KINGWELL GROUP LIMITED
京 維 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1195)

MAJOR TRANSACTION SECOND SUPPLEMENTAL AGREEMENT IN RELATION TO THE PROPOSED ACQUISITION OF 70% INTERESTS IN THE GOLD MINES IN SHANDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA INVOLVING THE ISSUE OF CONVERTIBLE NOTE AND PROMISSORY NOTES

Financial Adviser

禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

THE SECOND SUPPLEMENTAL AGREEMENT

On 28th November, 2013, the Company and the Vendor entered into the Second Supplemental Agreement to revise, among other things, the payment terms of the Consideration.

Pursuant to the Second Supplemental Agreement, the payment terms of the Consideration of RMB370 million (approximately HK$460 million) (subject to adjustment) shall be satisfied in the following manner:

(i) HK$100 million (approximately RMB80 million) (subject to adjustment) shall be settled by the Company by the issue of the Convertible Note to the Vendor or his nominee(s) at Completion;

(ii) RMB120 million (approximately HK$149 million) (subject to adjustment) shall be settled by the Company by the issue of the Base Promissory Note in favour of the Vendor or his nominee(s) at Completion; and

(iii) the remaining RMB170 million (approximately HK$211 million) shall be settled by the Company by the issue of the Additional Promissory Note in favour of the Vendor or his nominee(s) within thirty (30) Business Days upon completion of the events set out in (a) and (b) below:

(a) during the first five (5) years after the Completion Date, the Target Group has produced not less than 0.5 tonnes gold bar from the Gold Mines each year, or failing which, within thirty (30) Business Days after the relevant anniversary of the Completion Date, the Vendor has paid the Company an amount equivalent to the value of the shortfall of gold bar being the difference between the Yearly Gold Output Guarantee and the actual gold bar from the Gold Mines in that year; and

(b) the Vendor has assisted the Target Group to produce a gold reserve report of not less than 4.2 tonnes additional gold reserves from the Gold Mines within five (5) years after the Completion Date, which has been substantiated by a competent person report in compliance with the requirements of the Listing Rules, or failing which, within thirty (30) Business Days after the fifth (5th) anniversary of Completion Date, the Vendor has paid the Company an amount equivalent to the shortfall of gold reserves being the difference between 4.2 tonnes gold reserves and the actual gold reserves (after deducting the 0.8 tonnes existing gold reserves) from the Gold Mines during the first five (5) years after the Completion Date.

The Vendor agrees, warrants and represents that:

(a) the Target Group shall produce the Yearly Gold Output Guarantee during each of the first five (5) years after the Completion Date, or failing which, the Vendor shall, within thirty (30) Business Days after the relevant anniversary of the Completion Date, pay the Company an amount equivalent to the value of the shortfall of gold bar being the difference between the Yearly Gold Output Guarantee and the actual gold bar from the Gold Mines in that year; and

(b) the Vendor shall assist the Target Group to produce a gold reserve report of not less than 4.2 tonnes additional gold reserves from the Gold Mines within five (5) years after the Completion Date, which shall be substantiated by a competent person report in compliance with the requirements of the Listing Rules, or failing which, within thirty (30) Business Days after the fifth (5th) anniversary of Completion Date, the Vendor shall pay the Company an amount equivalent to the shortfall of gold reserves being the difference between 4.2 tonnes gold reserves and the actual gold reserves (after deducting the 0.8 tonnes existing gold reserves) from the Gold Mines during the first five (5) years after the Completion Date.

Reference is made to the announcement issued by Kingwell Group Limited (the "**Company**") dated 11th January, 2013, 28th March, 2013, 30th August, 2013 and 30th September, 2013 in relation to, among other things, the acquisition of 100% interest in Port First Limited (the "**Acquisition**"), which owns 70% beneficial interests in three gold mines with refinery facilities in Shandong Province of the PRC (the "**Announcements**"). Capitalized terms used herein shall have the same meanings as those in the Announcements unless the context otherwise requires.

BACKGROUND

As disclosed in the announcement of the Company dated 11th January, 2013, the Consideration for the Acquisition of RMB370 million (approximately HK$460 million) shall be satisfied in the following manner:

(i) HK$100 million (approximately RMB80 million) shall be settled by the issue of the Convertible Note to the Vendor or his nominee(s) at Completion; and

(ii) RMB290 million (approximately HK$360 million) shall be settled by the issue of the Promissory Note to the Vendor or his nominee(s) at Completion.

The Consideration for the Acquisition was determined after arm's length negotiations between the Company and the Vendor after taking into account, *inter alia*:

(i) a preliminary estimation of value by the Valuer on the Target Assets of not less than RMB530 million based on, primarily, historical operation information of the Target Group, preliminary technical data and the assumption that the gold reserve of the Gold Mines shall be not less than 5 tonnes;

(ii) the condition of the Share Purchase Agreement that the gold reserve of the Gold Mines and valuation of the Target Assets to be substantiated by a competent person in a technical report and an independent professional valuer in a valuation report in compliance with the Listing Rules shall be not less than 5 tonnes and not less than RMB530 million (approximately HK$660 million), so that the valuation attributable to the Target Company as to 70% beneficial interest in each of Jinxin Company and Jinhui Company as assessed by the Valuer in turn shall not be less than RMB370 million (approximately HK$460 million) based on the prevailing market condition;

(iii) the management accounts of the Target Group as at 31st December, 2012; and

(iv) the latest market statistics and future prospects of the gold mining industry.

The Company has appointed Greater China Mineral & Energy Consultants Limited as the competent person (the "**Competent Person**") as required by the Listing Rules to produce the Technical Report. According to the current result of the Technical Report prepared by the Competent Person, it is estimated that the aggregate gold reserves of the Shanchakou Mine and the Yaojia Mine will be approximately 0.8 tonnes as at 30th September, 2013 and the aggregate gold resources of the Shanchakou Mine and the Yaojia Mine are estimated to be approximately 8.7 tonnes as at 30th September, 2013 based on the tests carried out by the Target Group on one drilling hole. It is advised by the Competent Person that drilling of additional holes would be required to fully estimate potential gold reserves of the Gold Mines. As drilling of additional holes would involve substantial capital commitment and time to complete, which may cause unnecessary delay to the Completion of the Acquisition, on 28th November, 2013, the Company and the Vendor entered into the second supplemental agreement to revise certain terms of the Share Purchase Agreement (the "**Second Supplement Agreement**").

THE SECOND SUPPLEMENTAL AGREEMENT

Variation of terms

Pursuant to the Second Supplemental Agreement, the payment terms of the Consideration of RMB370 million (approximately HK$460 million) (subject to adjustment) shall be satisfied in the following manner:

(i) HK$100 million (approximately RMB80 million) (subject to adjustment) shall be settled by the Company by the issue of the Convertible Note to the Vendor or his nominee(s) at Completion;

(ii) RMB120 million (approximately HK$149 million) (subject to adjustment) shall be settled by the Company by the issue of the ten-year promissory note (the "**Base Promissory Note**") in favour of Vendor or his nominee(s) at Completion; and

(iii) the remaining RMB170 million (approximately HK$211 million) shall be settled by the Company by the issue of the five-year promissory note (the "**Additional Promissory Note**") in favour of the Vendor or his nominee(s) within thirty (30) Business Days upon completion of the events set out in (a) and (b) below:

   (a) during the first five (5) years after the Completion Date, the Target Group has produced not less than 0.5 tonnes gold bar from the Gold Mines each year, or failing which, within thirty (30) Business Days after the relevant anniversary of the Completion Date, the Vendor has paid the Company an amount equivalent to the value of the shortfall of gold bar being the difference between the Yearly Gold Output Guarantee (as defined blow) and the actual gold bar from the Gold Mines in that year; and

   (b) the Vendor has assisted the Target Group to produce a gold reserve report of not less than 4.2 tonnes additional gold reserves from the Gold Mines within five (5) years after the Completion Date, which has been substantiated by a competent person report in compliance with the requirements of the Listing Rules, or failing which, within thirty (30) Business Days after the fifth (5th) anniversary of Completion Date, the Vendor has paid the Company an amount equivalent to the shortfall of gold reserves being the difference between 4.2 tonnes gold reserves and the actual gold reserves (after deducting the 0.8 tonnes existing gold reserves) from the Gold Mines during the first five (5) years after the Completion Date.

The Vendor agrees, warrants and represents that:

(a) the Target Group shall produce at least 0.5 tonnes gold bar from the Gold Mines (the "**Yearly Gold Output Guarantee**") during each of the first five (5) years after the Completion Date, or failing which, the Vendor shall, within thirty (30) Business Days after the relevant anniversary of the Completion Date, pay the Company an amount equivalent to the value of the shortfall of gold bar being the difference between the Yearly Gold Output Guarantee and the actual gold bar from the Gold Mines in that year; and

(b) the Vendor shall assist the Target Group to produce a gold reserve report of not less than 4.2 tonnes additional gold reserves from the Gold Mines within five (5) years after the Completion Date, which shall be substantiated by a competent person report in compliance with the requirements of the Listing Rules, or failing which, within thirty (30) Business Days after the fifth (5th) anniversary of Completion Date, the Vendor shall pay the Company an amount equivalent to the shortfall of gold reserves being the difference between 4.2 tonnes gold reserves and the actual gold reserves (after deducting the 0.8 tonnes existing gold reserves) from the Gold Mines during the first five (5) years after the Completion Date.

Outstanding Loans

In addition, based on the unaudited consolidated financial statement of the Target Company as at 30th June, 2013, the Target Company had Outstanding Loans in an aggregate sum of RMB249,669,084. According to the Supplemental Agreement, the Company and the Vendor agreed that the Outstanding Loans will be settled by the Vendor in full on behalf of the Target Company before Completion.

As revised in the Second Supplemental Agreement, in the event that the Outstanding Loans are not fully settled by the Vendor before Completion, the Consideration shall be adjusted and amended by deducting a sum equal to the Outstanding Loans and the Vendor shall pay to the Company any shortfall being the difference between the Outstanding Loans and the Consideration on or before the Completion Date.

Indemnities

The Vendor further undertakes to indemnify the Company on demand against any loss or liability suffered by the Company or the Target Group as a result of or in connection with, among other things, the amount of any and all tax falling on any of the members of the Target Group or against all or any damages arising from or in connection with any non-compliance under the applicable laws and regulations in relation to the Gold Mines, in particular, the exploration and exploitation licenses of the Gold Mines, on or before the Completion Date or any event or transaction occurred on or before the Completion Date and all actions, claims, losses, damages, costs (including all legal costs), expenses or other liabilities which any of the members of the Target Group may make, suffer or incur in respect of or arising directly or indirectly from or on the basis of or in connection with any tax which is covered by such indemnities.

The Vendor also agrees and undertakes to use its best endeavours to assist each of member of the Target Group to apply, obtain, renew and/or maintain all valid permits, licences (including statutory licences), consents, approvals, permits and authorization necessary to carry on the business of the Target Group and in relation to the Gold Mines, the gold washing plant and the gold refinery plant and to obtain the exploration and exploitation licenses of the Gold Mines, licences, consents, approvals, permits and authorization upon their expiry.

Amendments to the Convertible Note

Pursuant to the Second Supplemental Agreement, the principal amount of the Convertible Note in the principal amount of HK$100 million (approximately RMB80 million) shall be adjusted by deducting a sum equal to the shortfall being the difference between the Outstanding Loans and the Base Promissory Note on or before the Completion Date. Save for the adjustment to the principal amount of the Convertible Note, there are no other changes to the terms and conditions of the Convertible Note.

Major terms of the Base Promissory Note and the Additional Promissory Note

Pursuant to the Second Supplemental Agreement, the terms of the Promissory Note to be issued to the Vendor will be changed to issuance of the Base Promissory Note and the Additional Promissory Note in the aggregate principal amount of up to RMB290 million (approximately HK$360 million) (collectively, the "**Promissory Notes**"). Principal terms of the Promissory Notes are summarized as follows:

Issuer	The Company
Issue price	The Promissory Notes will be issued at 100% of the principal amount (subject to adjustment)
Maturity date	The Base Promissory Note and the Additional Promissory Note will mature on the tenth (10th) anniversary and the fifth (5th) anniversary from the date of issue respectively
Interest	The interest of the Base Promissory Note will be 1% per annum for the first three years commencing from the date of issue of the Base Promissory Note and 5% per annum for the fourth year and thereafter with an incremental of 0.5% per annum for each subsequent year and calculated on a 365-day/year basis The interest of the Additional Promissory Note will be 6% per annum for the first year commencing from the date of issue of the Additional Promissory Note and thereafter with an incremental of 0.5% per annum for each subsequent year and calculated on a 365-day/year

Save as disclosed above, the terms of the Base Promissory Note and the Additional Promissory Note are the same as the Promissory Note as disclosed in the announcement of the Company dated 11th January 2013.

The Directors consider that the terms of the Second Supplemental Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

By Order of the Board
KINGWELL GROUP LIMITED
Hui Lung Hing
Executive Director

Hong Kong, 28th November, 2013

As at the date of this announcement, the Board comprises Mr. Hui Lung Hing, Mr. Xiang Song, Mr. Sze Ming Yee, Mr. Lin Wan Xin, Ms. Xu Yue Yue and Mr. Yang Xue Jun as executive Directors, and Mr. Huang Jian Zi, Mr. Cheung Chuen and Ms. Wong Lai Wing as independent non-executive Directors.