

Dear Chairman Guo Guangchang, Ms. Min Zhou, and Mr. Xiaofeng Lu,

As Fosun International Limited enters Kingold Jewelry Inc. (Nasdaq:KGJI) as a significant shareholder with board membership (via its Portuguese subsidiary, Fidelidade), we at Heng Ren Investments LP would like to welcome you as fellow shareholders.

Your strong reputation precedes you. Fosun's (HKG: 0656) accomplishments in building value in companies in China and internationally are well known, producing a market capitalization of \$19.7 billion.* It is expected by Heng Ren and other shareholders that Fosun's strong track record will continue, and hopefully bring positive results to Kingold's operations and market value. *(Note due to the sharp correction in the Chinese stock markets values used in this letter last month have changed. The current price data and related numbers, as of July 20, will be highlighted in these footnotes. The current market cap of Fosun International is \$17.7bn)*

The purpose of Heng Ren's letter is to share with Fosun our experience as a long-term shareholder of Kingold, a gold jewelry manufacturer based in Wuhan, Hubei Province, with a market capitalization of \$64 million*, and to offer five recommendations for improvement. *(Current market cap of KGJI is \$51.4m).*

During the past year Heng Ren has offered Kingold recommendations to prosper as a public company in the U.S. capital markets. We believe if these recommendations were implemented, the market value of Kingold would normalize closer to our estimated intrinsic value (\$2.72/share) based on long-term cash flow valuation of the core business, versus the current \$0.96* per share, for a potential upside of 183%.* *(KGJI stock price is US\$0.80 with upside of 240%).*

This realization of value would be appreciated by patient shareholders in the U.S. and in China who have endured Kingold's 91%* drop in stock price from its high in 2010, the year its stock started trading on Nasdaq. **(Now down 92%).*

Despite a four-year average of reported 20%-plus earnings and sales growth, Kingold's stock trades at 1.7x price/earnings (P/E) ratio for the trailing past 12 months (EPS \$0.57). Kingold's stock also trades at 0.25x its reported book value as of the first quarter 2015, and at a substantial 70% discount to its own inventory (almost entirely gold). **(Current KGJI P/E 1.4x, P/B 0.20x, and trading at a 75% discount to gold inventory).*

Heng Ren believes this is because investors:

- View Kingold's business as very low-margin.
- Remain skeptical of Kingold's financials.
- Believe management is misallocating capital for the development of the jewelry park.
- Doubt capital will be returned to shareholders.
- Question Kingold's corporate governance.
- Remain disappointed by the low priority given to investor relations.

We believe if Heng Ren's five recommendations were implemented, these negative beliefs could be erased, and investors – attracted by Kingold's extremely low valuation and potential upside - could be converted into Kingold shareholders.

The following are Heng Ren's five recommendations to Fosun to turn around Kingold:

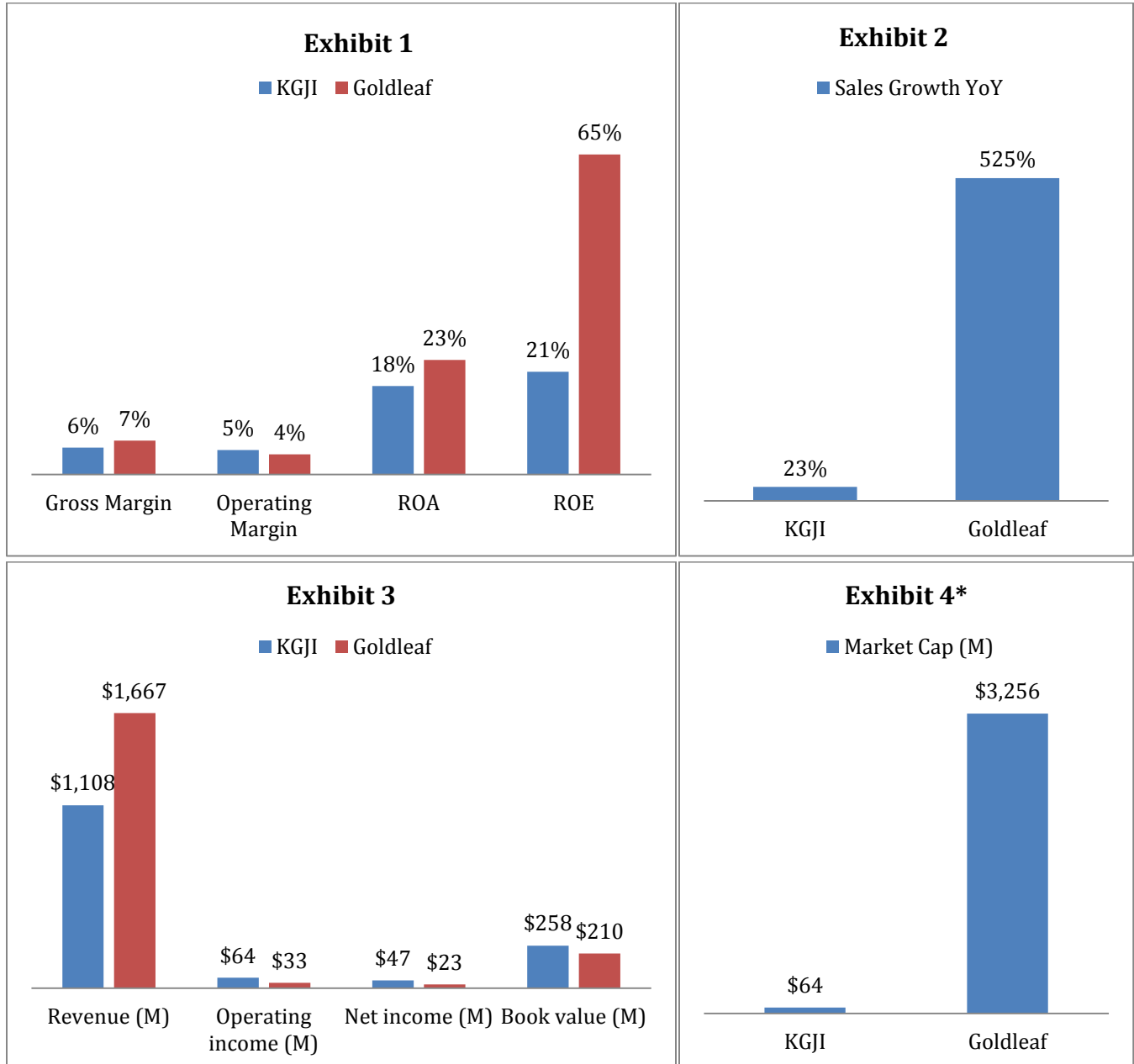
- 1) Change Reporting Format: Present Kingold as the high-margin gold processor it is, not a commodity-exposed, low-margin jewelry manufacturer it appears to be in the current financial reporting format.
- 2) Sell Industrial Park, or Increase Transparency: Kingold's industrial park development for a jewelry hub is a concern. Transparency on its progress and value would help apprehensive investors. If transparency can't be improved, the park should become a joint venture with an experienced real estate developer, or be sold outright.
- 3) Due Diligence Checklist: Provide skeptical investors with easy-to-verify proof that Kingold is a thriving company. Currently Kingold's stock is heavily discounted because of investor doubts. Fosun can play a very significant role here by revealing their findings, and disproving skeptics.
- 4) Improve Corporate Governance: There is an unfortunate history to surprise. Important strategic decisions material to Kingold's future value need to be decided, first, with the Board of Director's deliberation and consent – including Fosun's representatives.
- 5) Focus on Communications: Kingold needs to hire an official in-house investor relations person. Quarterly earnings calls need more structure. This will help Kingold appear more professional and concerned about investors' perception about the company.

Implementing these five recommendations would not only provide the opportunity for Kingold's stock to reach its intrinsic value, but it could also start to close the valuation gap with its peers listed in China. On average these peers trade at 67.4x* P/E, or 40x the current P/E multiple of Kingold. (*Now the peers are trading at 55.7x)



For example, a Shenzhen Stock Exchange-listed peer, Goldleaf Jewelry Co., Ltd. (SZ:000587), currently trades at a P/E multiple of 140x* its trailing 12 months of earnings. *(Current P/E 82.3x).

Goldleaf has a similar business and financial profile to Kingold, as the following comparison of four-year averages show, the biggest difference between the stocks is market capitalization:



Source: Morningstar

*(Note change in market caps for Goldleaf (now \$1.95bn) and KGJI (\$51.4m)).

Inevitably successful Chinese companies look abroad to expand their business and burnish their brands, as an international presence helps sales in the domestic market. Kingold would have a major advantage over its competition in China because it is already an international public company with a Nasdaq listing. This helps Kingold expedite the building of its international customer network and current expansion overseas. Kingold’s competitive advantage could provide a premium to Kingold’s stock valuation in the future.

With Fosun’s influence as a significant shareholder of Kingold, and two seats on its Board of Directors designated for its representatives, Min Zhou and Xiaofeng Lu, we would appeal to Fosun to implement these five recommendations from Heng Ren to support Kingold and help the company realize a more accurate market value for the benefit of all its shareholders.

The following pages contain detailed explanations of Heng Ren’s five recommendations.

1) Change Reporting Format

Investors review Kingold’s Profit & Loss (P&L) statement and conclude it is a low-margin business overly exposed to a volatile gold price. Heng Ren believes this is a misunderstanding caused by the presentation of Kingold’s revenues. If Kingold’s P&L were adjusted, or supplemented with an alternative presentation, it would reveal a high-margin business.

Here is a “before and after” calculation of Kingold’s margins based on our recommended change in the P&L reporting format:

2014 Financials on a Reported & Pro Forma Basis		
	As reported	Pro Forma
Revenue (M)	1,107.6	94.3
Gross Margin	6.9%	80.8%
Operating Margin	5.9%	69.5%
Net Margin	2.4%	50.1%

Let us explain. Approximately 4% of Kingold’s gold jewelry manufacturing revenue is what the company refers to as *customized*. This means Kingold takes a 3.0% fee for turning gold supplied by the customer into jewelry. The 3.0% fee is the revenue recorded for the customized business. The gross margin on this business is approximately 80%.

The other portion of the gold jewelry manufacturing is *branded*. Kingold buys the gold for the customer from the Shanghai Gold Exchange because Kingold has a license to own unprocessed gold, a rare capability in China.

When the jewelry is delivered to the customer, the cost of the gold is included as part of the revenue from the sale. From a reporting and margin standpoint, this is unfortunate because the gold purchase is a pass through. Including the gold cost makes Kingold appear to have a large amount of revenue – in 2014 a reported \$1.1 billion - and a thin gross profit margin – reported as only 6.9% in 2014 (see Appendix; Exhibit 5).

Investors conclude from this presentation of Kingold's Profit & Loss (P&L) statement that earnings could be wiped out by a small move in gold prices. This belief is primarily due to the fact that swings in the gold price impacts the value of Kingold's gold inventory carried for the branded business, impacting the Cost of Goods Sold (COGS) and the gross profit margin.

Instead, Heng Ren's view is that Kingold should report its top line on a *net revenue basis* – i.e. Kingold's revenue *after* the cost of the gold purchases are removed. This methodology would treat the gold purchases as what they are – a pass through – and help investors plainly see that Kingold is a high-margin business.

(For a more detailed view of this comparison of P&L reporting formats, please see Appendix, Exhibit 5).

Kingold's Diluted Earnings Per Share in 2014 is \$0.72. However, if Kingold were to present Pro Forma numbers, **showing its revenue after the gold costs are removed**, the company would obviously maintain the same EPS, but reveal instead a **gross margin of 80.8% in 2014 instead of the reported 6.9% gross margin.**

Heng Ren understands that Kingold's current presentation of revenue is in accordance with U.S. GAAP (Generally Accepted Accounting Principles). However, we recommend Kingold present its revenue after gold costs. It would help underscore for investors a little-known but critical fact - Kingold is a high-margin business.

While a change in an accounting method can be an onerous task for a company and its auditors, Heng Ren believes the potential reward from changing investor perceptions is worth this pain. At a minimum, Kingold should present a P&L statement with *revenue after gold costs* as **supplementary data** when Kingold publishes its financial reports. This will open investors' eyes to see the gold purchases are merely a pass through, reveal Kingold's high margins, and reduce concerns that Kingold's business model rests on very thin margins with its profitability vulnerable to swings in the price of gold.

2) Sell Industrial Park, or Increase Transparency

Kingold is building the Wuhan Kingold Jewelry International Park, a 192,000 square meter commercial property, expected to be completed by the end of 2015. This industrial park is an initiative that is hard for investors to appreciate. The only thing investors probably hate more than a company investing shareholder cash in projects outside their expertise is Chinese real estate.

Kingold needs to respect investor concern by being extremely generous with information for analysis which includes:

- Construction progress
- A site map with video supplementing photos on Kingold's website (especially the English website)
- Sales and leasing data
- Tenant wins
- Loans and credit lines for financing
- Local press articles translated into English
- Local trends in commercial real estate in Wuhan
- Financial targets – revenue, EBITDA, utilization

As this is a major investment of RMB 1.0bn (US\$164 million, or more than double Kingold's market capitalization)*, much more explanation and information is needed by investors. **(Now more than 3x).*

Management should immediately release to investors the Grant Thornton valuation appraisal, paid for with public company funds, which provided an appraisal value of the industrial park.

Still to be proven by Kingold management is how this industrial park project is a strategic fit. Kingold's stock price indicates the market needs to be convinced.

Kingold states the total investment in the industrial park is \$164 million. Management on the 2014 fourth quarter earnings conference call guided total revenue from the property development of \$260 million. However, this may prove to be too ambitious. Based on the limited information we have, our crude analysis shows the project may not cover the initial investment.

For commercial sale:

Area (square meter)	123,600
Average price per square meter	\$1,290
Total Sales (m)	\$159.44



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The current annual commercial office rent for the Jiang'an District of Wuhan where the park is located, according to public data from *Fang.com*, is approximately \$250 per square meter per month. Even if we generously allow for 80% occupancy in the first year of operation of Kingold's 58,400 square meters it plans to rent (and use 10,000 square meters for itself), the annual rental revenue is only \$11.8 million.

If successful, the industrial park could have a significant impact on Kingold's earnings and valuation. However, judging by Kingold's stock price, investors are discounting problems rather than success. The most acute risks appear to be the assumed selling price of RMB 8,000 per square meter, and also the outlook on revenue from the space Kingold intends to rent.

While there already has been some discussion by the Company and shareholders about the industrial park and its risk, only 39% of the payment commitments have occurred prior to 2015. The remaining 61% are scheduled to occur in 2015. The excerpt below from Kingold's most recent 10-Q filing with the U.S. Securities and Exchange Commission (SEC) reveals that \$100 million of payment commitments occur in 2015, with \$96 million scheduled to occur in the second quarter of 2015.

Date	Original Payment Commitment (RMB in millions)	Revised Payment Commitment (RMB in millions)	Payment Commitment (US\$ in millions)**
October 2013*	200	200	33
January 2014	50	50	8
June 2014	100	-	-
September 2014	150	20	3
November 2014	-	87	14
December 2014	-	35	6
January 2015†	250	-	-
February 2015†	-	28	4
April 2015	-	80	14
May 2015	-	250	41
June 2015	250	250	41
Total	1,000	1,000	164

* Includes initial deposit made to seller

** In US\$ based on current exchange rates

† Updated to reflect delay to payment schedule

Source: U.S. SEC Form 10-Q, May 15, 2015, p. 13

The \$100 million of payments scheduled for this year represent 211% of 2014 Net Income, or, from another perspective, 142% of the current non-restricted cash on hand. The market obviously has concerns about this that need to be addressed by management with specific details about Kingold's plan to meet these obligations.

Once the industrial park is completed, a target date of December 2015, it will be the second-largest asset on Kingold's balance sheet, or 77% of the value of the company's inventory as of its first quarter 2015 10-Q filing. The Chinese property market is depressed, which would make shareholders of any company developing property apprehensive, much less a company whose core business is jewelry manufacturing.

Kingold has no experience or expertise in property development or marketing. Management has made conflicting statements on the pricing and the total value of the park. Construction has been hit by delays. There is rising uncertainty about the condition of the property market in China, including Wuhan. Company finances are tight. Meanwhile, there are no reports from Kingold management about tenants actually secured for the industrial park expected to help finance the project, despite pre-sales being launched in January.

Fosun needs to ask Kingold, on behalf of all shareholders, and its own investors, "Is this non-core project still worth the risk?"

We would answer "no." We request Fosun consider these measures:

- Push for an outright sale now of the industrial park so Kingold can convert its 60% ownership into cash.
- Stop payments to Wuhan Huayuan and Wuhan Wansheng, the seller of the land rights to Kingold, and sell them Kingold's 60% ownership of the park. (*See SEC Form 10-K for 2013, March 31, 2014, p.1*)
- Terminate the agreement with Wuhan Wansheng. Ownership of the park would revert back to them. Kingold can recover within 60 days the capital it has paid. (*See SEC Form 8-K, October 23, 2013*).

(See Appendix, Exhibit 6 for more detailed information on the cited 10-K and 8-K.)

The evaluation of the potential risk and rewards, with supporting data, must be shared with investors so we have the means to reach an informed decision on the merits of the park. To date this has not been done, and we would recommend Fosun help Kingold provide shareholders this transparency immediately.

3) Due Diligence Checklist

Investors believe Chinese stocks listed in the U.S. are high risk. To calm fears and provide assurance, like it or not, the burden of proof lies with the managements, including Kingold's.

Of course every company is different, and naturally you believe Kingold has an honest and trustworthy management. Otherwise Fosun would not have entered the investment agreement. But unfortunately that belief isn't easily shared among many U.S. investors. It is just the reality today for Chinese stocks in the U.S. Investors here have encountered too many frauds.

As a result, transparency to enable all investors to verify Kingold's business must be a top priority in any campaign to increase the shareholder base.

When presenting to investors, we would recommend Kingold provide from these Chinese sources:

- Filings with the State Administration for Industry & Commerce (SAIC) for Wuhan Kingold Jewelry Co. and Wuhan Vogue-Show Jewelry Co.
- Filings with the State Administration of Taxation (SAT) for Wuhan Kingold Jewelry Co. and Wuhan Vogue-Show Jewelry Co.
- Certified financial statements from British Virgin Islands (BVI) for Dragon Lead Group.
- Auditor's reconciliation of financial statements made in China, BVI, and the U.S.
- Bank statements with cash balances
- Certification and valuation of gold inventory
- Contact information for Kingold's customers
- Regulator certification and contact information

Not only will this transparency calm investor fears, it also will put Kingold on the map as the most transparent Chinese company investors have ever met. If this branding is achieved, it alone would be a reason to seriously consider Kingold's stock for a portfolio. The risk perception would decrease and help send the valuation of Kingold closer to its intrinsic value.

One objective of transparency is to help the market achieve an accurate valuation of a company. Why not as a public company have Kingold take full advantage of this opportunity?

After a short attack in 2011, Kingold Chairman Zhihong Jia in an open letter to investors extended an invitation to view Kingold's Chinese tax records and its gold purchases from the Shanghai Gold Exchange. (Link:

http://www.kingoldjewelry.com/s/NewsReleases.asp?ReportID=454621&_Type=News-Releases&_Title=Kingold-Jewelry-Inc.-Issues-Open-Letter-to-Shareholders)

When Heng Ren made two requests for this information starting in 2014, there was no response then and until today. This failure to fulfill a public pledge raises questions about past and future corporate governance at Kingold. The influence of an experienced and professional investor like Fosun can make a big difference here for Kingold.

4) Improve Corporate Governance

Kingold management has a tendency to surprise. Even when it is positive, it is important for its management to recognize that it is not necessarily a healthy dynamic in the relationship with investors.

The list of corporate governance mishaps at Kingold deserves study to avoid repeating them in the future:

- Issued a \$52 million short-term loan in 2013 to an affiliated company (paid back in three days).
- A special dividend in 2014 was fumbled with the payout date delayed.
- In 2014 filed, then withdrew, a shelf registration to sell up to \$10 million of shares (at time KGJI stock trading on average less than \$50,000/day).
- Shelf registration also withdrew any consideration of a dividend.

We have voiced our concerns about these mishaps to Kingold's management, Stockholder Value Committee, and Board of Directors. We don't want to belabor the past. The stock price and valuation speak louder than words. The perception that Kingold is too risky an investment is related to these mishaps.

We have observed during these mishaps decisions have been made unilaterally by a senior manager or management, without serious consideration by the Board of Directors. Only after a mishap has occurred have we seen the Board of Directors get involved to address and then correct a mishap.

Unfortunately, this approach is usually too little too late, and the damage to Kingold's credibility in the eyes of investors and shareholders has been done. The "reactive" approach by Kingold's Board of Directors has brought us to this point of extreme undervaluation at shareholder expense. Now the time is ripe for a change. Kingold's Board of Directors needs to become "pro-active" to help shareholders recover.

To structure a more "pro-active" approach, the first task of Fosun's two representatives on Kingold's Board of Directors should be to propose that any and all strategic decisions that might materially impact the value of Kingold must be brought first to the Board of Directors for a vote.

This will help restore shareholder confidence that key decisions will be made with the interests of shareholders fully in mind.

5) Focus on Communications

Kingold needs to build a framework to communicate better with shareholders and investors, especially at this critical juncture with the development of the industrial park.

Kingold has no official investor relations staff. Quarterly earnings calls lack cohesion and structure. This unfortunately makes Kingold appear unconcerned about investors' perception of the company. Another indication of this is on Kingold's website investor relations section a contact number for the CFO, Mr. Bin Liu, is a telephone number (212-509-1700) that isn't working.

A solid first step would be to hire an in-house Investor Relations (IR) person based in Kingold's office in Wuhan. To communicate with investors, the IR staffer should be fluent in both Mandarin and English, and understand finance, accounting, and marketing. IR also should be incentivized with company stock and options so their success will be rewarded.

Kingold currently works with an IR firm based in the U.S. to process press releases, organize earnings calls, schedule investor meetings, and handle requests from investors. This relationship should be preserved, especially to maintain a live representative during U.S. trading hours. However, typically IR firms have many corporate clients, and cannot dedicate enough time and energy to execute the overhaul necessary for Kingold's IR effort. An experienced IR person based in Wuhan should execute this overhaul, and run IR from Wuhan with the U.S. firm's staff providing support with their services.

Quarterly earnings calls need improvement. The Chairman and Chief Executive Officer, the Chief Financial Officer, and the translator all need to be together in one room. This would lead to a smoother and more efficient presentation, and facilitate the professional answering of investor questions.

Currently on quarterly calls these three key people are usually all in separate locations, and inevitably there is a bad connection that can hamper communications and lead to a break down in the dialogue and the coordination. Being separated has created confusion on who should answer investor questions. It is tedious for the audience to hear the commotion that is created by this lack of integration (see Appendix Management Comments). Unfortunately, as an investor listening to this it is too easy to be doubtful about the commitment to IR. We believe implementing these changes in the quarterly earnings conference call would be an easy fix to erase such doubts.

Like many small-cap Chinese companies in the U.S., Kingold is starved for attention. A top priority of in-house IR should be to attract sell-side research coverage. We know of Chinese investment banks and brokers whose jewelry industry analysts are aware of Kingold and actively cover their peers trading in China. With the renewed interest of Chinese investors in the U.S.-listed Chinese stocks, this would be a good opportunity to market Kingold to these research analysts in China. With Fosun now a partner, this will undoubtedly impress Chinese analysts and investors, and we believe they will pay more attention to the potential upside. If Fosun also issued a press release announcing its investment, that would be a good step towards increasing Kingold's recognition.

Research coverage and analysis also would help generate more interest in Kingold road shows to meet investors in the U.S. and China. To our knowledge the Chairman/CEO has not been to the U.S. to meet investors since 2013. This is too long a gap, and it can unfortunately lead investors to believe that IR is a low priority for Kingold. With Fosun's advice and guidance, we believe this can change for the better, and these weaknesses can be addressed.

Conclusion:

Heng Ren Investments has written this letter to Fosun, and over the year provided free analysis and advice to Kingold management, because we want to be constructive partners to achieve a shared goal: to optimize value for shareholders and our clients.

It is in this spirit, as a friendly activist, that Heng Ren makes this appeal to Chairman Guo, Min Zhou, Xiaofeng Lu, and the Fosun team to help turn around Kingold Jewelry.

We believe Fosun offers Kingold and its shareholders the best opportunity to reverse a 91% drop* in its stock price from its high in 2010, when Kingold started trading on Nasdaq, and to climb toward its intrinsic value. **(Now 92%).*

Heng Ren's five recommendations should help accelerate the Fosun team's understanding of some of the issues causing the underperformance of Kingold's stock. Our insights, combined with Fosun's experience, expertise, and execution, should achieve a fair valuation for Kingold shareholders.

Sincerely,

Peter Halesworth
Managing Partner
Heng Ren Investments LP
Boston, Massachusetts



June 3, 2015

Appendix

Exhibit 5: Net Revenue (as reported) vs. Pro Forma Revenue

As Reported		
	2013	2014
Net Revenue	1,189.9	1,107.6
Cost of Goods Sold	1,141.7	1,030.0
Depreciation	1.3	1.3
Total Cost of Goods Sold	1,142.9	1,031.3
Gross Profit	47.0	76.3
Gross Margin	3.9%	6.9%
SG&A	4.7	7.3
Stock Compensation	1.5	3.1
Depreciation	0.2	0.1
Amortization	0.0	0.0
Total Operating Expenses	6.4	10.6
Income from Operations	40.5	65.6
Operating Margin	3.4%	5.9%
Interest Income	0.1	0.3
Other Expenses	(0.0)	0.0
Interest Expense	(1.1)	(1.8)
Total Other Expenses	(1.0)	(1.5)
Income before Taxes	39.5	64.1
Income Tax Provision		
Current	11.5	16.8
Deferred	(0.3)	0.0
Total Income Taxes	11.2	16.8
Net Income	28.3	47.2
Net Margin	2.4%	4.3%
Other Comprehensive Income		
Total foreign currency translation gain (loss)	5.8	-1.3
Earnings Per Share		
Basic	\$0.45	\$0.72
Diluted	\$0.44	\$0.72
Basic Shares Outstanding	63.5	65.5
Diluted Shares Outstanding	63.9	66.0

Pro Forma				
	2013	YoY	2014	YoY
Customized Tons	22.5	19.0%	31.3	39.1%
Net Revenue Per Ton	1.35	17.1%	1.30	-3.8%
Customized Net Revenue	30.4	35.2%	40.7	33.8%
Branded Tons	25.6	51.3%	27.3	0.7%
Net Revenue Per Ton	1.9	-18.0%	1.8	-3.8%
Branded Net Revenue	48.6	24.1%	49.9	2.6%
Bank Gold Tons	3	60.0%	1.5	-50.0%
Net Revenue Per Ton	2.1	-1.0%	2.5	19.0%
Bank Gold Net Revenue	6.3	58.4%	3.75	-40.5%
Total Net Revenue	85.3	27.6%	94.3	10.6%
		% of Sales		% of Sales
COGS	38.4	45.0%	18.1	19.2%
Gross Profit	47.0	55.0%	76.3	80.8%
SG&A	6.3	7.4%	10.5	11.1%
EBITDA	40.7	47.7%	65.8	69.7%
D&A	0.2	0.2%	0.1	0.1%
Operating Profit	40.5	47.5%	65.6	69.5%
Interest & Other Expense	1.0	1.2%	1.5	1.6%
Earnings Before Taxes	39.5	46.3%	64.1	67.9%
Income Taxes	11.2	13.1%	16.8	17.8%
Net Income	28.3	33.2%	47.2	50.1%
Earnings Per Share				
Basic	\$0.45		\$0.72	
Diluted	\$0.44		\$0.72	
Basic Shares Outstanding	63.5		65.5	
Diluted Shares Outstanding	63.9		66	

Exhibit 6: Details from 10-K and 10-Q

From 2013 10-K re: Kingold's 60% ownership:

“The agreement was structured as an equity purchase of the company holding the land use rights, with Wuhan Wansheng House Purchasing Limited initially granting us a portion of Wuhan Huayuan Science and Technology Development Limited Company's, or Wuhan Huayuan's, ownership, granting us the right to appoint the chief financial officer for the project to supervise and manage the use of funds, and naming Wuhan Huayuan as agent for the completion of the construction. Accordingly, we now own 60% of the Jewelry Park. Upon our payment of the final installment payment, we will become the 100% owner of the Jewelry Park. However, because no other assets or liabilities have been transferred with the acquisition of Wuhan Wansheng, we are treating the Jewelry Park acquisition as an asset purchase for accounting purposes.”

From 2013 8-K re: Terms of agreement, and termination, with Wuhan Wansheng:

“If the Company is more than 45 days late in any payment, Wuhan Wansheng may unilaterally terminate the agreement. Upon termination, the Company will be required to return ownership to Wuhan Wansheng within 15 days after receiving written notice of the rescission of the Acquisition Agreement. Wuhan Wansheng would also be required to return all capital paid by the Company within 60 days after the termination of the Acquisition Agreement.”