is 12 Months, calculated since its respective Issuance Date of Loan. The period from issuance date of the first installment to the expiration date of the last installment shall not exceed 30 months.

4.2 Based on conditions prescribed in the Contract, Party A shall have the right to announce that the loan or partial of the loan is due in advance.

Article 5 Interest Rate, Interest Calculation, Settlement of Interest, Payment of Interest and Penalty Interest

5.1 Interest Rate

The annual interest rate of loan under the Contract is fixed interest rate :7.6% per year.

5.2 Interest Calculation

Interest of each loan under the Contract will calculated respectively starting from the Issuance Date of Loan. The interest of each loan is calculated by day, with daily interest rate= monthly interest rate/30= yearly interest rate/360. For each loan, amount of loan interest due every day = amount of loan balance on that date x [7.6]/360.

5.3 Interest Settlement

Interest on the loan under this Contract is calculated by using the Interest Settlement Date corresponding to each loan. The period is from loan issuance date (inclusive) or the last Interest Settlement Date (inclusive) to this Interest Settlement Date (exclusive). The last interest settlement date of each loan under this Contract is the Expiration Date of Loan. The principal should be paid off along with its interest.

5.4 Interest Payment

Party B shall make full interest payment to Party A for each loan on each Interest Payment Date. If the loan is issued by allocations, each allocation is calculated in following way and the interest is paid accordingly.

Interest shall be paid by Party B on every Interest Payment Date within first year after the issuance of the loan= Σ the loan interest every day from the Issuance Date of Loan (inclusive) or last interest settlement date (inclusive) to the interest settlement date (exclusive)

5.5 Penalty Interest

(1) If Party B changes the purpose of loan, Party B should pay additional 100% interest based on the original interest rate starting from the date of such change regarding the changed part.

(2) If Party B fails to make loan payments as scheduled, Party B shall pay additional 50% interest based on the original interest rate starting from the date of such failure. If Party B fails to make interest payment as scheduled, Party B shall pay compound interest according to the 50% penalty interest rate.

(3) Original interest rate refers to the applicable rate used prior to the Expiration Date of Loan (including accelerated maturity date or expiration date for extension).

(4) In case the payment is overdue AND the purpose of loan has been changed, Party B shall pay the higher interest rate according to above provisions.

Article 6 Issuance of Loan

6.1 Only after satisfying the following prerequisites, Party A is in duty bound to issue a loan to Party B.

(1) To issue the first loan, the trust plan has been set; to issue each of following loans, the subscription of that trust unit is successful;

(2) According to currently effective laws, regulations, certificate of incorporations and other organizational documents, Party B, each Warrantor and others have provided all necessary legal documents and legally valid internal/external approval and authorization documents, and submit the list of persons with signature rights and the signature specimen of these persons;

(3) The Contract, Contract of Gold Pledge, Capital Supervision Agreement, Authorized Subscription Contract of Trust Industry Security Fund and other transaction documents have been signed and taken affect;

(4) Notarization of compulsory execution of the Contract and Gold Pledge Agreement has been transacted;

(5) Contract of Pledge has been signed and taken affect;

(6) Until the issuance date of the loan, all the statements and guarantees provided by Party B in Article 10 of this Contract are true, accurate and effective. Party B's financial situation is basically similar with it when signs this Contract without any major adverse change;

(7) Until the issuance date of the loan, the issuance of the trust loan of Party A to Party B under the Contract does not violate all the laws and regulations;

(8) Party B's business operation status (including but not limited to its financial status) does not have any substantial changes which cause any major adverse influence on the transaction under the Contract;.

(9) Any laws, regulations, regulatory provisions, other regulatory documents or regulatory agencies do not limit or prohibit Party A to issue a loan to Party B as described in the Contract;

(10) Other requirements by Party A.

6.2 Within three days since all conditions under Article 6.1 are met (unless Party A waives any or more of them), Party A should transfer each loan to the following loan account opened by Party B.

Bank Name: Bohai Bank, Wuhan Branch
Account Number: 2002127680000268
Account Name: Wuhan Kingold Jewelry Co., Ltd

Article 7 Repayment

7.1 Principal of Repayment

As for the loan under the Contract, Party B shall repay interest first and then principal. Party A is entitled to use the payment of Party B to first pay off all expenses which should be undertaken by Party B but are paid by Party A for Party B and expenses for Party A realizing creditor's right.

If the payment of Party B is insufficient to pay off the payable amount of Party A (including but not limited to loan principal, interest, liquidated damages, compensation for damage, expense for achieving the creditor's right and other expenses payable) under the Contract, Party A is entitled to decide the sequence of refunding principal, interest and other expenses.

7.2 Repayment of Principal and Interest

Party B shall pay the interest according to the Article 5.4 in the Contract on each Interest Payment Date. The last Interest Payment Date of every loan is the Expiration Date of Loan for such loan under the Contract and the principal should be paid along with the interest.

7.3 Prepayment

(1) Party B could request prepayment, but only after sending request in writing 30 days in advance to Party A and getting Party A's approval. If the life of the loan of that month is less than 30 days, the loan interest is calculated basing on 30 days.

(2) The interest of prepayment is calculated according to this Contract.

7.4 Party B shall transfer the payment of principals and interests to the following account appointed by Party A:

Bank name: Bohai Bank, Wuhan Branch
Account number: 3001005984001185
Account name: China Minsheng Trust Co., Ltd

Article 8 Warrant of Loan

8.1 All debts under the Contract (including but not limited to all principals, interests, default interests, compound interests, liquidated damages, compensation, all payments for creditor to realize the creditor's rights and other payments that Party B shall pay) are guaranteed by the Pledgor in the following manners:

(1) Pledge: Party B provides pledge guarantee with its inventory of gold with standard not lower than Au9995. Under the presumption of principal pledge rate no higher than 70%, the gold amount that should be pledged is calculated basing on the Au9995 closing price of Shanghai Gold Exchange on the day prior to pledgor date. The details are specified in the Gold Pledge Agreement.

(2) Warrant: the warrantor should provide joint liability guaranty for party B. The details are specified in the Warrant Agreement.

8.2 For the details about all warrant ways under Article 8.1, the provisions of the warrant agreements such as Guaranty Agreement and Gold Pledge Agreement prevails.

Article 9 Rights, Obligations, Representations and Warranties of Party A

9.1 Rights of Party A

(1) Party A is entitled to require Party B to repay the principals, interests and expenses of the loan;

(2) Party A is entitled to require Party B to provide the most recent audited financial statements and all other relevant documents related to the loan under the Contract;

(3) Party A is entitled to understand the production and management, financial activity of Party B;

(4) Party A is entitled to report to the authorities if Party B evades Party A's supervision, delays payment of loan principal and interest and conducts other actions of breach of Contract;

(5) Party A or its authorized third party is entitled to collect payments that are not fully paid or timely paid by Party B via various communication channels. The expenses resulted from such collection acts will be borne by Party B;

(6) Party A or its authorized third party is entitled to perform regular inspections on Party B's purchase agreements to check the matching status of the actual purchase agreements and actual fund usage;

(7) If any situation happens as prescribed in Article 11 and Party A believes it may endanger creditor's rights under the Contract, or Party B defaults under this Contract in any way, Party A is entitled to announce the loan is due in advance and require Party B to pay all due principals and interests of the loan;

(8) Party A's other rights entitled by law, regulations and the Contract.

9.2 Obligations of Party A

(1) Issue the loan on schedule based on the Contract, save the delay due to reason of Party B or other reasons not concerned about Party A;

(2) Keep the financial information and the commercial secrets about production and management provided by Party B in confidentiality, save the laws and regulations otherwise require, or disclose according to regulatory department and administrative supervision department or disclose to engaged third parties.

9.3 Representations and Warranties of Party A

Representations and Warranties of Party A are as follows:

(1) It is a registered trust company approved by China Banking Regulatory Commission and has the qualification to sign this Contract;

(2) It is its real intention to sign and perform the Contract. It has legally performed all necessary formalities for signing and performing the Contract. All the procedures to sign and fulfill the Contract have been legally performed and are legally effective.

(3) It issues trust loan to Party B under the Trust Contract and its execution and enforcement of this Contract does not violate any of its obligations under the Trust Contract.

Article 10 Rights and Obligations of Party B

10.1 Rights of Party B

(1) Entitled to get and use the loan according to the stipulated terms and loan usages of the Contract.

(2) Entitled to require Party A to keep the relevant financial information and commercial secrets about production and management provided by Party B in confidentiality, save where laws, regulations or this Contract otherwise require or necessary disclosure to principals and beneficiaries because Party A sets up the trust .

10.2 Obligations of Party B

(1) Get the loan according to stipulations of the Contract;

(2) Per Party A's requests, provide materials quarterly (within 20 business days at the beginning of each quarter) to Party A about financial accounting and production and operation, including but not limited to the balance sheet, profit and loss statement, cash flow statement and financing situation (all the banks with its accounts, accounts, balance situation, etc.), usage situation of loan fund, etc.; per Party A's request, provide operation situation introduction to Party A quarterly (within 20 business days at the beginning of each quarter), including but not limited to the operation situation of the main business of last quarter, constitution of revenue and profit source, material investment and financing outside of the company, deposition of material assets, and other information with material impact on the operation; submit the financial statements of last year by the end of every April; and takes responsibility of the authenticity, legality, completeness and validity of the foregoing provided documents;

(3) Use the loan for the purpose agreed in the Contract and do not forcibly occupy and misappropriate it or use it in any project that violates the laws and regulations;

(4) Actively cooperate and consciously accept the investigation and supervision of Party A or its engaged third party on its production and management, financial activity and loan utilization under the Contract;

(5) Pay off principals and interests of loan on schedule and pay other amounts due (if any) in accordance with the stipulations of the Contract;

(6) Bear related expenses under this Contract, including but not limited to insurance, evaluation, registration, safekeeping, appraisal, notarization and other matters;

(7) Party B and its investors are not allowed to secretly withdraw funds or transfer assets to evade debts to Party A;

(8) Before paying off the principals and interests, it shall not, without Party A's consent, use the assets resulted from the loan to warrant for a third party;

(9) During the duration of the Contract, it shall not provide any warrant to a third party without Party A's consent, shall not allocate its profits; repayment of loans of Party A's shareholders shall not be done before the repayment of principal and interest of the loan under this Contract;

(10) Before any full or partial transfer of debt to a third party, it shall get prior written consent of Party A;

(11) During the duration of the Contract, if Party B alters its name, legal representative, address, business scope and registered capital, it should notify Party A in writing;

(12) During the duration of the Contract, in case Party B engages in contracting out business operation, lease, shareholding system transformation, joint venture, merger, acquisition, separation, increase and decrease of capital, alternation of stock rights, transfer of material assets or other acts of disposition which will impact the realization of Party A's credit, Party B shall notify Party A in writing at least 30 days in advance for its consent and address the matters of payment and guaranty of the debt under the Contract according to Party A's requirements;

(13) In case Party B suffers business halts, bankruptcy, dissolution, closure of business, cancellation of business license, and revocation, the Contract is deemed to reach its expiration. Party B shall send a written notice to Party A within three days since the date of its occurrence and repay all principals and interests immediately;

(14) If any incident causes danger to Party B's normal business or materially and adversely affect Party B's ability to fulfill its payment obligation under the Contract, including but not limited to, material financial disputes, litigation, deterioration of financial situation, serious hardship of production and operation, dissolution, closure of business, cancellation of business license, and revocation, etc., Party B shall send a written notice to Party A within three days since the date of its occurrence and address the matters of payment and guaranty of the debt under the Contract according to Party A's requirements;

(15) Ensure all Warrantors (if any) to work with Party A to sign Contracts of Warranty (if any) and go through relevant notarization and registration procedures;

(16) In case the Warrantors under the Contract suffers business halts, bankruptcy, dissolution, closure of business, cancellation of business license, revocation or similar situations, and partly or fully loses the warrant ability corresponding to this loan, Party B shall promptly provide Party A other warrant recognized by Party A;

(17) Party B, without any consent from Party A, shall not incur any kind of debt, investment or financing, including but not limited to, bank loan, trust loan, merger loan, setting property trust, setting special asset earning right, share or share beneficiary investment and financing, and other kinds of investment and financing activities;

(18) During the term of this Contract, Party B does not distribute dividends to shareholders;

(19) Party A is allowed to refer to China Bank about the credit data of Party B

(20) Party B should provide evident materials to prove the loan capital is used as signed in this contract. Such capital includes but not limited purchase contract, receipt, or others.

(21) Party B shall take responsibility to Party A for the loss caused by breaching the Contract.

10.3 Representations and Warranties of Party B

Representations and warranties of Party B are as follows:

(1) It is a legally registered and validly existing business entity. Until the Issuance Date of Loan, it is in normal operation, and does not have any current or reasonably expected factor which may cause it to be unable to keep the normal operation during the loan term;

(2) It is its real intention to sign and perform the Contract. It has legally performed all necessary formalities for signing and performing the Contract. These conducts do not violate the certificate of incorporation or other organizational documents or any laws, regulations, charters and other regulatory documents, judgments, contracts, commitments, or arrangements. All the procedures to sign and fulfill the Contract have been legally performed and are legally effective;

(3) All the documents, materials, relevant financial statements and certificates provided to Party A for the loan under the Contract are true, correct, complete, legally valid, and do not have any misleading statements, false record or material omission;

(4) It does not conceal any past actions or actions that may happen which might prevent the issuance of the loan under the Contract, including but not limited to,

- 1) serious illegal actions, discipline incidents or material claims related to it or its person in charge;
- 3) any breach actions related to contracts with other creditors;
- 2) litigations, arbitrations and other disputes;
- 4) its debt and debt guarantees;
- 5) other situations that might influence its financial status or repayment ability.

(5) It allows Party A to investigate its credits from the credit data center approved and set up by People's Bank of China and its credit supervisor department or relevant agencies, agrees Party A to disclose its information to the credit data center approved and set up by People's Bank of China and its credit supervisor department, or reasonably use or disclose those credit information out of business needs;

(6) Any existing legal documents relevant to financing and/or guarantee (if any) do not include any terms that limit Party B's refinancing or providing guarantee and do not affect Party B's application of trust loan to Party A under the Contract.

(7) Party B is not a non-residential company, and the real controller of Party B is not a non-residential company.

The Representations and Warranties of Party B is consecutively effective. When the agreement is revised, supplemented or amended, Party B is deemed making the above Representations and Warranties repeatedly.

Article 11 Responsibility of Default

11.1 Default Situations

(1) Party B shall take the responsibility of default by law if any situation as follow happens:

1) Fail to provide true, complete and valid financial, accounting, operation status and other materials; conceal information that may affect its ability to repay the loan;

2) Fail to use the loan for the purpose agreed in the Contract, refuse Party A's or its authorized third party's supervision over the usage of the loan;

3) Fail to pay interests or any term of interest under the Contract on schedule, or fail to pay other amount payable (if any);

4) Fail to pay for Trust Secure Fund timely under Trust Subscription Agreement;

5) Regarding other projects between Party B, its Guarantor, their related parties and Party A (current or future, including but not limited to China Minsheng Trust – Zhixin No. 439 Kingold Jewelry Loan Assembled Fund Trust Plan), Party B does not pay for loan balance or interest of any allocation or other payables or perform warrant obligations (if any), or reach the fill-up line of pledge under such project and the debtor/pledgee hasn't supplemented corresponding gold or cash, or there is any other violation of agreements under such project;

6) Transfer assets or withdraw funds to evade debt;

7) Deterioration of operation and financial conditions, failure to pay off due debt, involvement in serious litigation, arbitration or other legal disputes or undertaking other debts happens and Party A believes it may affect or threaten its rights and benefits under the Contract;

8) During the duration of the Contract, conducting transactions such as contracting out business operation, lease, shareholding system transformation, joint venture, merger, acquisition, separation, increase and decrease of capital, alternation of stock rights, and other actions changing operating way or system which Party A believes may impact or have impacted Party A's rights under the Contract;

9) Its other debts may or have affected the fulfillment of obligations to Party A;

10) Distribute dividend without any consent from Party A during the duration of the Contract;

11) Enter into legal proceedings of custody, taken over, consolidation, settlement, reorganization, bankruptcy, or dissolution, or being cancelled business license, or being ordered business closure, stop, revocation or dissolution;

12) If Party B and/or Guarantor has any situation that Party A believes material and disadvantageous, or violates any other project or contract with Party A or other financial institution, Party A has the right to adopt the remedies under Article 11.2 under this Contract. If the violation is serious, Party A has the right to terminate all projects cooperated with Party B;

13) Other breaches of the Contract or other circumstances that Party A believes may affect or threaten or have affected or threatened the realization of Party A's rights and benefits under the Contract.

(2) If any following circumstances happens to the Pledgor that Party A believes may affect the warrant ability of the mortgagor (or the Pledgor) and requires the mortgagor (or the Pledgor) to remove the adverse implication caused by it, but the Pledgor and Party B do not cooperate, or Party B refuses to provide new warrant and/or other remedies approved by Party A, Party B is deemed to violate the contract :

1) Upon signing the Gold Pledge Agreement, the Pledgor concealed any situation that the rights associated with the pledge has been addressed, including but not limited to, that the pledge has been rented, sold, the beneficial rights, operation rights or other rights have been transferred by the Pledgor, the Pledgor/lessor has obtained long term rent in a lump-sum, or the Pledgor has already set up warrant, pledge and other rights;

2) The behavior of a third party resulted in the damage, lost, or devaluation of the pledge, and the Pledgor fails to address the damages under the mortgage agreement;

3) The Pledgor's behavior will decrease the value of the pledge but refuses or fails to stop the action, restore its original situation or provide any warrant upon Party A's request;

4) Without any written consent from Party A, the Pledgor gives, transfer, leases, repledges, transfer-pledges, moves the pledge, or addresses the pledge in any other way or sets up other rights on the pledge;

5) The Pledgor addresses the pledge with Party A's consent, but fails to follow the Gold Pledge Agreement when handling the disposal price of the pledge;

6) The pledge is damaged, lost or its value is reduced which affects the repayment of the debt under the Contract, and the pledgor does not restore its value promptly, or provides other warrants recognized by Party A;

7) Does not process mandatory notary in accordance with this Contract and Gold Pledge Agreement;

8) Does not supplement corresponding gold or cash in accordance with the warning line and closing line in accordance with Gold Pledge Agreement;

9) Other breach scenarios under the Gold Pledge Agreement.

(3) If any following circumstances happens to the Grantor that Party A believes may affect the guaranty ability of the Grantor and requires Grantor to remove the adverse implication caused by it, but the Grantor and Party B do not cooperate, or Party B refuses to provide new guaranty and/or other remedies approved by Party A, Party B is deemed to violate the contract :

1) At the time of signing Guaranty Agreement, hides that he does not have the qualification or ability to take the guaranty responsibility, or hides the foreign citizenship of the actual controller, or does not get the authorization and approval of the authorities;

2) Entity guarantor suffers business halts, bankruptcy, dissolution, closure of business, cancellation of business license, revocation and business loss and litigation, etc., natural person guarantor suffers death, loss, becoming person with limited or no civil liabilities, deteriorating economic situation;

3) Guarantor fails to exercise his rights to a third party so his guaranty ability is destroyed; these rights include but not limited to contract credit, undue interest returning demand, repayment demand of management without cause, damage compensation demand, cancellation right, liquidation request right, applying mandatory enforcement right, etc.

4) Activities of Guarantor damage his guaranty ability; such abilities include but not limited to guarantor gives up credit, transfer his assets for free or with unreasonable low price, setting warrant, pledge, deposit payment, being guarantor of other debts, etc.

5) Does not process mandatory notary in accordance with this Contract and Guaranty Agreement;

6) Other breach scenarios under the Guaranty Agreement.

11.2 Default Remedies

Party A is entitled to take one or more of the following measures if and of the abovementioned defaults happen:

1) Stop issuing the rest of the loan that has not been issued yet;

2) Announce the payment is due immediately, collect in advance those loans issued, and require Party B to repay all the loan principals, interests and other payments under the Contract;

3) Charge Party B the liquidated damage which is 20% of the principal;

4) Exercise guarantee rights;

5) Regarding other projects between Party B, its Guarantor, their related parties and Party A (current or future, including but not limited to China Minsheng Trust – Zhixin No. 439 Kingold Jewelry Loan Assembled Fund Trust Plan), declare the debt under such project is due immediately, and address, exercise the pledge or other guaranty rights under such project, the balance after paying the debt due under such project (if any) can be used to pay for the balance, interest and related payments under the Contract. The Gurantor recognizes and agrees with this matter under Guaranty Agreement, and Guaranty Agreement prevails ;

6) Terminate the Contract and other Contracts of Warranty (if needed);

7) Other measures provided by regulations, regulatory provisions and the Contract.

11.3 Special Agreement

Within 5 days since the Loan Trust is set up, if Party B fails to fulfill relevant borrowing obligations under this Contract without any reasons, it shall pay Party A liquidated damages of 3,000,000 Yuan and Party A has the right to terminate this Contract unilaterally.

Article 12 Amendment and Termination of Contract

Upon the effectiveness of the Contract, any party shall not alter or terminate the Contract unilaterally unless the Contract provides otherwise. Any amendments or alterations shall be agreed by both parties in a written agreement.

Article 13 Applicable Laws and Dispute Resolutions

13.1 Both parties shall solve disputes arising from the Contract or related to the Contract by negotiation or settlement. In case no settlement can be reached through negotiation, the parties shall submit the dispute to the people's court with jurisdiction in the domicile of Party A. Unless otherwise specified in the judgment, the actual cost of the parties related to the suit (including but not limited to court fees and reasonable attorneys' fees) shall be borne by the losing party.

13.2 The agreement, interpretation, performance and dispute resolution under the Contract are subject to laws and regulations of People's Republic of China.

13.3 During the period of dispute resolution, Party A and Party B shall still perform the terms without disputes under the Contract. No party could refuse to perform any of its obligations under the Contract.

Article 14 Notarization of Compulsory Execution

14.1 Party A and Party B confirm that, within three days of execution of the Contract, both parties will transact compulsory notarization of the Contract at Beijing Fangzheng Notary Office.

14.2 Party B hereby commits that if it fails to fulfill or incompletely fulfills any of its obligations under the Contract, it is willing to receive judiciary compulsory execution, without any judicial proceeding. Party A can directly apply for compulsory execution to people's court with jurisdiction according to Article 238 of Civil Procedure. Party B waives right of defense for such application.

14.3 Party A and Party B confirm that both parties fully understand the meaning, content, procedure and effect of notarization of compulsory execution proscribed by relevant laws, regulations and regulatory documents.

14.4 If Party B fails to perform or inappropriately performs debt documents which has been notarized and have the compulsory execution effect, Party A can apply for issuance of compulsory execution document to the notary office. Party B shall cooperate with the notary office to complete the verification procedure. Party B commits to cooperate fully with the application by Party A (including but not limited to the verification procedure with the completion of the notary office). If Party B fails to fulfill such obligation timely, Party B hereby confirms: in the case of absence of Party B, after the notary, based on the notary application by Party A and its internal procedure, completes the verification process, it deems to finish the verification process. Party B fully recognizes its legal consequences.

14.5 This Article has priority to the Article 13.1. Party B shall bear the expense arising from application of compulsory notarization.

Article 15 Notification and Delivery

15.1 All the notifications, documents and materials sent or provided to each party because of execution of the Contract shall be delivered according to the contact in the cover page. If the contact information of one party changes, it shall notify the other party in writing (fax or express mail) within three workdays since the date of change. Otherwise, the notification from the party which does not change the contact information to the other party by fax or express mail according to the contact information in this Contract is deemed to be delivered.

15.2 Contact information of both parties:

Party A: China Minsheng Trust Co., Ltd.
Mailing Address: 18/F, Tower C, Fanhai City Plaza, No.198, Yuncai Road, Jiangnan District, Wuhan
Zip Code: 430023
Contact Person: Li You
Phone Number:
Fax Number: 010-85259080
Email:liyoi@msxt.com

Party B: Wuhan Kingold Jewelry Co., Ltd.
Mailing Address: Te 15, Huangpu Science & Technology Garden, Jiangnan District
Zip Code:
Contact Person: Qiao Hu
Phone Number: 13317109760
Fax Number: 027-65694977
Email: webmaster@kingold.com.cn

15.3 Notification is deemed to be delivered to the other party on the following date:

- (1) Personal delivery: effectively delivered on the date when the designated person delivers it;
- (2) Registered letter service: the third day after the mailing day (postmark as the proof) ;
- (3) Fax: when the confirmation of successful delivery is created by the fax machine;
- (4) Express mail service: the second day after postmark date;
- (5) Email: date stated in the email system of successful delivery.

15.4 The contact address filled in this agreement is deemed effective. Upon confirmation by both parties, the contact address filled in this agreement would be the consignee address for judicial documents relate to this contract and the email address filled in this agreement would be the inbox for electronic documents relate to this contract. Upon the judicial documents are sent to the address filled in this contract, the documents would be deemed as delivered on the delivery date under Article 15.3.

Article 16 Supplementary Provisions

16.1 Any amendment of the Contract as the attachment of the Contract has the equal legal effect with the Contract.

16.2 The Certificate of Indebtedness under the Contract and other relevant documents confirmed by both parties are indivisible component of the Contract.

16.3 Party B has read all the terms of this Contract. Per Party B's requirements, Party A has explained the relevant provisions under this Contract. Party B has acknowledged and fully understood on the meaning of the Contract terms and the corresponding legal consequences.

16.4 In the course of performing this Contract, if Party A does not exercise or timely exercise any of its rights under this Contract, it shall not be deemed to have waived such rights, and it does not affect the exercise of Party A's other rights and fulfillment of Party B's obligations under this Contract. All waiver of rights shall be made in writing.

16.5 Representations and Warranties in the Contract are set out separately and independently. Except as otherwise expressly agreed in this Contract or the parties otherwise agreed in writing, they will not be restricted by other terms in the Contract that may contain contrary meanings. If a provision of this Contract or any part of a provision becomes invalid at present or in the future, this invalid provision or the invalid part of the terms of the Contract does not affect the other terms of the Contract or the validity of other content in the term.

16.6 any violation of these Representations and Warranties are treated as breach of Contract.

16.7 Both parties shall ensure that the Contract is fully executed by conducting and signing any further actions, incidents, documents, so the expected purpose of this Contract could be fully achieved.

16.8 The titles in the Contract only serve as easy access to all the terms. Under no circumstances they shall be construed as an integral part of this Contract, or as limitation of its terms of indication.

16.9 The Contract is the complete document on the matters covered by it agreed by both parties. This Contract, together with any attachments to this Contract constitutes the entire agreement between the parties of this Contract. If any previously signed letter of intent, other legal documents or other written and oral agreements are inconsistent with this Contract, this Contract shall prevail.

16.10 The Contract is effective on the day when it is signed and stamped by the legal representative or an authorized representative of each party and shall terminate when all loan principals, interests, penalty interests, liquidated damages, damages compensation and all other sums due (if any) are paid off.

16.11 All six copies of the original Contract has the same legal effect; three copies are possessed by Party A and three copies are possessed by Party B; the remaining copies are for handling enforcement of notarization, pledge registration procedures, etc.

Both parties have read all terms of the Contract and have completely understood the meaning of Contract terms and corresponding legal consequences. No party shall challenge any terms under the Contract on the any basis such as material misunderstanding or unconscionability.

(Signature page follows)

(This is the signature page of Trust Loan Contract of No. 2016-MSJH-103-2 and has no content of contract)

Party A: /s/ China Minsheng Trust Co., Ltd.

Legal Representative/Authorized Representative:

Party B: /s/ Kingold Jewelry Co., Ltd.

Legal Representative/Authorized Representative:

Contract signed on:

Contract signed in: Dongcheng District of Beijing City

Gold Lease Contract

Leaser: Wuhan Shuntianyi Investment Management Ltd.

Contact person: Huang Yi

Residence: Room 282, Building 1-3, No.282, Baofengjie Street, Qiaokou District, Wuhan

Zip code: 430000

Phone number: 13971680308

Fax: _____

E-mail: _____

Member code in Shanghai Gold Exchange: _____

Lessee: Wu Han Kingold Jewelry Co.,LTD.

Contact person: Hu Qiao

Residence: No.15 of Huangpu Science and Technology Park, Jiang'an District

Zip code: 430000

Phone number: 02785749123

Fax: _____

E-mail: _____

Member code in Shanghai Gold Exchange: _____

Herby Agreed As Follows:

1. Usage of leased gold: to produce and process gold jewelry
2. 2.1 quality of leased gold: Au99.95, percentage: 99.95%
 2.2 weight of leased gold: (amount in words) FOUR THOUSAND KILOGRAMME, (amount in figures: 4000 KG)
 2.3 term of this lease: from 1 month 3 day 2017 year to 2 month 28 day 2017 year
3. Expense of gold lease: 0 CNY
4. Return of gold: before the expiry date of this contract, the lessee should return gold in corresponding weight; no extra fee should be paid.

This contract is in TWO copies, with each party keeping one copy. Each of the copies is of equal legal force.

Leaser(seal):

Legal representative/accredited representative:

Lessee(seal):

Legal representative/accredited representative:

Contract signing date: Jan. 3rd 2017

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

**Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Securities and Exchange Commission Release 34-46427**

I, Zhihong Jia, certify that:

- (1) I have reviewed this Form 10-K of Kingold Jewelry, Inc.;
- (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(s) 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 registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual 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(s) 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 the 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 15, 2018

/s/ Zhihong Jia
Zhihong Jia
Chief Executive Officer (Principal Executive Officer)

**Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Securities and Exchange Commission Release 34-46427**

I, Bin Liu, certify that:

- (1) I have reviewed this Form 10-K of Kingold Jewelry, Inc.;
- (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(s) 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 registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual 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(s) 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 the 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 15, 2018

/s/ Bin Liu

Bin Liu

Chief Financial Officer (Principal 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 this Form 10-K report of Kingold Jewelry, Inc. for the period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof and pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Zhihong Jia, certify that:

(1) This report containing the financial statements 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 this period report fairly presents, in all material respects, the financial condition and results of operations of Kingold Jewelry, Inc.

Date: March 15, 2018

/s/ Zhihong Jia

Zhihong Jia

Chief Executive Officer (Principal Executive 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 this Form 10-K report of Kingold Jewelry, Inc. for the period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof and pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Bin Liu, certify that:

(1) This report containing the financial statements 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 this period report fairly presents, in all material respects, the financial condition and results of operations of Kingold Jewelry, Inc.

Date: March 15, 2018

/s/ Bin Liu

Bin Liu

Chief Financial Officer (Principal Financial Officer)
