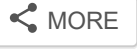




# KGJI: A ‘Fraud School’ Success Story

TERMS OF SERVICE

NOVEMBER 21, 2016 | [KGJI](#)



**“Investors shouldn’t have to worry about the officers, directors and stock promoters taking advantage of them.”**

— [NASDAQ Official](#)

IMPORTANT – Please read this Disclaimer in its entirety before continuing to read our research opinion. All information for this article was derived from publicly available information. Investors are encouraged to conduct their own due diligence into these factors. Additional disclosure: This article represents the opinion of the author as of the date of this article. The information set forth in this article does not constitute a recommendation to buy or sell any security. This article represents the opinion of the author as of the date of this article. This article contains certain “forward-looking statements,” which may be identified by the use of such words as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated,” “potential,” “outlook,” “forecast,” “plan” and other similar terms. All are subject to various factors, any or all of which could cause actual events to differ materially from projected events. This article is based upon information reasonably available to the author and obtained from sources the author believes to be reliable; however, such information and sources cannot be guaranteed as to their accuracy or completeness. The author makes no representation as to the accuracy or completeness of the information set forth in this article and undertakes no duty to update its contents. The author may also cover his/her short position at any point in time without providing notice. The author encourages all readers to do their own due diligence.

## JOIN THE LIST

## COMPANY COVERAGE

[MDXG](#) (8)

[BOFI](#) (4)

[HIIQ](#) (4)

[BANC](#) (3)

[PME](#) (2)

[CIA](#) (2)

[KGJI](#) (1)

[PETS](#) (1)

[EGBN](#) (1)

[AVAV](#) (1)

[ACHC](#) (1)

[VNDA](#) (1)

[INS](#) (1)

[TEUM](#) (1)

[VSLR](#) (1)

[PAYS](#) (1)

[NBIX](#) (1)

[CAN](#) (1)

[INMD](#) (1)

## Background:

The boom of Chinese companies that conducted reverse mergers to populate U.S. exchanges long-ago unraveled in a wave of fraud that left investors with massive losses. Marketwatch's Francine Mckenna wrote in a [July, 2016 article](#), that "More than 50 U.S. listed Chinese companies were [either delisted or halted from trading in 2011 and 2012](#) based on claims of fraud and other violations of U.S. securities laws." After the fraud boom, the article explains that Nasdaq enhanced its due diligence practices to scrutinize listings:

“Once Nasdaq noticed that many of these reverse merger companies shared promoters, directors, audit firms, and other professional services firms, we started analyzing the network”

That is why we were surprised to learn that Kingold Jewelry (NASDAQ:KGJI), a Chinese reverse merger that [has awarded](#) hundreds of thousands of shares to [dubious stock promoters](#), continues to have a NASDAQ listing. This year, hyperbole and gold-driven [promotional narratives](#) have sent shares surging from less than \$0.50 to a high of \$2.80. The company [recently filed](#) an \$80 million shelf offering and [implied](#) last week that it will soon raise fresh capital.

Before deciding to send additional millions overseas, we believe that U.S. investors deserve to have the facts. As part of our due-diligence, we obtained thousands of pages of Chinese-filed documents related to Kingold and its undisclosed affiliates.

Our research has uncovered a typical mix of Chinese reverse-merger characteristics: business claims that defy logic, fabricated SEC filings, false company statements, and undisclosed related party transactions. We think it is obvious that Kingold is a dramatically smaller company than it claims to be but, even worse, **documents we obtained from the People's Bank of China show that Kingold has made undisclosed asset pledges (primarily to the Chairman's**

**affiliates) in amounts that exceed Kingold's Chinese-reported shareholders equity.** We are also concerned by very recent Chinese media coverage regarding Kingold's potential involvement in the Shanghai stock market trading activities of related parties.

*Investors are strongly encouraged to conduct their own due diligence into these factors.*

*Note: All information for this article was derived from publicly available information. The author(s) have a short position in Kingold Jewelry. Investors are strongly encouraged to conduct their own due diligence into these factors.*

### **Kingold Was Touted By The Chinese "Fraud School" As a Success Story**

[Muddy Waters](#), a research firm that has exposed many Chinese frauds, authored a White Paper on the organized network that brought numerous fraudulent companies onto U.S. exchanges. The [presentation](#) and research paper, *Frauducation*, cited a 2012 Chinese *Today's Fortune* article that discussed an investigation into a Chinese "fraud school." The article ([translated into english](#)) describes a "systematically criminal" platform:

“ the "fraud school" is a small investment bank and financing counseling company. It uses a network of accounting firms and law firms based in HK and US to jointly operate to present "trash" enterprises as fast-growing and huge-profitmaking super stars, thus catching the foreign investors' eyes, gaining private funding, and subsequently going public in the US....After that, they will keep coaching the firm on producing falsified reporting documents in order to make it keep "growing" with the eventual goal of listing on a primary exchange (i.e. NYSE or NASDAQ) and collect even more money from US investors.

While the investment bank leading the fraud school was not specifically named in the article, the research paper highlighted the likelihood of it being a Hong Kong outfit named Chief Capital. Although Chief Capital's website has since been deleted, we found Wayback Machine archives showing that KGJI was featured as one of Chief Capital's many "Success Stories":

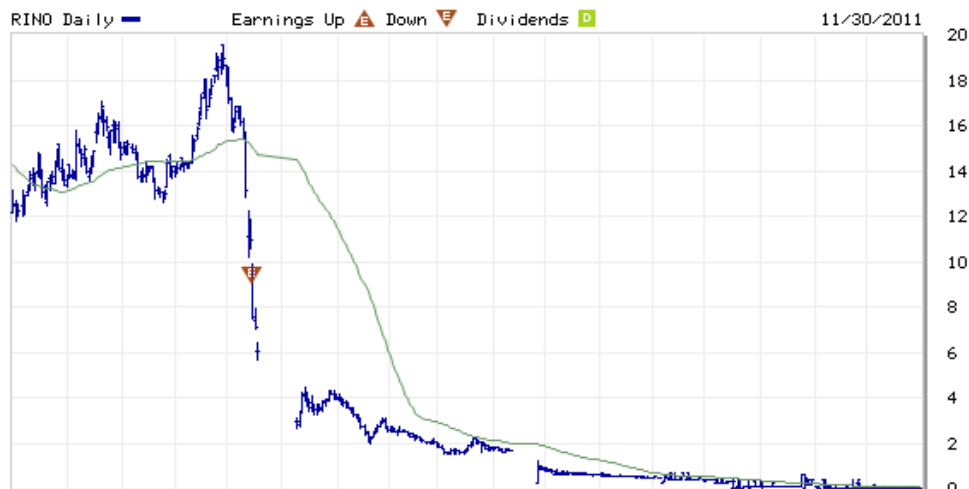
[Home](#) > Success Stories

US market

 <p>2010年10月向SEC申报 的注册材料正式生效</p> <p>东方医疗集团</p>	 <p>OTCBB:CSAY 2010年06月 企业完成反向收购</p> <p>西南医疗美容</p>
 <p>Nasdaq:KGJI 2009年12月 私募融资1500万美元</p> <p>武汉金凰珠宝</p>	 <p>OTCBB:ENHD 2008年01月 私募融资1700万美元</p> <p>大连砗磲集团</p>
 <p>Nasdaq:RINO 2007年10月 私募融资2500万美元</p> <p>大连绿诺</p>	 <p>Nasdaq:WUHN 2007年02月 私募融资2400万美元</p> <p>武汉鼓风机</p>
 <p>OTCBB:SGAS 2006年09月 私募融资980万美元</p> <p>中燃国际</p>	 <p>Nasdaq:FSIN 2005年12月 私募融资1200万美元</p> <p>傅氏国际</p>

Source: [Wayback Machine](#). June 6, 2011 capture.

Of the eight U.S. "classmates" pictured above, Kingold is the only company still trading on U.S. exchanges. Chief Capital's alumni have left western investors with severe losses and have included high profile frauds such as RINO International (OTC:RINO) (below).



Source: [Marketwatch](#)

Kingold had originally attempted a Chinese IPO but **was rejected** by the Chinese Regulatory Commission on account of “**abnormally rapid revenue growth.**” A month later, Kingold engaged Chief Capital and subsequently completed a 2009 U.S. reverse merger. Chief Capital (in the below profile) states it facilitated this process by providing substantial *audit assistance* to Kingold. The firm even issued a press release congratulating their “client”, KGJI, on a successful NASDAQ listing.

The screenshot shows the website for Chief Capital Ltd. The header includes the company logo, name in Chinese and English, and a navigation menu with items like 'Home page', 'Rich overview', 'professional team', 'Business', 'success case', 'News Center', 'Financing classroom', 'research report', 'Careers', and 'contact us'. The main content area is titled 'Home > Success Stories' and features a profile for 'Wuhan Golden Phoenix Jewelry Co., Ltd.'. The profile includes a code (KGJI), date (2009-12-29), and amount (\$15 million). It lists several key events from 2008 to 2011, including initial contact, reverse merger, and NASDAQ listing. A 'Stock prices' section provides a link to view the latest market data.

The screenshot shows a news article from Kingold.com.cn. The headline reads: 'I congratulate the client Wuhan Golden Phoenix Co., Ltd. a successful switch plate NASDAQ'. The article text states: 'KINGOLD JEWELRY INC. (Wuhan Golden Phoenix Jewelry Co., Ltd.) in the US time at 9:30 on August 18 successfully raised US NASDAQ stock transactions by the OTCBB market. Chairman of the Board of Directors of Golden Phoenix Jia Zhihong, Zhao Bin, general manager of the Wuhan municipal government and relevant leaders and his party made a special trip to New York to attend the listing ceremony of the 18th. In October 2008, Wuhan Golden Phoenix Wealth and financial advisor signed agreement, US-listed companies to undertake the work of financial advisors; December 28, 2009, in the rich assist companies to complete a reverse merger, and OTCBB listed in the United States, and for the enterprises to introduce 15 million private placement financing.' The news URL is provided as 'http://www.kingold.com.cn/8819.asp'. A footer note indicates 'This article updated on 2010-8-18'.

Source: [Wayback Machine](#). November 5, 2011 capture. Translated by Google. Kingold is also called Wuhan Golden Phoenix Jewelry

The *Frauducation* white paper also examined the audit firm of Jimmy C.H. Cheung & Company. Cheung was the earliest auditor of record for RINO and audited ChinaCast (OTCPK:CAST) which, according to the SEC, was a “massive” fraud. We discovered that Cheung also performed audit work for Kingold. In a 2010 comment letter, Kingold assured the SEC of its compliance with U.S. GAAP and named Cheung as ***helping implement*** Kingold’s financial reporting system:

**Response:** We note the Staff’s question. The Company hereby advises the Staff that the Company maintains its books and records in accordance with U.S. GAAP.

The Company has implemented a U.S. GAAP accounting and reporting system with the help of both a leading PRC accounting firm, Daxin Certified Public Accountant Co., Ltd. and a Hong Kong based accounting firm Jimmy C.H. Cheung & Company.

Source: [2010 SEC Comment Letter](#)

Kingold’s financial statements include “clean” audit opinions signed by Friedman LLP, a firm that has earned millions from auditing a variety of discredited and/or fraudulent US-listed Chinese companies such as: [Advanced Battery Technologies \(here\)](#), [China Natural Gas \(here\)](#), and [SinoCoking Coal \(here\)](#). Our research indicates that Friedman’s audits of Kingold have also failed.

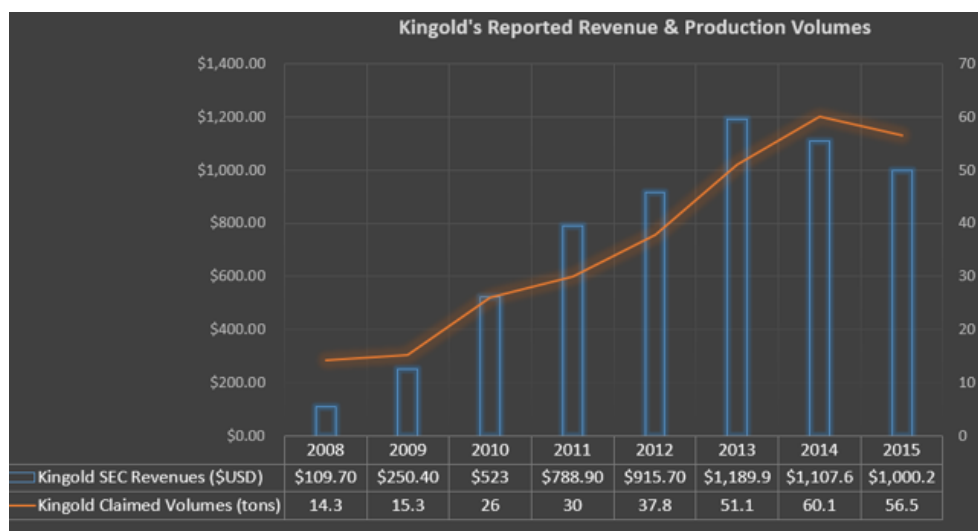
### **Kingold’s Business Claims Defy Logic**

The business model Kingold presents to investors is very simple. The company manufactures gold jewelry out of a single high-tech factory in Wuhan and the product is then sold to distributors and retailers. Revenues come from a combination of what KGJI calls “branded” production (in which Kingold crafts gold into jewelry) and “customized” work (in which the customer supplies the gold and Kingold charges a fee to refurbish it).



(“High Tech” workshops in Kingold’s sole Wuhan factory. Source: [Kingold Chinese Promotional Video](#). Note: The above photo captures a worker hand-crafting Jade, a product that Kingold has falsely [denied](#) having any involvement with.)

Importantly, Kingold’s business clearly requires hand-craftsmanship that limits its scalability. Kingold itself admitted this in its [Chinese prospectus](#) issued as part of the company’s failed IPO attempt. In that document, Kingold stated that its then-current annual production capacity was 8 metric tons of gold and that it would need to have 500 total employees to increase that production to 20 metric tons.



Source: Internal Analysis. Data from [Kingold SEC Filings](#).

Since that time, Kingold’s reported revenues have grown by 10x from \$109 million in 2008 to over \$1 billion dollars annually. The company’s claimed gold manufacturing volumes have surged from 14 metric tons to 60 tons. In the [most recent quarter](#) alone, Kingold claims to have sold over 20 tons of gold jewelry– an amount greater than the entirety of the company’s stated 2010 annual capacity.

**This means that, magically, Kingold has tripled its capacity and grown its revenues by over \$750 million USD by adding only 68 employees since 2009.**

	2008-2015 Cumulative	2008	2009	2010	2011	2012	2013	2014	2015
Additions to PP&E	<b>\$1.2M</b>	\$483k	\$29k	\$31k	\$368k	\$150k	\$78k	\$19k	\$67k
Total # of Employees		<500	500	507	661	620	532	550	568

Source: [Kingold SEC Filings](#). Additions to Plant Property & Equipment (“PP&E”) as disclosed in Kingold’s Cash Flows from Investing activities.

Kingold’s SEC filings attribute the company’s manufacturing success to “continuous improvement of our technology.” However, Since 2008, Kingold has spent a mere **\$1.2 million in cumulative additions**

**to PP&E.** During the entirety of 2015, Kingold invested a total of only \$67 thousand dollars in PP&E (to support over \$1 billion of claimed revenues). This disproportionate lack of investment (along with Kingold's own Chinese promotional video) completely undermines the promoted notion that Kingold possesses state of the art manufacturing technology.

In short, Kingold's believers must explain how a manufacturing business can experience exponential production growth without any meaningful incremental inputs of either labor or capital. We see two possibilities; either Kingold is a communist manufacturing miracle, or the company has fabricated its SEC filings.

### **Chinese Documents Demonstrate That Kingold's SEC Filings Are Fabricated**

The previously cited [Today's Fortune article](#) explained that after obtaining a U.S. listing, the fraud school:

“ will talk to the long-term cooperating accounting/auditing firms to make sure that the fake financials pass through the auditing process smoothly, and that perfect audit reports will be issued for those companies. They will make sure those auditor reports seem very reliable.

We obtained older documents that Kingold publicly filed with the Chinese State Administration of Industry and Commerce (“SAIC”) and contain financials through 2012. (Note: Afterwards, many companies were no longer required to report financial information to the SAIC on a go-forward basis.)

In the SAIC filings, **pre-tax profits are a mere 20-30% of the totals Kingold has reported to the SEC.** The documents also reveal that Kingold understated its liabilities in SEC reports by a factor of as much as 10x while vastly overstating its book value.

	2009 SAIC	2009 SEC	2010 SAIC	2010 SEC	2011 SAIC	2011 SEC	2012 SAIC	2012 SEC
Revenue	256.7	250.5	530.7	523.0	764.3	789.0	866.5	915.7
Pre-Tax Profit	3.7	12.3	8.1	26.1	9.5	37.0	11.3	44.5
Total Assets	53.3	62.3	79.4	84.3	125.4	136.2	159.3	172.7
Total Liabilities	14.3	10.6	39.5	10.5	85.4	9.2	119.4	11.2
Total Equity	39.0	51.6	39.9	73.8	39.9	127.0	39.9	161.5

Source: Kingold SAIC Filings. Internal Translation & Analysis. Numbers should be considered approximated due to currency conversion.

This is not the first time that the integrity of Kingold’s SEC filings has been called into question. In 2011, a Seeking Alpha author discovered that:

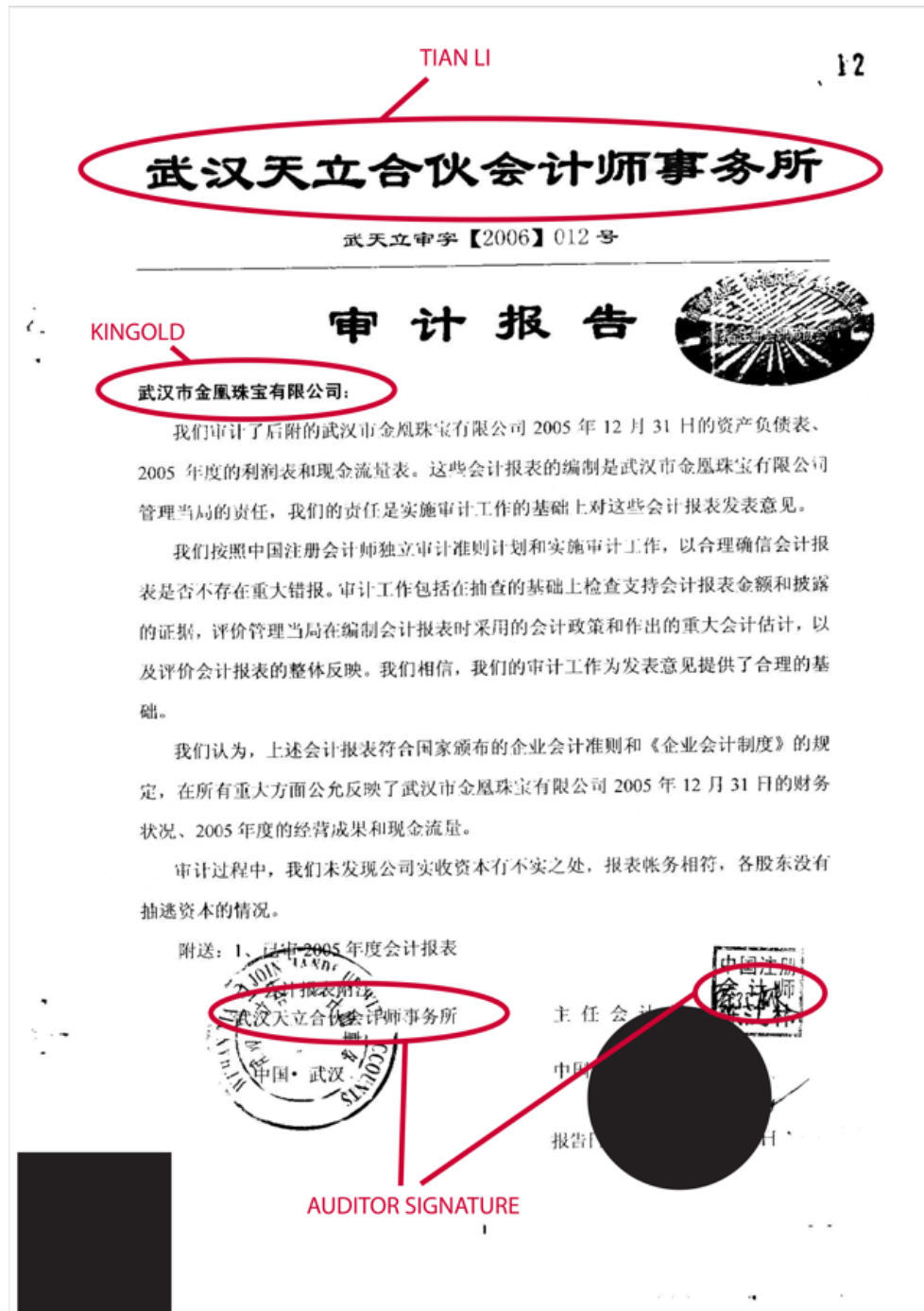
1. Chinese State Administration of Taxation (“SAT”) filings **showed** that Kingold’s reported revenues and profits amounted to only 29% and 14% of what the company respectively reported to the SEC.
2. One of Kingold’s large Chinese shareholders **was offering** to sell its shares at a much lower price than NASDAQ market prices. The shareholder’s listing included Kingold financials (audited by a firm named Wuhan Tianli) that reported substantially lower revenue and net income totals than Kingold reported to the SEC.

In a subsequent **open letter** to shareholders, Kingold’s Chairman, Jia Zhihong, declared that Wuhan Tianli (the auditor of the financials in question) had never performed audit work for Kingold. The Chairman stated that:

**“ Tianli has never been Kingold’s auditor in the PRC, or anywhere else, nor have they ever had access to our books or records. The idea that Tianli performed an audit of Kingold without the Company’s knowledge and without visiting or contacting me or the Company is impossible and absurd.”**

**The Chairman’s statement to Kingold’s shareholders is false.** SAIC documents filed by Kingold specifically name Wuhan Tianli as a Kingold auditor and even include the national photo ID cards of the

Wuhan Tianli auditors that performed the work. This finding, in our opinion, acts to completely undermine the Chairman's credibility as well as the integrity of the company's public statements to investors.



Source: Kingold's SAIC filings. Brief redactions have been made due to privacy concerns.

In light of these previous discoveries and the Chairman's influence in Wuhan (Chairman Zhihong is a former military official), we anticipated that Kingold's more recent chinese filings would match the SEC numbers. We obtained tax filings that Kingold made with the

SAT from 2013-2015 and, as expected, reported revenues and profits closely followed Kingold's SEC financials.

However, in our opinion, both the SEC & SAT financials display significant irregularities. Although Kingold sells its product to distributors and retailers, Kingold reports having de-minimus accounts receivable (The 2014 SAT filings, for example, imply a stratospheric [Receivables Turnover Ratio](#) of 2,200 times). Even if we were to take the company at its word that it operates in an entirely cash business, the financials show that very little cash accumulates and that inventory turns over slowly—a combination we find highly suspect.

Similar to the older SAIC filings, Kingold's SAT filings also report significantly higher liabilities (and lower book values) than what the company reports to the SEC.

	<b>2013 SAT</b>	<b>2013 SEC</b>	<b>2014 SAT</b>	<b>2014 SEC</b>	<b>2015 SAT</b>	<b>2015 SEC</b>
Assets Total	353.8	301.1	404.3	311.75	519.3	469.9
Liabilities Total	209.8	86.2	218.2	53.5	303.4	203.9
Owner Equity Total	144.1	214.9	186.1	258.2	215.9	265.6

Source: Kingold's Chinese SAT Filings and U.S. SEC Filings.

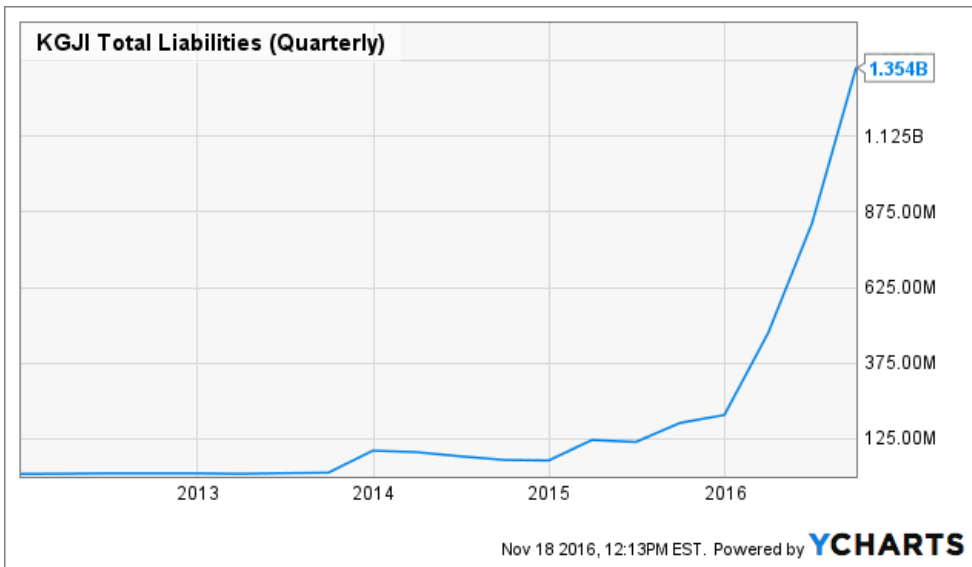
We have no idea how many sets of books Kingold keeps or what the "correct" numbers are, but we think it is obvious the company is dramatically smaller than its SEC filings claim. Even worse, we have become concerned that undisclosed transactions have impaired or even eliminated shareholder's equity.

**Undisclosed Related Party Transactions Indicate That Shareholder's Capital Has Been Misappropriated.**

Three Kingold-affiliated individuals are involved in undisclosed related party dealings and have overlapping business interests with one another:

- **Jia Zhihong (贾志宏)** : Is the co-founder of Kingold and the current Chairman. Although Chairman Zhihong has [told shareholders](#) he doesn't have any other businesses, we discovered that the Chairman is involved in many other companies including Wuhan Kangbo Biological Technology Co. Ltd ("Kangbo").
- **Chen Wei (陈炜)** : A longtime shareholder of Kingold and is listed in documents as being the equivalent of Kingold's head of R&D at some point. He is the legal representative and majority shareholder of Wuhan Lianfuda (which Kingold has falsely depicted as an "unrelated party").
- **Hu Qiao (胡乔)**: Is entrusted as [the legal representative](#) for KGJI's Wholly Foreign-Owned Enterprise ("WFOE") (See [here](#) for a background on the VIE structure and the importance of the WFOE for western shareholders). Hu Qiao is also the legal representative for Kangbo and several other companies with overlapping interests.

Kingold's SEC reported liabilities (primarily consisting of [byzantine layers](#) of debt) have exploded from \$204 million at the end of 2015 to over \$1.3 Billion as of September 30, 2016. Kingold's SEC filings state that this debt has been used to finance purchases of Gold, causing promoters [to argue](#) that KGJI shares are "one of the cheapest ways to own gold in the world."



KGJI Total Liabilities (Quarterly) data by YCharts

The company has [told investors](#) that it is purchasing gold in anticipation of looming jewelry demand from the long-awaited completion of its Jewelry Park (its first direct retail location). Based on our investigator's visit to the construction site, we find it farcical to believe that Kingold will sell anything remotely close to \$1 Billion USD of gold from this single location in Wuhan.

We obtained a Kingold credit report provided by [The Peoples Bank Of China](#) ("PBOC") and those documents tell a far different story:

该信息主体无不良或关注类已结清银行承兑汇票业务

□对外担保记录

类型	被担保人	证件类型	证件号码	担保币种	担保金额	担保形式	主业务
抵押	武汉华远科技发展有限公司	贷款卡	4201080000064029	人民币	25,460.26	抵押物担保	<a href="#">查看</a>
质押	武汉康博生物技术有限责任公司	贷款卡	4201080000059466	人民币	20,000.00	质押物担保	<a href="#">查看</a>
质押	武汉康博生物技术有限责任公司	贷款卡	4201080000059466	人民币	20,000.00	质押物担保	<a href="#">查看</a>
质押	武汉康博生物技术有限责任公司	贷款卡	4201080000059466	人民币	10,000.00	质押物担保	<a href="#">查看</a>
质押	武汉康博生物技术有限责任公司	贷款卡	4201080000059466	人民币	10,000.00	质押物担保	<a href="#">查看</a>
质押	武汉康博生物技术有限责任公司	贷款卡	4201080000059466	人民币	10,000.00	质押物担保	<a href="#">查看</a>
质押	武汉康博生物技术有限责任公司	贷款卡	4201080000059466	人民币	10,000.00	质押物担保	<a href="#">查看</a>
质押	武汉康博生物技术有限责任公司	贷款卡	4201080000059466	人民币	10,000.00	质押物担保	<a href="#">查看</a>
质押	烟台润铁商贸有限公司	贷款卡	3706010001660135	人民币	10,000.00	质押物担保	<a href="#">查看</a>
质押	烟台润铁商贸有限公司	贷款卡	3706010001660135	人民币	10,000.00	质押物担保	<a href="#">查看</a>
质押	烟台永裕贸易有限公司	贷款卡	3706020000642295	人民币	3,000.00	质押物担保	<a href="#">查看</a>
质押	烟台润铁商贸有限公司	贷款卡	3706010001660135	人民币	2,000.00	质押物担保	<a href="#">查看</a>

Guarantee History		Total RMB	USD Equivalent
Guarantee	Wuhan Huayuan Technological Development Co. Ltd	254,602,600	38,164,930
Pledge	Wuhan Kangbo Biological Technology Co. Ltd.	200,000,000	29,980,000
Pledge	Wuhan Kangbo Biological Technology Co. Ltd.	200,000,000	29,980,000
Pledge	Wuhan Kangbo Biological Technology Co. Ltd.	100,000,000	14,990,000
Pledge	Wuhan Kangbo Biological Technology Co. Ltd.	100,000,000	14,990,000
Pledge	Wuhan Kangbo Biological Technology Co. Ltd.	100,000,000	14,990,000
Pledge	Wuhan Kangbo Biological Technology Co. Ltd.	100,000,000	14,990,000
Pledge	Wuhan Kangbo Biological Technology Co. Ltd.	100,000,000	14,990,000
Pledge	Wuhan Kangbo Biological Technology Co. Ltd.	100,000,000	14,990,000
Pledge	Yantai Runtie Trade Co Ltd	100,000,000	14,990,000
Pledge	Yantai Runtie Trade Co Ltd	100,000,000	14,990,000
	Yantai Runtie Trade Co Ltd	30,000,000	4,497,000
	Yantai Runtie Trade Co Ltd	20,000,000	2,998,000
		<b>1,504,602,600</b>	<b>225,539,930</b>

Source: Capture of PBOC Credit report above with amounts listed in units of 10,000 RMB. Below section includes our translation of the table and conversion into absolute amounts in both RMB and USD.

**The PBOC documents reveal that Kingold has made \$1.5 Billion RMB (roughly \$225 million USD) worth of undisclosed guarantees and asset pledges primarily for the financial benefit of related party companies. This amount exceeds the entirety of the 2015 shareholders equity that Kingold reported to the Chinese SAT.**

Roughly \$150 million USD of this total consists of assets Kingold has pledged (presumably gold) for the benefit of Wuhan Kangbo Biological. Shockingly, Chinese SAIC documents filed by Kangbo irrefutably demonstrate that Chairman Zhihong has had substantial involvement in Kangbo and even *co-founded* the company (through his interest in Hubei Zhicheng Biological). Furthermore, Kangbo's current Legal Representative is Hu Qiao, the very individual responsible for safeguarding Kingold shareholder's WFOE.

WUHAN KANGBO

武汉康博物技术有限公司

公司(企业)法定代表人登记表 13

姓名	胡乔	是否公务员	否
职务	董事长	联系电话	1337109760
任免机构	康博物技术有限公司董事会		

姓名 胡乔  
 性别 男 民族 汉  
 出生 1969年11月17日  
 住址 武汉市江岸区鄱阳村2-2号4楼4号  
 公民身份号码 [REDACTED]

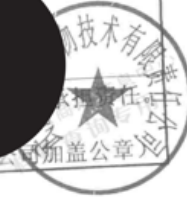


HU QIAO

法定代表人签字:

2007年10月16日

以上信息真实有效, 身份证件与原件一致



公司(企业)变更登记附表

# 武汉市康博生物技术有限公司 股东会决议

JIA ZHIHONG

经全体股东于 2001 年 10 月 15 日在湖北志诚生物工程股份有限  
公司召开第 3 次股东会，会议决定公司设立董事会和监事会。董事会  
由贾志宏、童立恒、甘国新三人组成；监事会由兰家荣、胡乔二人组  
成。

HU QIAO

JIA ZHIHONG

董事签名：

甘国新 贾志宏 童立恒

监事签名：

兰家荣 胡乔

HU QIAO



Source: Wuhan Kangbo Biological's SAIC filings. Brief redactions have been made due to privacy concerns.

Kingold has engaged in other undisclosed related party transactions. In July, the company announced the sale of its Jewelry Park to what Kingold's SEC filings called "an unrelated party" named Wuhan Lianfuda Investment Management Co., Ltd ("Lianfuda"). Once again, Kingold's statement to investors is false.

We obtained documents that Lianfuda filed with the chinese SAIC that name Lianfuda's Chairman as Chen Wei, a longtime

**shareholder of Kingold.** We also learned that Kingold and Lianfuda share the same registered address: Te 15 Huangpu Technology Park, Jiang'an District, Wuhan City (but a visit by our investigators found that this address does not exist).

6

### 指定代表或者共同委托代理人的证明

申请人： 武汉联富达投资管理咨询有限公司

指定代表或者委托代理人： 陈炜

委托事项及权限：

- 1、办理 武汉联富达投资管理咨询有限公司 (企业名称)的  设立  变更  注销  备案  手续。
- 2、同意  不同意  核对登记材料中的复印件并签署核对意见；
- 3、同意  不同意  修改企业自备文件的错误；
- 4、同意  不同意  修改有关表格的填写错误；
- 5、同意  不同意  领取营业执照和有关文书。

指定或者委托的有效期限：自 2013 年 3 月 4 日至 2014 年 6 月 30 日

指定代表或委托代理人或者经办人信息	签字： <u>陈炜</u>
	固定电话：
	移动电话： <u>13507171712</u>

姓名： 陈炜

性别：男 民族：汉

出生：1978 年 10 月 26 日

住址：武汉市江岸区滢家路132号17楼2号

公民身份号码： [REDACTED]

中华人民共和国  
居民身份证

签发机关：武汉市公安局江岸分局

有效期限：2007.09.19-2027.09.19

(申请人盖章或签字) 陈炜

2013 年 3 月 4 日

注：1、手工填写表格和签字请使用黑色或蓝黑色钢笔、毛笔。2、设立登记，有限责任公司申请人为全体股东；国有独资企业、地方人民政府国有资产监督管理机构；股份有限公司申请人为董事会；变更、注销登记申请人为本企业；企业集团登记申请人为母公司。3、委托事项及权限：第1项应当选择相应的项目并在  中打√，其他具体内容；第2、3、4、5项选择“同意”或“不同意”并在  中打√。指定代表或者委托代理人可以是自然人，也可以是其他组织；指定代表或者委托代理人是其他组织的，应当另行提交其他组织证书复印件及其指派具体经办人的文件、具体经办人的身份证件。自然人申请人由本人签字，非自然人申请人加盖公章。

Source: Wuhan Lianfuda's SAIC filings. Brief redactions have been made due to privacy concerns.

The financial nexus between Kingold, Lianfuda, Kangbo, and other affiliates of the Chairman has become highly relevant for Kingold's shareholders.

**We are concerned by recent Chinese media reports of Kingold having potential involvement in the Shanghai stock market trading activities of related parties.**

Several weeks ago, the Chinese media wrote articles ([here](#) and [here](#)) about trading irregularities in a Shanghai-listed company named Wuchang Fish (600275.SH). The articles stated that Chinese regulators discovered that Lianfuda had acted in concert with affiliates to accumulate a sizeable position as part of a potential attempt to gain control of the company. The media also reported that Lianfuda does not have enough registered capital to support such a transaction leading to speculation that others were “behind the scenes”.

That speculation has centered specifically on the potential involvement of Kingold Jewelry and Chairman Zhihong as the undisclosed financial source of the transactions. Our English translation of one of the media articles ([which we have made available here](#)) states that:

**“ a NASDAQ listed company Wuhan Kingold Jewelry Co Ltd (KGJI.NASDAQ) may also involve into this [the trading of Wuchang Fish]...the key is the Chinese concept stock Kingold Jewelry and Jia Zhihong and Chen Wei behind the scene**

Chinese media reports indicate that there continue to be far more questions than answers. However, it is clear that an elaborate web of interconnectivity exists between Chairman Zhihong and individuals involved with Kingold on one end, and entities associated in the trading of Wuchang Fish on the other.

While a detailed exploration of these complex entanglements is beyond the scope of this report, we are not comforted by Kingold’s abrupt decision to cancel its customary U.S. quarterly earnings call just weeks after the media reports first emerged. We also find it troubling that Kingold now appears poised to attempt another U.S.

capital raise despite [having discussed](#) a potential stock buyback earlier this year.

**We encourage investors to conduct their own due diligence into these factors before sending additional millions overseas.**

**Disclosure:** I am/we are short KGJI.

I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

**Disclosure:** I am/we are short KGJI.

VIEW ALL [RESEARCH](#). MORE [KGJI](#) ITEMS



Copyright © 2020 [Marcus Aurelius Value](#), All Rights Reserved.