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## OUR HISTORY AND REORGANIZATION

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### OUR HISTORY

#### History of Our Business

Our Group was founded by Mr. Feng, who is also the controlling shareholder of Hexie Industrial Group, a privately owned group headquartered in Zhengzhou, Henan Province, China, with business interests focusing on branded and luxury lifestyle goods and services, including property development and golf courses.

After graduating from Central South Institute of Law (中南政法學院) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in 1992, Mr. Feng entered the judiciary in Henan Province, serving as assistant judge and judge of the Higher People's Court of Henan Province (河南省高級人民法院). In 2002, Mr. Feng left the judicial system and established a law firm, while at the same time starting various business enterprises. He became involved in real estate investment through his vehicle, Yuanda Investment, and was also involved in the auction and valuation businesses. Yuanda Investment was established on November 12, 2002 and Mr. Feng beneficially owns 90% of its equity interests through nominee arrangements he set up with Ms. Ma and Li Lusheng (Mr. Feng's nephew). Through these enterprises, Mr. Feng established useful business contacts and, in 2005, was introduced to an opportunity to establish the first BMW dealership in Henan Province.

Mr. Feng took up the opportunity of establishing the first BMW dealership in Henan Province and began our business when he established our principal operating subsidiary, Zhongdebao, in March 2005. At the time of Zhongdebao's establishment, Mr. Feng, Yuanda Investment and Henan Weijia Automobile Trading Co., Ltd. ("**Henan Weijia**") (an independent third party) owned 28.60%, 55.65% and 15.75% of Zhongdebao, respectively. The initial capital contributions in Zhongdebao were RMB11.13 million for Yuanda Investment, RMB5.72 million for Mr. Feng and RMB3.15 million for Henan Weijia. The initial capital contributions were followed by a capital increase in November 2005, when Yuanda Investment injected an additional RMB10 million into Zhongdebao, following which Yuanda Investment, Mr. Feng and Henan Weijia owned 70.43%, 19.07% and 10.50% of Zhongdebao, respectively. Following the establishment of Zhongdebao, our first BMW dealership outlet opened in Zhengzhou, the provincial capital of Henan Province in July 2005.

As of the Latest Practicable Date, we operated 25 outlets nationwide and held minority equity interests in two other outlets. The following is a summary of our Group's key business development milestones:

Year	Event
2005	<ul style="list-style-type: none"><li>We established Zhongdebao, the operating subsidiary of our first BMW 4S dealership outlet in Zhengzhou, Henan Province</li></ul>
2006	<ul style="list-style-type: none"><li>We established Yuanda Lexus, the operating subsidiary of our first Lexus 4S dealership outlet in Zhengzhou, Henan Province</li></ul>
2009	<ul style="list-style-type: none"><li>We established Xindebao, the operating subsidiary of our first BMW service only outlet in Xinxiang, Henan Province</li><li>We began our used car agency business</li></ul>

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Year	Event
2010	<ul style="list-style-type: none"><li>• We opened our first MINI dealership outlet in Zhengzhou, Henan</li><li>• We established Huadebao, the operating subsidiary of our first BMW 4S dealership outlet in Beijing</li></ul>
2011	<ul style="list-style-type: none"><li>• We established Henan Hedebao, the operating subsidiary of our first BMW repair and maintenance center in Zhengzhou, Henan</li><li>• We established Huacheng Auto, the operating subsidiary of our first Rolls Royce 4S dealership outlet in Zhengzhou, Henan</li><li>• We established Shangdebaojun, the operating subsidiary of our first BMW 5S dealership outlet in Shanghai</li></ul>
2012	<ul style="list-style-type: none"><li>• We established Zhengzhou Huading, the operating subsidiary of our first Aston Martin 4S dealership outlet in Zhengzhou, Henan</li><li>• We established Guangdebao, the operating subsidiary of our first BMW 5S dealership outlet in Guangzhou</li><li>• We established Yichang Lushun, the operating subsidiary of our first Jaguar/Land Rover 4S dealership outlet in Yichang, Hubei</li><li>• We opened our first Maserati &amp; Ferrari dealership outlet in Suzhou, Jiangsu</li></ul>
2013	<ul style="list-style-type: none"><li>• We opened our first Lexus dealership outlet in Xiamen, Fujian</li></ul>

### Group Structure during Our Track Record Period up to the Reorganization

As at January 1, 2009, the start of our Track Record Period, we operated one BMW 4S dealership outlet and one Lexus 4S dealership outlet, which were held by our subsidiaries Zhongdebao and Yuanda Lexus, respectively.

We describe below the changes in the equity capital of Zhongdebao and Yuanda Lexus as well as our operating subsidiaries which were established, in each case during the Track Record Period and up to the start of our reorganization in August 2011.

#### (1) Zhongdebao:

Zhongdebao was established in March 2005. As at January 1, 2009, Mr. Feng and Zhao Lu (“**Ms. Zhao**”) owned 90% and 10% of Zhongdebao, respectively. Ms. Zhao is a relative of Ms. Ma’s and the mother of Liu Dan (“**Ms. Liu**”), our Treasury Manager, and held the 10% equity interest in Zhongdebao on behalf of Mr. Feng. Ms. Zhao confirmed in writing on October 7, 2012 that the equity interest was held for Mr. Feng as nominee. Mr. Feng put in place the nominee arrangement with Ms. Zhao, as well as the various nominee arrangements referred to below, principally because he wished to maintain a lower profile as his automobile dealership business expanded. As advised by our PRC legal adviser, a natural person can only establish one “one-man limited company” 100% owned by that natural person pursuant to the PRC Company Law. All nominee arrangements referred to below were valid, legal and enforceable under PRC law.

In November 2010, Mr. Feng transferred an 80% equity interest in Zhongdebao to Hexie Industrial Group for a consideration of RMB24 million (equal to 80% of the registered capital), following which Hexie Industrial Group, Mr. Feng and Ms. Zhao owned 80%, 10% and 10% of Zhongdebao, respectively.

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### **(2) Yuanda Lexus:**

Yuanda Lexus was established in October 2006. As at January 1, 2009, Zheng Yan (“**Mr. Zheng**”), Liu Fenglei (“**Mr. Liu**”) and Fuda Fengtian Automobile Sales Services Co., Ltd. (“**Fuda Fengtian**”) owned 65%, 30% and 5% of Yuanda Lexus, respectively. Mr. Zheng is a friend of Mr. Feng’s and an independent third party and Mr. Liu is the general manager of Yuanda Lexus. Mr. Zheng and Mr. Liu held their equity interests in Yuanda Lexus on behalf of Mr. Feng. Mr. Zheng and Mr. Liu confirmed in writing on October 6, 2012 that the equity interests were held for Mr. Feng as nominees. Fuda Fengtian is an independent third party.

In August 2009, Mr. Zheng transferred the 65% equity interest in Yuanda Lexus to Yuanda Investment for a consideration of RMB0.80 million (nominal amount due to nominee arrangement) and Fuda Fengtian transferred its 5% equity interests in Yuanda Lexus to Yuanda Investment for a consideration of RMB1 million (equal to 5% of the registered capital). Following these transfers, Yuanda Investment and Mr. Liu owned 70% and 30% of Yuanda Lexus, respectively.

In November 2010, Yuanda Investment transferred its 70% equity interest in Yuanda Lexus to Hexie Industrial Group for a consideration of RMB14 million (equal to 70% of the registered capital), following which Hexie Industrial Group and Mr. Liu owned 70% and 30% of Yuanda Lexus, respectively. However, the application documents for dealership rights of Xiamen Lexus were filed by Yuanda Investment and Mr. Liu prior to such transfer. In order to avoid unnecessary delay in the application process, Hexie Industrial Group transferred its 70% equity interest in Yuanda Lexus back to Yuanda Investment for a consideration of RMB14 million (equal to 70% of the registered capital) in December 2010, following which Yuanda Investment and Mr. Liu owned 70% and 30% of Yuanda Lexus, respectively.

In March 2011, Yuanda Lexus underwent a capital increase, pursuant to which Mr. Liu injected RMB9 million in cash and Ms. Ma injected RMB21 million in cash into Yuanda Lexus. Following this capital increase, Ms. Ma, Mr. Liu and Yuanda Investment owned 42%, 30% and 28% of Yuanda Lexus, respectively. Ms. Ma is Mr. Feng’s wife and held the 42% equity interest in Yuanda Lexus on behalf of Mr. Feng. Ms. Ma confirmed in writing on October 7, 2012 that the equity interest was held for Mr. Feng as nominee.

In November 2011, Yuanda Investment transferred its 28% equity interest in Yuanda Lexus to Ms. Ma for a consideration of RMB14 million (equal to 28% of the registered capital), following which Ms. Ma and Mr. Liu owned 70% and 30% of Yuanda Lexus, respectively.

### **(3) Establishment of Operating Subsidiaries during the Track Record Period and before the Reorganization:**

#### *Xindebao*

Xindebao is the operating subsidiary for our BMW repair and service center in Xinxiang, Henan Province. Xindebao was established in April 2009 by Mr. Feng (100%). In May 2011, Mr. Feng transferred 100% of Xindebao to Hexie Industrial Group for RMB1.5 million.

#### *Yudebao*

Yudebao is the operating subsidiary for our BMW 4S dealership outlet in Luoyang, Henan Province. Yudebao was established in May 2009 by Hexie Industrial Group (95%) and Zhongdebao (5%).

In June 2009, Hexie Industrial Group transferred a 90% equity interest in Yudebao to Zhongdebao for RMB9 million and a 5% equity interest in Yudebao to Mr. Feng for RMB0.50 million. In March 2010, Zhongdebao transferred an 85% equity interest in Yudebao to Mr. Feng for RMB8.5

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million and a 10% equity interest in Yudebao to Ms. Zhao for RMB1 million. Ms. Zhao is a relative of Ms. Ma's and the mother of Ms. Liu, our Treasury Manager, and held the 10% equity interest in Yudebao on behalf of Mr. Feng. Ms. Zhao confirmed in writing on October 7, 2012 that the equity interest was held for Mr. Feng as nominee.

In October 2010, Yudebao underwent a capital increase, pursuant to which Yuanda Investment injected RMB20 million in cash into Yudebao, following which Yuanda Investment, Mr. Feng and Ms. Zhao owned 66.67%, 30% and 3.33% of Yudebao, respectively.

In November 2010, Yuanda Investment transferred its 66.67% equity interest in Yudebao to Hexie Industrial Group for RMB20 million (equal to 66.67% of the registered capital) and Ms. Zhao transferred her 3.33% equity interest in Yudebao to Hexie Industrial Group for RMB1 million (equal to 3.33% of the registered capital), following which Hexie Industrial Group and Mr. Feng owned 70% and 30% of Yudebao, respectively.

### *Zhengdebao*

Zhengdebao is the operating subsidiary for our second BMW 4S dealership outlet in Zhengzhou, Henan Province. Zhengdebao was established in July 2009 by Zhang Youqu ("**YQ Zhang**") (60%), Zhang Junsheng ("**JS Zhang**") (20%) and Lan Haibo ("**Mr. Lan**") (20%).

YQ Zhang, JS Zhang and Mr. Lan held their equity interests in Zhengdebao on behalf of Mr. Feng. YQ Zhang, JS Zhang and Mr. Lan confirmed in writing on October 6, 2012 that the equity interests were held for Mr. Feng as nominees. JS Zhang is Ms. Liu's husband and YQ Zhang is JS Zhang's brother. Mr. Lan is the general manager of Zhengdebao.

In March 2011, YQ Zhang transferred his 60% equity interest in Zhengdebao to Ms. Liu for RMB12 million and JS Zhang transferred his 20% equity interest in Zhengdebao to Mr. Lan for RMB4 million, following which Ms. Liu owned 60% and Mr. Lan owned 40% of Zhengdebao, respectively. Ms. Liu holds her equity interest in Zhengdebao on behalf of Mr. Feng pursuant to a nominee agreement entered into with Mr. Feng. Ms. Liu confirmed in writing on October 6, 2012 that the equity interest was held for Mr. Feng as nominee.

In May 2011, Zhengdebao underwent a capital increase, pursuant to which Ms. Liu and Mr. Lan injected RMB12 million and RMB8 million, respectively, in cash into Zhengdebao, following which Ms. Liu and Mr. Lan continued to own 60% and 40% of Zhengdebao, respectively.

### *Huadebao*

Huadebao is the operating subsidiary for our BMW 4S dealership outlet in Beijing. Huadebao was established in July 2010 by Zhongdebao (95%) and Mr. Feng (5%).

In April 2011, Zhongdebao transferred a 90% equity interest in Huadebao to Hexie Industrial Group for RMB49.5 million and a 5% equity interest in Huadebao to Mr. Feng for RMB2.75 million, following which Hexie Industrial Group and Mr. Feng owned 90% and 10% of Huadebao, respectively.

### *Wandebao*

Wandebao is the operating subsidiary for our BMW 4S dealership outlet in Nanyang, Henan Province. Wandebao was established in December 2010 by Hexie Industrial Group (90%) and Mr. Feng (10%).

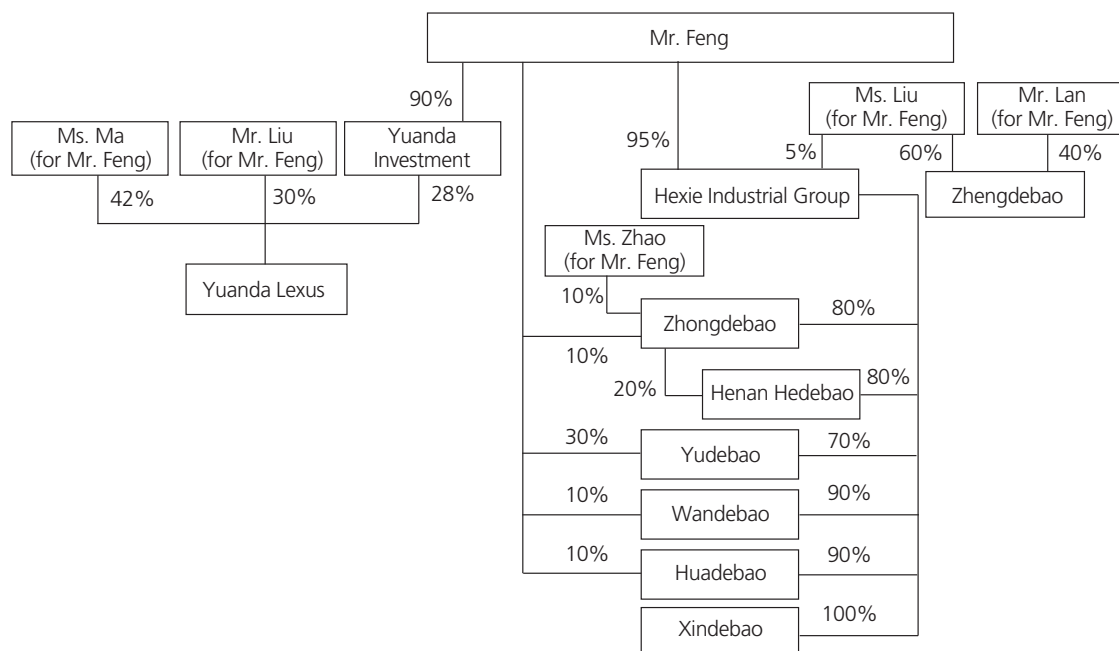
### *Henan Hedebao*

Henan Hedebao was established in July 2011 by Hexie Industrial Group (80%) and Zhongdebao (20%) to act as the operating subsidiary for our BMW repair and service center in Zhengzhou, Henan Province. As at the Latest Practicable Date, Henan Hedebao has not commenced business.

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### OUR REORGANIZATION

The following chart sets forth our ownership structure immediately prior to the start of the Reorganization:



### Investment Agreement

Mr. Feng, Hexie Industrial Group, the Financial Investors, Zhongdebao and a number of our operating subsidiaries entered into an investment agreement dated August 17, 2011 (the “**Investment Agreement**”), which set out the framework for a number of reorganization steps (the “**Reorganization**”) as well as the terms of the investment by the Financial Investors. The purpose of the Reorganization was to streamline our ownership structure, eliminate some of the legacy nominee ownership arrangements, as well as to create an offshore holding structure for the investment by the Financial Investors as well as the Listing.

In summary, the parties agreed the following:

- A. The Financial Investors agreed a total investment of RMB371.2 million, including RMB120.0 million of capital injection funds referred to in paragraph E below.
- B. One of the Financial Investors agreed to provide an interest-free loan of RMB80 million to our Group as interim financing for the Reorganization. This loan was granted to our Group on August 22, 2011 and repaid in full by our Group on November 20, 2012.
- C. We agreed to undertake a number of steps resulting in Hexie Industrial Group owning 100% of Zhongdebao (which would in turn own a number of our operating subsidiaries). See “Phase 1 of the Reorganization” below.
- D. The Financial Investors and Mr. Feng agreed to each set up an offshore corporate structure in anticipation of the Pre-IPO Investment (the “**Investors’ Offshore Holding Structure**” and “**Mr. Feng’s Offshore Holding Structure**”, respectively). See “Phase 2 of the Reorganization” below.

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- E. The Financial Investors agreed to provide initial funding in the amount of RMB120 million by way of capital injection into Zhongdebao through Daoable Future, a company wholly-owned by the Financial Investors. See “Phase 3 of the Reorganization” below.
- F. Mr. Feng agreed to transfer Hexie Industrial Group’s 80% equity interest in Hexie Auto to Mr. Feng’s Offshore Holding Structure. Hexie Auto would then purchase Hexie Industrial Group’s interests in Zhongdebao and Yuanda Lexus. See “Phase 3 of the Reorganization” below.
- G. The Financial Investors agreed to purchase certain preferred shares issued by Success Intergrow in exchange for the transfer of their 100% ownership in the Investors’ Offshore Holding Structure (which held Zhongdebao following the above capital increase) and cash. See “Phase 4 of the Reorganization” and “Phase 5 of the Reorganization” below.

The Investment Agreement also set out a framework for the rights of the Financial Investors, in terms of corporate governance, information rights, downside protection and exit rights. These are described in further detail in the paragraph headed “Pre-IPO Investment” below.

### Phase 1 of the Reorganization

Phase 1 of the Reorganization commenced in August 2011 and involved the consolidation of a number of operating subsidiaries under the ownership of Zhongdebao, as well as the rationalization of the ownership structure of Zhongdebao itself so that it became wholly-owned by Hexie Industrial Group. Following these steps, the Financial Investors injected capital into our business through a capital increase of Zhongdebao.

The following took place during Phase 1 of the Reorganization:

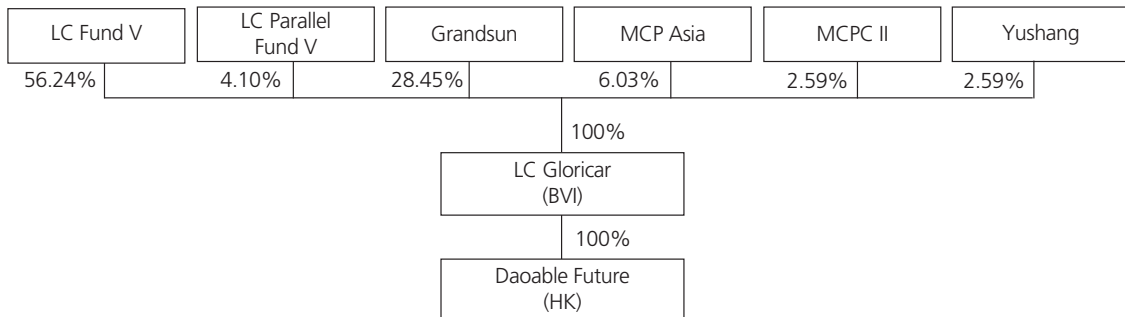
- ***Wandebao became wholly-owned by Zhongdebao:*** In August 2011, Hexie Industrial Group and Mr. Feng transferred all of their respective equity interests in Wandebao to Zhongdebao for a total consideration of RMB30 million, following which Zhongdebao owned 100% of Wandebao.
- ***Yudebao became wholly-owned by Zhongdebao:*** In August 2011, Hexie Industrial Group transferred a 70% equity interest in Yudebao to Zhongdebao for RMB21 million and Mr. Feng transferred a 30% equity interest in Yudebao to Zhongdebao for RMB9 million. Following these transfers, Zhongdebao owned 100% of Yudebao.
- ***Henan Hedebao became wholly-owned by Zhongdebao:*** In September 2011, Hexie Industrial Group transferred its 80% equity interest in Henan Hedebao to Zhongdebao for RMB16 million, following which Zhongdebao owned 100% of Henan Hedebao.
- ***Zhongdebao became wholly-owned by Hexie Industrial Group:*** In September 2011, Mr. Feng and Zhao Lu each transferred a 10% equity interest in Zhongdebao to Hexie Industrial Group for a consideration of RMB3 million each, following which Hexie Industrial Group owned 100% of Zhongdebao.

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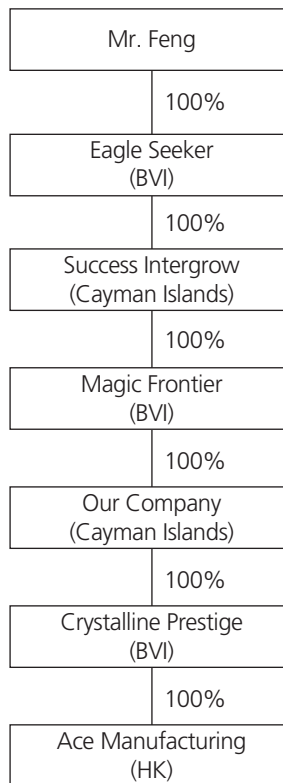
### Phase 2 of the Reorganization

In Phase 2 of the Reorganization, the Financial Investors and Mr. Feng established the Investors' Offshore Holding Structure and Mr. Feng's Offshore Holding Structure, respectively, as follows:

#### *Investors' Offshore Holding Structure*



#### *Mr. Feng's Offshore Holding Structure*



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### Phase 3 of the Reorganization

In Phase 3 of the Reorganization, Daoable Future made a cash injection of a US dollar amount equivalent to RMB120 million to Zhongdebao, following which Hexie Industrial Group and Daoable Future owned 70% and 30% of Zhongdebao, respectively.

Hexie Auto was established in November 2011 by Hexie Industrial Group (80%) and Daoable Future (20%). The purpose of Hexie Auto was to eventually act as the onshore holding vehicle of our operating subsidiaries. On February 27, 2012, Hexie Industrial Group transferred its 80% equity interest in Hexie Auto to Ace Manufacturing for a consideration of RMB8 million, following which Ace Manufacturing and Daoable Future owned 80% and 20% of Hexie Auto, respectively. On March 14, 2012, Hexie Auto underwent a capital increase, pursuant to which Ace Manufacturing injected RMB160 million in cash into Hexie Auto. Following this capital increase, Ace Manufacturing and Daoable Future owned 98.8% and 1.2% of Hexie Auto, respectively. On November 26, 2012 Hexie Auto underwent a further capital increase, pursuant to which Ace Manufacturing injected RMB75 million in cash into Hexie Auto. Following this capital increase, Ace Manufacturing and Daoable Future owned 99.18% and 0.82% of Hexie Auto, respectively.

In the meantime, we continued with our business expansion by establishing four more operating subsidiaries, namely Huacheng Auto, Andebao, Shangdebaojun and Xiamen Lexus:

#### *Andebao*

Andebao is the operating subsidiary for our BMW 4S dealership outlet in Anyang, Henan Province. Andebao was established in October 2011 by Zhongdebao (100%).

#### *Huacheng Auto*

Huacheng Auto is the operating subsidiary for our Rolls Royce 4S dealership outlet in Zhengzhou, Henan Province. Huacheng Auto was established in September 2011 by Zhongdebao (100%).

#### *Shangdebaojun*

Shangdebaojun is the operating subsidiary for our BMW 5S dealership outlet in Shanghai. Shangdebaojun was established in November 2011 by Hexie Industrial Group (89%), Zhu Jiangming (10%) and Zhongdebao (1%). Zhu Jiangming is an independent third party.

#### *Xiamen Lexus*

Xiamen Lexus is the operating subsidiary for our Lexus 4S dealership outlet in Xiamen, Fujian Province. Xiamen Lexus was established in December 2011 by Ms. Ma (70%) and Yuanda Lexus (30%). Ms. Ma is Mr. Feng's wife and held the 42% equity interest in Yuanda Lexus on behalf of Mr. Feng. Ms. Ma confirmed in writing on October 7, 2012 that the equity interest was held for Mr. Feng as nominee.



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### Phase 4 of the Reorganization

The principal purpose of Phase 4 of the Reorganization was to transfer the ownership of our operating subsidiaries to the offshore structure owned by Mr. Feng (and which owned 80% of Hexie Auto).

The following took place during Phase 4 of the Reorganization:

- **Zhongdebao:** On March 7, 2012, Hexie Industrial Group transferred a 70% equity interest in Zhongdebao to Hexie Auto for a consideration of RMB30 million, following which Hexie Auto and Daoable Future owned 70% and 30% of Zhongdebao, respectively.
- **Xindebao:** On April 13, 2012, Hexie Industrial Group transferred 100% of Xindebao to Zhongdebao for RMB1.5 million, following which Zhongdebao owned 100% of Xindebao.
- **Shangdebaojun:** On June 26, 2012, Hexie Industrial Group and Zhongdebao transferred all of their respective equity interests in Shangdebaojun to Hexie Auto for a total consideration of RMB45 million, following which Hexie Auto and Zhu Jiangming owned 90% and 10% of Shangdebaojun, respectively.
- **Zhengdebao:** On June 11, 2012, Ms. Liu and Mr. Lan transferred all of their respective equity interests in Zhengdebao to Hexie Auto for a total consideration of RMB40 million, following which Hexie Auto owned 100% of Zhengdebao.
- **Huadebao:** On August 29, 2012, Hexie Industrial Group and Mr. Feng transferred all of their respective equity interests in Huadebao to Hexie Auto for a total consideration of RMB55 million, following which Hexie Auto owned 100% of Huadebao.
- **Yuanda Lexus:** On September 29, 2012, Ms. Ma and Mr. Liu transferred all of their respective equity interests in Yuanda Lexus to Hexie Auto for a total consideration of RMB50 million, following which Hexie Auto owned 100% of Yuanda Lexus.
- **Xiamen Lexus:** On September 29, 2012, Ms. Ma transferred her 70% equity interest in Xiamen Lexus to Yuanda Lexus for a total consideration of RMB21 million, following which Yuanda Lexus owned 100% of Xiamen Lexus. On April 14, 2013, Yuanda Lexus transferred its 100% equity interest in Xiamen Lexus to Hexie Auto for RMB30 million.

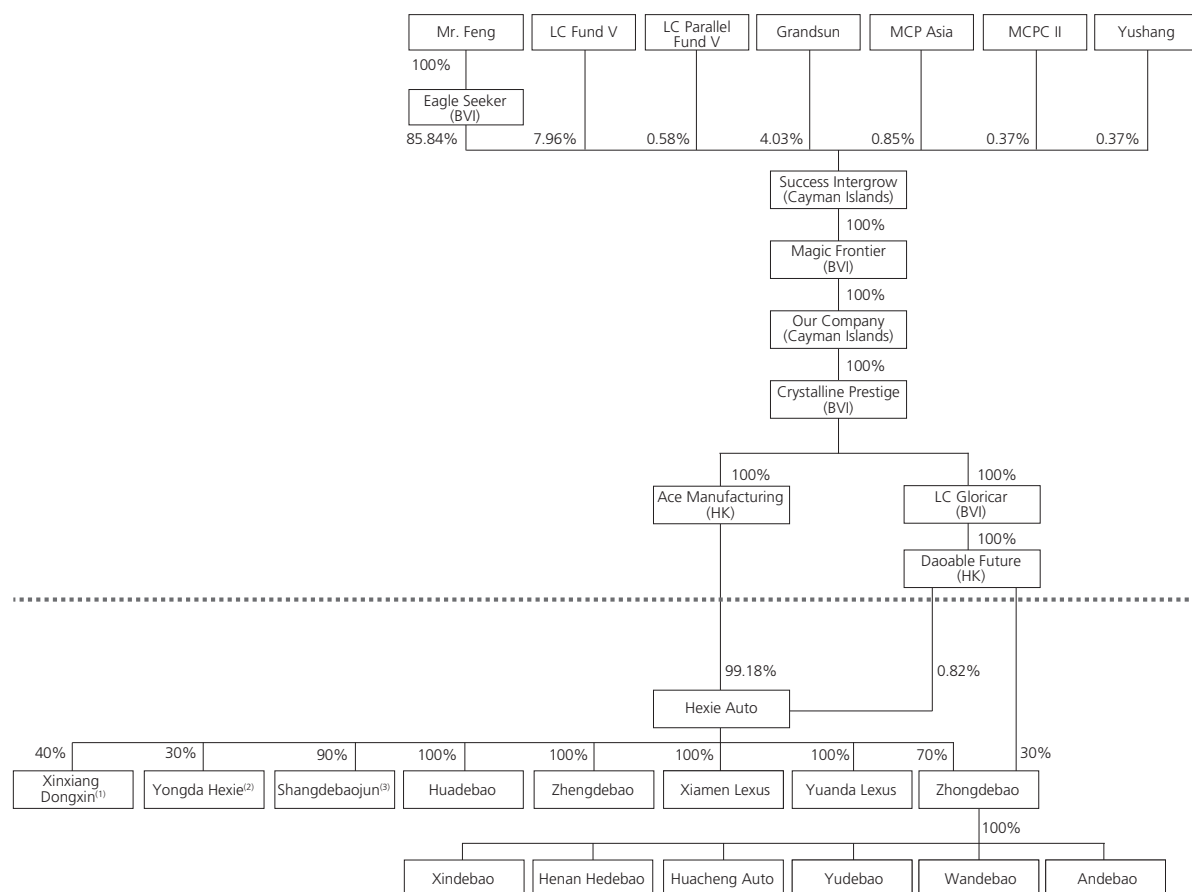
### Phase 5 of the Reorganization

In Phase 5 of the Reorganization, the Financial Investors transferred 100% of LC Gloricar to Magic Frontier and paid certain cash consideration in exchange for the issue by Success Intergrow of Preference Shares.

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### Corporate structure immediately after the Reorganization

The following chart sets forth our corporate structure immediately after the Reorganization and the investment by the Financial Investors:



**Notes:**

- (1) Du Zhaohui and Du Gewei respectively hold 55% and 5% of Xinxian Dongxin.
- (2) Shanghai Yongda holds 70% of Yongda Hexie.
- (3) Zhu Jiangming holds 10% of Shangdebaojun.

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### Recent Development

The following operating subsidiaries were established recently, and for which there have not been any changes in ownership prior to the onshore reorganization described below:

Company Name	Date of Establishment	Dealership Outlet	Ownership
Biandebao . . . . .	March 2012	BMW / Kaifeng, Henan Province	Zhongdebao (100%)
Yichang Lushun . . . . .	April 2012	Land Rover & Jaguar / Yichang, Hubei Province	Hexie Auto (80%) Yichang Xingshun Automobile Sales Co., Ltd. (“ <b>Yichang Xingshun</b> ”) (20%) <sup>(1)</sup>
Xi’an Huadu . . . . .	April 2012	Rolls Royce / Xi’an, Shaanxi Province	Hexie Auto (100%)
Zhengzhou Huading . . .	May 2012	Aston Martin / Zhengzhou, Henan Province	Hexie Auto (100%)
Guangdebao. . . . .	May 2012	BMW / Guangzhou, Guangdong Province	Hexie Auto (100%)
Henan Yingzhiyi . . . . .	May 2012	MINI / Zhengzhou, Henan Province	Hexie Auto (100%)
Luoyang Luhe. . . . .	June 2012	Land Rover & Jaguar / Luoyang, Henan Province	Hexie Auto (100%)
Wuhan Huazheng. . . . .	July 2012	Aston Martin / Wuhan, Hubei Province	Hexie Auto (100%)
Handebao. . . . .	July 2012	BMW / Wuhan, Hubei Province	Hexie Auto (100%)
Suzhou Yijun . . . . .	October 2012	Maserati & Ferrari / Suzhou, Jiangsu Province	Hexie Auto (100%)
Xinxiang Hedebao . . . .	November 2012	BMW / Xinxiang, Henan Province	Hexie Auto (51%) Du Gewei (49%) <sup>(2)</sup>
Shenyang Shenzhiyi . . .	February 2013	MINI / Shenyang, Liaoning Province	Hexie Auto (100%)
Shenyang Shendebao . .	February 2013	BMW / Shenyang, Liaoning Province	Hexie Auto (100%)
Beijing Haojun . . . . .	March 2013	Maserati / Beijing	Hexie Auto (100%)
Luohe Luodebao. . . . .	April 2013	BMW/Luohe, Henan Province	Hexie Auto (100%)

*Notes:*

(1) Yichang Xingshun is a car dealer who primarily based in Hubei province and deals with a mix range of passenger vehicles, Yichang Xingshun is an independent third party. On August 9, 2012, Hexie Auto and Yichang Xingshun entered into an entrustment agreement pursuant to which, Hexie Auto agreed to act as nominee of 15% of the equity interest in Yichang Lushun owned by Yichang Xingshun during the period from August 9, 2012 to December 31, 2012. The reason for such arrangement was that, in August 2012, Hexie Auto agreed to apply for a Lexus dealership authorization for a new outlet in Yichang jointly with Yichang Xingshun, as Yichang Xingshun owned the land use right of the site for the planned new outlet. Conversely, Yichang Xingshun agreed with Hexie Auto that in exchange for the opportunity of jointly applying for the dealership authorization, in addition to providing the usage of the land it owned, Yichang Xingshun would transfer 15% equity interest in Yichang Lushun to Hexie Auto, conditioned upon the success in the authorization application by December 31, 2012. As an act of good faith, the two parties entered into the entrustment

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agreement. We are currently in the process of reverting the 15% equity interest in Yichang Lushun to Yichang Xingshun as the application was not approved by Lexus, which was not informed of such entrustment arrangement. Upon completion of the reversion, Yichang Lushun will continue to be the operating entity of the Land Rover & Jaguar outlet with Hexie Auto and Yichang Xingshun holding 65% and 35% of the equity interest, respectively. As advised by our PRC legal adviser, the entrustment agreement between Hexie Auto and Yichang Xingshun was legal, valid and enforceable.

(2) Du Gewei is an independent third party.

We have also established the following joint ventures with third party passenger vehicle dealerships:

Company Name	Date of Establishment	Dealership Outlet	Ownership
Yongda Hexie <sup>(1)</sup> . . . . .	December 2011	Land Rover & Jaguar/ Zhengzhou, Henan Province	Hexie Auto (30%) Shanghai Yongda Automobile Group Co. Ltd. (“ <b>Shanghai Yongda</b> ”) (70%) <sup>(2)</sup>
Xinxiang Dongxin . . . . .	September 2012 <sup>(3)</sup>	Audi/Zhengzhou, Henan Province	Hexie Auto (40%) Du Zhaohui (55%) <sup>(4)</sup> Du Gewei (5%) <sup>(4)</sup>

*Notes:*

- (1) Shanghai Yongda is responsible for the daily operations of Yongda Hexie.
- (2) Shanghai Yongda is an independent third party car dealer who sells a mix range of passenger vehicles.
- (3) Xinxiang Dongxin was established in the PRC on December 13, 2010 and we acquired 40% of its equity interests on September 29, 2012. Xinxiang Dongxin will continue to be operated by Du Zhaohui and Du Gewei.
- (4) Du Zhaohui and Du Gewei are independent third party car dealers who sells a mix range of passenger vehicles.

The nature of the automobile dealership industry is that automobile manufacturers, having the power to grant dealerships, effectively control the overall planning of their dealership sales network in terms of geographical proximity and the scale and sales quota of each outlet. As such, competition within the same brand is “monitored and regulated” by automobile manufacturers. An automobile manufacturer would only grant additional dealerships in a regional market if it considers that market has sufficient demand so that new outlets would not create unnecessary competition with existing outlets. Prior to the establishment of Yongda Hexie and the acquisition of 40% of Xinxiang Dongxin’s equity interest, we did not have brand coverage of Land Rover and Jaguar in Zhengzhou or Audi in China, so the two joint ventures allowed us to expand our brand coverage, increase our market share and enter into and compete in market segments where we did not have any presence before, consequently we believe that they will not cause direct competition against us. Therefore, we do not foresee direct competition from the two joint ventures in the sense that they might divert business from our existing or future wholly-owned outlets.

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### PRE-IPO INVESTMENT

The total investment of the Financial Investors was RMB371.2 million, represented by the issuance to the Financial Investors of five million redeemable convertible preferred shares (the “**Series A Preferred Shares**”) in Success Intergrow. The consideration for the Series A Preferred Shares comprised of (a) the sale of LC Gloricar, a company 100% owned by the Financial Investors and which held an indirect 1.2% interest in Hexie Auto through Daoable Future, by the Financial Investors to Magic Frontier and (b) a cash amount of RMB249.2 million, of which RMB169.2 million was paid on March 6, 2012 and the remaining RMB80 million was paid on December 3, 2012. On March 14, 2012, Ace Manufacturing injected RMB160 million of the first cash payment into Hexie Auto in the form of capital increase as part of Phase 3 of the Reorganization. The acquisition of LC Gloricar, which held an indirect 1.2% interest in Hexie Auto through Daoable Future after the capital increase, was consummated in September 2012 as part of the Pre-IPO Investment. The cash payment were used primarily on the purchase of inventory and construction of new outlets, including Zhengzhou Huacheng Auto, Anyang Andebao, Kaifeng Biandebao and Xiamen Lexus. Completion of the Pre-IPO investment took place on December 3, 2012.

### Subscription of Series A Preferred Shares

On March 5, 2012, Mr. Feng, Hexie Industrial Group, Eagle Seeker, Success Intergrow, Magic Frontier, ACE Manufacturing, Daoable Future, Hexie Auto, Zhongdebao, LC Gloricar, the Financial Investors entered into a share exchange agreement (the “**Share Exchange Agreement**”), pursuant to which the Financial Investors agreed to subscribe for an aggregate of five million Series A Preferred Shares in Success Intergrow, in consideration for the sale by the Financial Investors of 100% of LC Gloricar to Magic Frontier and a cash amount of RMB249.2 million. The Series A Preferred Shares represented 14.16% of the enlarged issued share capital of Success Intergrow.

Details of the Pre-IPO Investment by each Financial Investor are set forth below:

Financial Investor	% of LC Gloricar	No. of Series A Preferred Shares	Total Cash Amount (US\$)	Shareholding
LC Fund V . . . . .	56.24%	2,812,185	19,112,974.17	7.96%
LC Parallel Fund V . . . . .	4.10%	205,055	1,393,616.87	0.58%
Grandsun International. . .	28.45%	1,422,415	3,367,578.30 plus US\$ equivalent of RMB80 million	4.03%
MCP Asia . . . . .	6.03%	301,725	2,066,129.11	0.85%
MCPC II . . . . .	2.59%	129,310	885,449.36	0.37%
Yushang . . . . .	2.59%	129,310	13,410.89	0.37%
	<b>100.00%</b>	<b>5,000,000</b>	<b>US\$ equivalent of RMB249.2 million</b>	<b>14.16%</b>

In anticipation of our Listing, the parties to the Share Exchange Agreement and our Company agreed that the Financial Investors shall convert their Series A Preferred Shares in Success Intergrow into ordinary shares in Success Intergrow on a 1:1 basis, immediately following which Mr. Feng and the Financial Investors shall exchange their ordinary shares in Success Intergrow into our Shares (the “**IPO Reorganization Agreement**”). The conversion and exchange shall be effective immediately after the Underwriting Agreements becoming unconditional and prior to commencement of dealings in our Shares on the Stock Exchange. For details of the conversion and exchange, see the paragraph headed “Pre-Listing Reorganization” in this section. As issuance and settlement of such Series A Preferred Shares were arranged among Success Intergrow, the holding company of the Group and the Financial Investors, the Series A Preferred Shares do not have any impact on the financial performance of the Group.

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## OUR HISTORY AND REORGANIZATION

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The subscription price and the percentage of Series A Preferred Shares allotted and issued to the Financial Investors were determined on an arm's length basis as a result of negotiations among the parties having made reference to the financial results of our Company for the year ended December 31, 2011. Based on the above, the average investment cost associated with the Shares allotted and issued to the Financial Investors pursuant to the Share Exchange Agreement was approximately US\$0.53 per Share. If the Offer Price is HK\$7.48 per Share, being the mid-point of the Offer Price range, then the investment cost per Share for the Financial Investors would represent a discount of approximately 45.15% to the Offer Price. There are no guaranteed discounts to the Offer Price or our market capitalization.

### Key Terms of the Series A Preferred Shares

Set forth below are the key terms of the Series A Preferred Shares:

Number Issued:	5,000,000
Voting Rights:	One vote per Series A Preferred Share
Conversion Rights:	The number of Shares into which a Series A Preferred Share shall be converted shall be the quotient of the " <b>Original Series A Issue Price</b> " (being RMB74.24 per share) divided by the then-effective Series A Conversion Price. The " <b>Series A Conversion Price</b> " shall initially equal to the Original Series A Issue Price and shall be adjusted from time to time as provided below. The initial conversion ratio for Series A Preferred Share to Shares shall be 1:1.

*Optional Conversion:* At the option of the holder, a Series A Preferred Share may be converted in full-paid Shares based on the then-effective conversion price.

*Automatic Conversion:* The Series A Preferred Shares shall be converted into Shares upon the closing of a Qualified IPO.

"**Qualified IPO**" means a firm-commitment underwritten public offering of our Shares that is effected pursuant to, among other things, securities laws in a jurisdiction that is approved by our Shareholders, as a result of which our Shares become tradeable on one or more internationally recognized stock exchanges with aggregate offering gross proceeds to our Company of at least US\$100 million and an implied valuation of our Company prior to such offering of at least HK\$10 billion. The parties to the Share Exchange Agreement have agreed that the Global Offering and Listing shall constitute a Qualified IPO.

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## OUR HISTORY AND REORGANIZATION

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Adjustments to Conversion Price: The conversion price of the Series A Preferred Shares shall be adjusted as follows:

- in the event of share splits and combinations, scrip dividends and distributions, other dividends, and reorganizations, mergers, consolidations, reclassifications, exchanges, and substitutions, and other dilutive events
- in the event our Company issues securities without consideration or at below the conversion price
- for performance based adjustment – see “Performance Adjustment” below

Performance Adjustment:

The parties agree that the “2011 Net Profit” shall be no less than RMB237.5 million, and the “2012 Net Profit” shall be no less than RMB360.0 million. Mr. Feng shall ensure that our Group will achieve such targets. The performance adjustment provisions shall continue to be in force following Listing.

“**2011 Net Profit**” and “**2012 Net Profit**” mean the consolidated net profit after tax of our Group for the year ended December 31, 2011 or 2012 (as the case may be) as reflected in the audited consolidated financial statements of our Group prepared in accordance with IFRS, excluding (a) any revenue contributed by entity or entities which have been acquired or merged into our Company after the closing date of the Share Exchange Agreement, and (b) any revenue which is extraordinary or non-recurring in nature.

In the event that the 2011 Net Profit or the 2012 Net Profit was less than RMB237.5 million or RMB360.0 million (as the case may be), then the then-effective Series A Conversion Price shall be adjusted as follows:

$$\text{Adjusted Series A Conversion Price} = \frac{(\text{CP} \times \text{A} \times \text{B})}{(\text{C} \times \text{D})}$$

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## OUR HISTORY AND REORGANIZATION

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Where:

“**CP**” shall mean the applicable Series A Conversion Price in effect immediately prior to such adjustment of the Series A Conversion Price

“**A**” shall mean the number of Shares outstanding immediately prior to such adjustment of the Series A Conversion Price (including options)

“**B**” shall mean the 2011 Net Profit or 2012 Net Profit (as the case may be)

“**C**” shall mean RMB250 million (in the case of the 2011 Net Profit adjustment) and RMB400.0 million (in the case of the 2012 Net Profit adjustment)

“**D**” shall mean the number of Shares outstanding immediately after such adjustment of the Series A Conversion Price (including options)

The Financial Investors have waived the performance adjustment provision for the 2011 Net Profit and 2012 Net Profit, notwithstanding our 2011 Net Profit was less than RMB237.5 million and our 2012 Net Profit was less than RMB360.0 million.

Redemption Rights:

In the event (a) our Group fails to consummate a Qualified IPO before December 31, 2013, or (b) our Group fails to complete the restructuring before March 31, 2012 so as to be qualified to conduct an initial public offering on the Hong Kong Stock Exchange, Success Intergrow shall, upon written request of the holders of more than 50% of the outstanding Series A Preferred Shares, redeem the Original Series A shares at a redemption price of 100% of the Original Series A Issue Price, plus an annual compounded interest at the rate of 10% of the Original Series A Issue Price (as adjusted). Our group consummated the restructuring prior to March 31, 2012.



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## OUR HISTORY AND REORGANIZATION

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### Special Rights of the Financial Investors

In conjunction with the Share Exchange Agreement, the same parties entered into a shareholders' agreement dated March 5, 2012, as supplemented by the IPO Reorganization Agreement (the "**Shareholders' Agreement**"), pursuant to which the Financial Investors were granted a number of special rights in relation to our Company, including without limitation, right of first refusal, right of co-sale, pre-emptive rights, appointment of director, information rights, exit rights and post IPO lock-up. Set forth below is a summary of the principal special rights granted to the Financial Investors under the Shareholders' Agreement:

- Right of Participation: Each Financial Investor shall have a right of first refusal to purchase its pro rata share of a new issue of securities by our Company (excluding, among others, securities issued upon an initial public offering or a Qualified IPO). The participation rights shall terminate upon closing of a Qualified IPO.
- Right of First Refusal: If any Shareholder proposes to transfer any of its Shares, the Financial Investors shall have a right of first refusal to purchase its pro rata share of such Shares. The right of first refusal shall terminate upon closing of a Qualified IPO.
- Drag-Along Right: If a majority of the holders of the Series A Preferred Shares approve a transfer of all Shares held by them to a purchaser, or approve a proposed trade sale, then all other shareholders shall give their consent to the sale of all of the Shares held by them. The drag-along right shall terminate upon closing of a Qualified IPO.
- Right of Co-Sale: Each Financial Investor which does not exercise its right of first refusal as mentioned above shall have the right, but not the obligation, to participate in the sale of Shares to the transferee upon substantially the same terms and conditions as offered by the selling Shareholder, in proportion to the total number of Shares held by the relevant Financial Investor. The right of co-sale shall terminate upon closing of a Qualified IPO.
- Lock-Up Rights: Mr. Feng shall not, without the prior written consent of a majority of the holders of the Series A Preferred Shares, (a) sell, assign, exchange or transfer any Shares or securities of our Company or any other member of our Group held directly or indirectly by him or his holding vehicles, nor (b) pledge, mortgage or otherwise dispose of any Shares or securities of our Company, in each case prior to the closing of a Qualified IPO. The lock-up rights shall terminate upon closing of a Qualified IPO.

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## OUR HISTORY AND REORGANIZATION

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Board of Directors:	The Board shall have seven Directors. So long as each of Legend Capital and Grandsun holds any Shares in our Company, each of them shall have the right to nominate, remove or replace one Director and one non-voting observer (each a “ <b>Series A Director</b> ”). The nomination rights shall terminate upon closing of a Qualified IPO.
Protective Rights:	Certain matters require (a) the approval of a majority of the holders of Series A Preferred Shares, or (b) the affirmative votes of at least two-thirds of the Board, including the affirmative votes of the Series A Directors, or (c) the affirmative votes of at least a majority of the Board, including the affirmative vote of at least one Series A Director. The protective rights shall terminate upon closing of a Qualified IPO.
Information and Inspection Rights:	Prior to the Listing, the Financial Investors are entitled to receive from our Company periodic financial information. The Financial Investors also have the right to reasonably request for information about the operations, business affairs and financial condition of our Group. The information and inspection rights shall terminate upon closing of a Qualified IPO.
Registration Rights:	The Financial Investors were granted customary “registration rights” in the event of an initial public offering of our Company in the United States, and shall be entitled to reasonably analogous or equivalent rights with respect to any other offering on a recognized stock exchange in any other jurisdiction. The registration rights shall terminate upon Listing.

### Information regarding the Financial Investors

#### **Legend Capital**

LC Fund V is a limited partnership registered in the Cayman Islands on April 19, 2011. It is a US\$480 million fund with investors from regions including the United States, United Kingdom, Germany, Japan and Hong Kong. LC Parallel Fund V is a limited partnership registered in the Cayman Islands on May 23, 2011. It is a US\$35 million fund with investors from the Middle East. Both LC Fund V and LC Parallel Fund V focus on innovative and growing enterprises, in sectors including telecoms, media and technology (TMT), outsourcing and professional services, clean technology, healthcare, consumer products and services, and hi-tech manufacturing.

Legend Capital is an independent third party to the Group. As Legend Capital is not a connected person of our Company under the Listing Rules, the Shares held by Legend Capital will be counted towards the public float after the Listing.

#### **Grandsun**

Grandsun was established in BVI on April 28, 2004. Grandsun is beneficially owned by Ms. Yip Chi Yu, an individual financial investor who is an independent third party and its principal business is investments in growing stage enterprises and industry integration opportunities.

As Grandsun is not a connected person of our Company under the Listing Rules, the Shares held by Grandsun will be counted towards the public float after the Listing.

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### ***Morgan Creek Funds***

MCP Asia and MCPC II are limited partnerships registered in the State of Delaware of the United States of America and established in 2009 and 2010 by Morgan Creek Capital Management, LLC. MCP Asia and MCPC II are focused on investing in emerging companies and private equity funds. Morgan Creek Capital Management, LLC is a SEC-registered investment adviser providing investment management services to institutions and wealthy families. MCP Asia is one of the limited partners of LC Fund V.

Morgan Creek Funds is an independent third party to the Group. As Morgan Creek Funds is not a connected person of our Company under the Listing Rules, the Shares held by Morgan Creek Funds will be counted towards the public float after the Listing.

### ***Yushang***

Yushang is a company incorporated in the BVI on September 3, 2010. It is beneficially owned by Mr. Liu Lin and Ms. Yip Chi Yu, individual financial investors who are independent third parties and its principal business is investment holding.

As Yushang is not a connected person of our Company under the Listing Rules, the Shares held by Yushang will be counted towards the public float after the Listing.

### **Lock-up of the Financial Investors**

Each of the Financial Investors has agreed to a lock-up period of six months from the Listing Date. Please see the section headed "Underwriting – Lock-up undertakings of the Financial Investors pursuant to lock-up agreements" for further details.

### **PRE-LISTING REORGANIZATION**

In anticipation of our Listing, we underwent a reorganization pursuant to which our Company became the holding company and listing vehicle of our Group ("**Pre-Listing Reorganization**"). On May 27, 2013, the parties to the Share Exchange Agreement and the Shareholders' Agreement and our Company entered into the IPO Reorganization Agreement, pursuant to which they have agreed that, immediately after the Underwriting Agreements becoming unconditional and prior to commencement of dealings in our Shares on the Stock Exchange:

- (1) Our Company's sole shareholder, Magic Frontier, will declare a dividend, to be satisfied in specie, by the transfer of the entire share capital in our Company to Success Intergrow;
- (2) Immediately thereafter, the Financial Investors will convert their Series A Preferred Shares in Success Intergrow into ordinary shares in Success Intergrow on a 1:1 basis;
- (3) Immediately thereafter, our Company will allot and issue to Success Intergrow 799,999,999 Shares credited as fully paid; and
- (4) Immediately thereafter, Success Intergrow will repurchase all the ordinary shares (except one share registered under the name of Eagle Seeker) held by Eagle Seeker and the Financial Investors in return for Success Intergrow transferring all our issued Shares to Eagle Seeker and the Financial Investors.

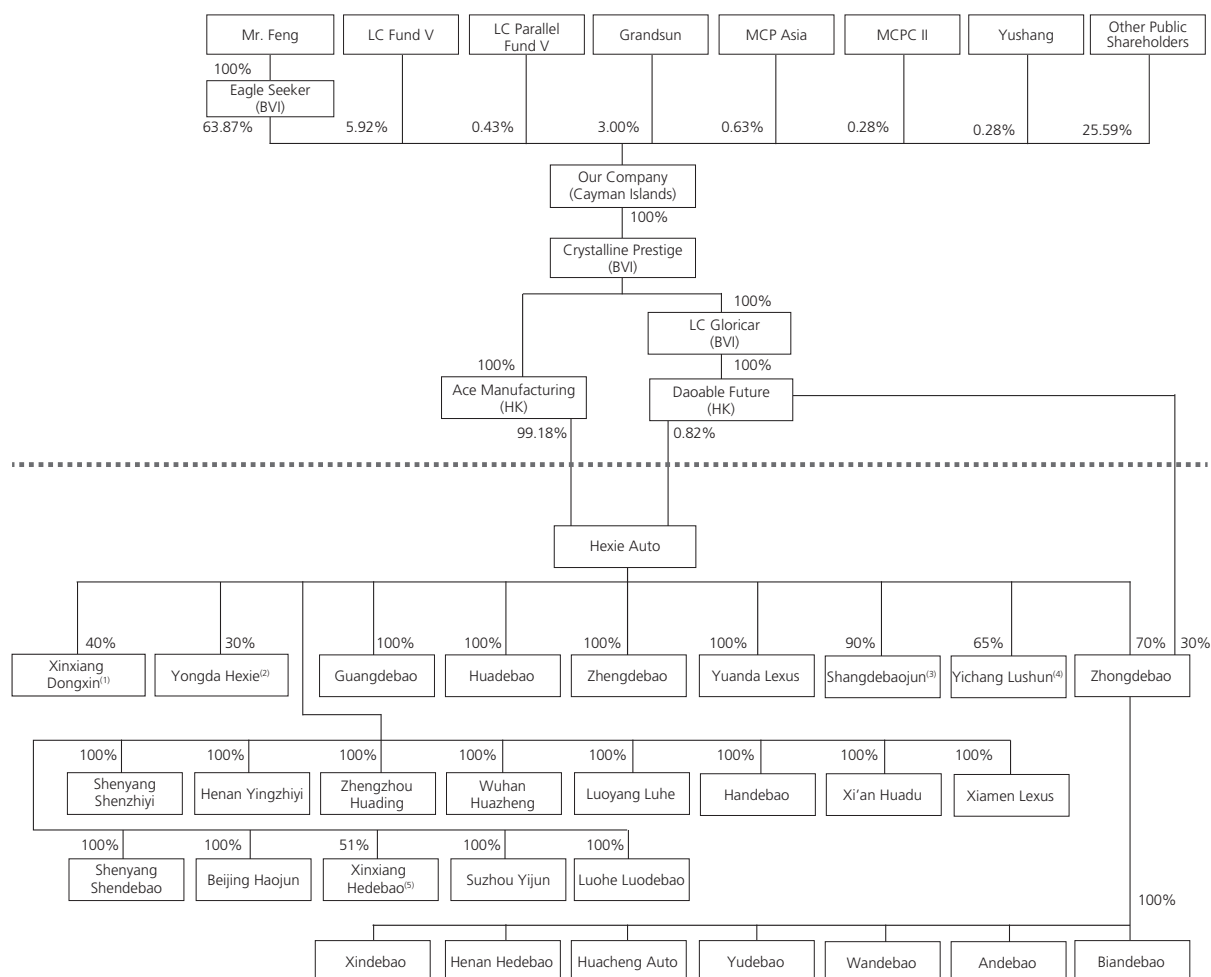
## OUR HISTORY AND REORGANIZATION

As a result of the IPO Reorganization Agreement, the respective number of Shares in our Company to be held by Mr. Feng (through Eagle Seeker) and the Financial Investors are as follows:

Name of Shareholder	No. of Shares	Percentage (%)
Eagle Seeker	686,720,000	85.84
LC Fund V	63,680,000	7.96
LC Parallel Fund V	4,640,000	0.58
Grandsun International	32,240,000	4.03
MCP Asia	6,800,000	0.85
MCPC II	2,960,000	0.37
Yushang	2,960,000	0.37
Total:	800,000,000	100.00

### CORPORATE STRUCTURE

The following chart sets forth our corporate structure immediately after the Pre-Listing Reorganization and upon Listing, assuming the Over-allocation Option is not exercised but excluding Shares issued or to be issued under the RSU Scheme:



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## OUR HISTORY AND REORGANIZATION

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*Notes:*

- (1) Du Zhaohui and Du Gewei are independent third parties and respectively hold 55% and 5% of Xinxiang Dongxin.
- (2) Shanghai Yongda is an independent third party and holds 70% of Yongda Hexie.
- (3) Zhu Jiangming is an independent third party and holds 10% of Shangdebaojun.
- (4) Yichang Xingshun is an independent third party and holds 35% of Yichang Lushun.
- (5) Du Gewei is an independent third party and holds 49% of Xinxiang Hedebao.

### PRC REGULATORY REQUIREMENTS

Our PRC legal adviser has confirmed that all the share transfers and increases in registered capital in respect of the PRC companies in our Group as described above have obtained all relevant approvals and permits and the procedures involved are in accordance with PRC laws and regulations.

According to Article 11 of the “Provisions on the Acquisition of Domestic Enterprises by Foreign Investors” (關於外國投資者併購境內企業的規定) jointly issued by the Ministry of Commerce (商務部) (“**Ministry of Commerce**”), the State-Owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the State Administration of Taxation (國家稅務總局), the China Securities Regulatory Commission (中國證券監督管理委員會) (“**CSRC**”), State Administration for Industry and Commerce (國家工商行政管理總局) and the State Administration of Foreign Exchange (國家外匯管理局) on 8 August 2006 and effective as of 8 September 2006, where an offshore company established or controlled by a domestic natural person intends to acquire a domestic company related to the same domestic natural person, the acquisition (“**Related Acquisition**”) shall be subject to the examination and approval of the Ministry of Commerce; and where an offshore special purpose company established or controlled by the same domestic natural person holds an equity interest in the aforesaid domestic company after Related Acquisition, any transaction involving the overseas listing of that special purpose company shall be subject to approval by the CSRC.

As advised by our PRC legal adviser, since there was no Related Acquisition during the onshore reorganization, it is not necessary for us to obtain approval from the CSRC and the Ministry of Commerce for the Listing and trading of our Shares on the Stock Exchange. The issuance of shares and listing on the Hong Kong Stock Exchange do not require the approval from CSRC and MOFCOM. According to the M&A Rules, the reorganization and the listing should be approved by CSRC and MOFCOM only when related-party M&A transactions are involved in the process. There is no related-party M&A transaction before the listing in our case given that:

- (i) The term “related-party M&A transactions” in the M&A Rules refers to merger or acquisition of a connected domestic company by a foreign company legally established or controlled by a domestic company, enterprise or natural person, where the term “merger and acquisition” refers to acquisition of equity of domestic enterprises or subscription of increased capital of domestic companies by foreign investors so that the domestic companies are converted to foreign-invested enterprises (hereafter, “**Equity Acquisition**”); or purchase of the assets of domestic enterprises through agreements and operation of these assets by a newly established foreign-invested enterprise by foreign investors, or purchase of the assets of domestic enterprises through agreements to establish foreign-invested enterprises for operation (hereafter, “**Asset Acquisition**”).

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## OUR HISTORY AND REORGANIZATION

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- (ii) In the process of our reorganization and listing, the only M&A transaction is the subscription of increased capital of Zhongdebao by Daoable Future, which is an M&A transaction of domestic enterprise by foreign investors unconnected to Mr. Feng, and there is no connected relationship in all parties involved in the transaction. Therefore, this transaction is not a related-party M&A transaction. In addition, neither the establishment of Hexie Auto as a joint venture between the Chinese investor and the foreign investor nor the conversion of Hexie Auto from a joint venture into a wholly foreign-owned enterprise is a “related-party M&A transaction” as neither of them is a conversion of a domestic company into a foreign-invested enterprise. We are advised by our PRC legal adviser that, as Hexie Auto is an enterprise incorporated in China, the acquisition of equity of other domestic companies by Hexie Auto constitutes an acquisition transaction between domestic enterprises in China, which is not an M&A transaction defined in the M&A Rules. Therefore, no related-party M&A transaction is constituted in the equity transfer before the listing.

As further advised by our PRC legal adviser, Mr. Feng has completed the necessary foreign exchange registration with the local foreign exchange authority in accordance with the SAFE Circular No. 75.