
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

BACKGROUND

We have over nine years of operating history, offering a variety of credit-based financial solutions to service the financing and business needs of SMEs and microenterprises across China. Our history dates back to 2004, when our predecessor, Chongqing Hanhua Credit Guarantee Co., Ltd. (重慶瀚華信用擔保有限公司), was established as a limited liability company in Chongqing, PRC, with a registered capital of RMB100 million, primarily engaging in providing guarantee services to SMEs and microenterprises. Chongqing Hanhua Credit Guarantee Co., Ltd. was subsequently renamed as Hanhua Guarantee (Group) Co., Ltd. (瀚華擔保集團有限公司) in 2008 and Hanhua Guarantee Co., Ltd. (瀚華擔保有限公司) in 2011 (for illustration purpose, references to “Hanhua Guarantee Co., Ltd.” used in this section shall include references to our predecessor under its previous names). Upon completion of the Reorganization, Hanhua Guarantee Co., Ltd. was converted into a joint stock limited liability company and renamed as Hanhua Financial Holding Co., Ltd. (瀚華金控股份有限公司).

MILESTONES OF OUR HISTORY

The following are significant milestones during our development process:

Year	Events
2004	<ul style="list-style-type: none">• Our predecessor began to engage in providing guarantee services to SMEs mainly in Chongqing
2005	<ul style="list-style-type: none">• We expanded our credit guarantee business to Sichuan
2006	<ul style="list-style-type: none">• We expanded our credit guarantee business to Liaoning and Beijing
2008 to 2009	<ul style="list-style-type: none">• We began to engage in providing micro and small loan services to SMEs and microenterprises mainly in Chongqing and Sichuan
2009 to 2012	<ul style="list-style-type: none">• We expanded our micro and small loan business to Tianjin, Shenyang and Nanning
2013 to Latest Practicable Date	<ul style="list-style-type: none">• Our credit guarantee network grew to cover 15 provinces in the PRC• We underwent the Reorganization and were converted into a joint stock limited liability company in March 2013• Our registered capital increased to RMB3.43 billion by May 2013• We launched a new guarantee product and provided guarantee service to a capital preservation public fund• We expanded our micro and small loan business to Changchun, Xi'an and Kunming, and our micro and small loan network grew to cover eight provincial-level cities in the PRC• We expanded our credit guarantee business to Anhui province and our credit guarantee network grew to cover 19 provinces in the PRC

HISTORY, DEVELOPMENT AND REORGANIZATION

Establishment and Development

Upon establishment in 2004, Hanhua Guarantee Co., Ltd. had a registered capital of RMB100 million, which was owned as to 60% and 40%, respectively, by Hainan Xinghuayuan Trading Investment Co., Ltd. (海南星華源貿易投資有限公司) and Hainan Gelindao Investment Co., Ltd. (海南格林島投資有限公司), both of which were controlled by relatives of Mr. Tu.

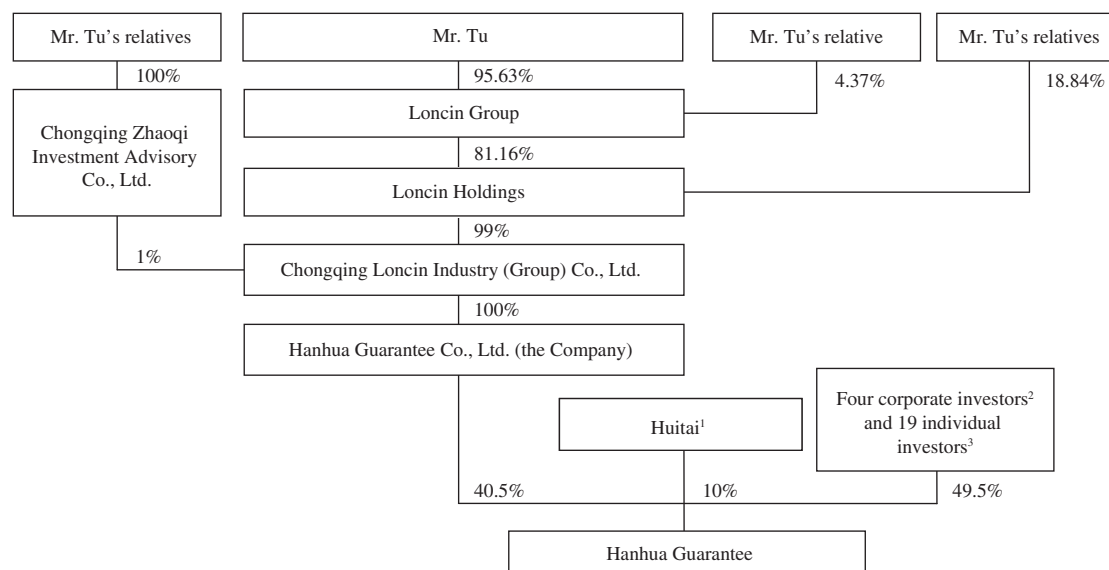
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Since the establishment of Hanhua Guarantee Co., Ltd. and until September 2009, a series of equity transfers among certain companies controlled by Mr. Tu's relatives and equity contributions were conducted, as a result of which the registered capital of Hanhua Guarantee Co., Ltd. was increased to RMB250 million.

According to a promoter agreement dated July 28, 2009 entered into among Hanhua Guarantee Co., Ltd. and 24 investors (further details of which are set out in the corporate structure chart and the corresponding notes below), Hanhua Guarantee was established as a joint stock limited liability company on August 19, 2009 with a registered capital of RMB1 billion.

In September 2009, Chongqing Loncin Industry (Group) Co., Ltd. (重慶隆鑫工業(集團)有限公司), a subsidiary of Loncin Holdings, which is a subsidiary of Loncin Group (held as to 95.63% by Mr. Tu and the remainder by Mr. Tu's relative), acquired 100% of the equity interests of Hanhua Guarantee Co., Ltd. from its then existing shareholders for a consideration of RMB250 million (equal to the then registered capital of Hanhua Guarantee Co., Ltd.). The consideration for this acquisition came from the capital accumulated from the businesses carried out by Chongqing Loncin Industry (Group) Co., Ltd. in the industrial sector.

The following sets out the corporate structure of our Company and Hanhua Guarantee following completion of the above equity transfer:



Notes:

- Huitai was held as to 50% by Zhang Guoxiang (one of our executive Directors) and as to 50% by Li Ruping (one of our Supervisors). Mr. Tu had the right to determine all significant matters on Huitai, including Huitai's voting right. For more details, see "Directors, Supervisors, Senior Management and Employees — Share Incentive Scheme."
- Among the four corporate investors, Chongqing Jiulong Materials Recovery Ferrous Co., Ltd., which held approximately 6.3% of the then equity interests of Hanhua Guarantee, was held as to 55% by Wang Fangfei (one of our non-executive Directors); Chongqing Boxin Investment Co., Ltd., which held approximately 2.7% of the then equity interests of Hanhua Guarantee, was partially held by a number of then employees of Hanhua Guarantee Co., Ltd. and Hanhua Guarantee. The other investors were Independent Third Parties.

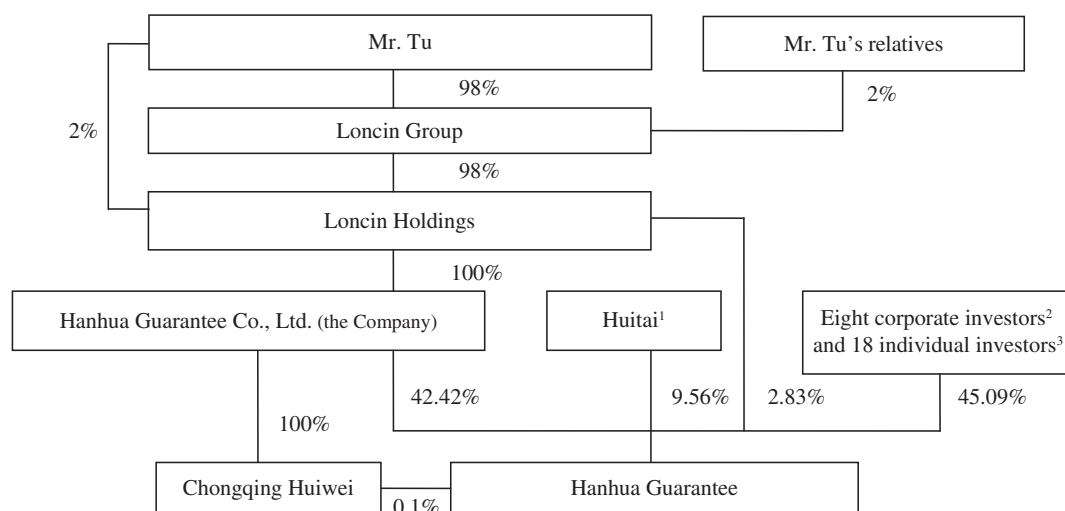
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- Among the 19 individual investors, Zhou Daoxue (one of our Supervisors) held approximately 2.7% of the then equity interests of Hanhua Guarantee; Wang Mingyue (daughter of Liu Tingrong, one of our non-executive Directors) held approximately 11.7% of the then equity interests of Hanhua Guarantee, Yu Zhaozheng (mother of Feng Yongxiang, one of our non-executive Directors) held approximately 3.6% of the then equity interests of Hanhua Guarantee. The other investors were Independent Third Parties.

Since the establishment of Hanhua Guarantee, our guarantee business and micro and small loan business were mainly conducted through Hanhua Guarantee and its subsidiaries.

From September 2009 to early 2013, through a series of equity transfers within Loncin, Loncin Holdings became the sole direct shareholder of Hanhua Guarantee Co., Ltd. During the same period, a series of equity contributions were also conducted among the then existing shareholders of Hanhua Guarantee and several external investors, as a result of which the registered capital of Hanhua Guarantee was increased to RMB2,095.5 million. During the same period, 17 rounds of equity transfers were also conducted among the then existing shareholders of Hanhua Guarantee and several external investors. None of the equity interests involved in these equity transfers or equity injections exceeded 3% of the equity interests of Hanhua Guarantee. All the above equity transfers and equity injections were completed as of January 31, 2013 on an irrevocable basis. As a result, except for the Company, Loncin Holdings, Huitai and Chongqing Huiwei, the remaining approximately 45.09% equity interests of Hanhua Guarantee were held by eight corporate investors and 18 individual investors.

The following chart illustrates the corporate structure of our Company and Hanhua Guarantee as of January 2013 prior to the Reorganization:



Notes:

- Huitai was held as to 50% by Zhang Guoxiang (one of our executive Directors) and as to 50% by Li Ruping (one of our Supervisors). Mr. Tu had the right to determine all significant matters on Huitai, including Huitai's voting right. For more details, see "Directors, Supervisors, Senior Management and Employees — Share Incentive Scheme."

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

2. Among the eight corporate investors, Chongqing Jiulong Investment Co., Ltd (“Chongqing Jiulong”), which held approximately 8.19% of the then equity interests of Hanhua Guarantee, was held as to 55% by Wang Fangfei (one of our non-executive Directors); Chongqing Puzhao Hengyi Investment Co., Ltd. (“Puzhao Hengyi”), which held approximately 1.89% of the then equity interests of Hanhua Guarantee, was held as to 80% by Feng Yonglin (brother of Feng Yongxiang, one of our non-executive Directors) and as to 10% by Yu Zhaoheng (mother of Feng Yongxiang, one of our non-executive Directors). The other corporate investors were Independent Third Parties.
3. Among the 18 individual investors, Zhou Daoxue (one of our Supervisors) held approximately 2.83% of the then equity interests of Hanhua Guarantee; Wang Mingyue (daughter of Liu Tingrong, one of our non-executive Directors) held approximately 9.54% of the then equity interests of Hanhua Guarantee, Yu Zhaoheng (mother of Feng Yongxiang, one of our non-executive Directors) held approximately 1.89% of the then equity interests of Hanhua Guarantee. The other individual investors were Independent Third Parties.

Reorganization

In February 2013, we underwent the Reorganization in preparation for the Global Offering, with the principal steps as follows:

1. Debt/Profit-to-Equity Conversion

As of December 31, 2012, Hanhua Guarantee Co., Ltd. had outstanding debt owed to Loncin Holdings with a value of approximately RMB266.5 million. Such amount, together with the then undistributed profits of Hanhua Guarantee Co., Ltd., which, in the aggregate, amounted to approximately RMB125.5 million, were converted into RMB392 million of registered capital of Hanhua Guarantee Co., Ltd. pursuant to the debt/profit-to-equity conversion covenant dated February 2, 2013 entered into between Hanhua Guarantee Co., Ltd. and Loncin Holdings. The above conversion was completed as of February 4, 2013 on an irrevocable basis and the registered capital of Hanhua Guarantee Co., Ltd. was increased to RMB692 million.

2. Capital Increase of Hanhua Guarantee Co., Ltd. by way of Equity Interests Swap and Cash Contribution

Pursuant to the capital increase agreement dated February 21, 2013 entered into among Hanhua Guarantee Co., Ltd., 28 then existing shareholders of Hanhua Guarantee, and Huang Jie (黃潔) (one of the then existing shareholders of Sichuan Micro-credit):

(i) Equity Interests Swap:

- (a) each of the 28 then existing shareholders of Hanhua Guarantee agreed to contribute their respective equity interests in Hanhua Guarantee, valued at an aggregate value of approximately RMB1,505.7 million, into Hanhua Guarantee Co., Ltd. as to approximately RMB935.5 million credited as registered capital and the remaining approximately RMB570.2 million as capital reserve; and

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

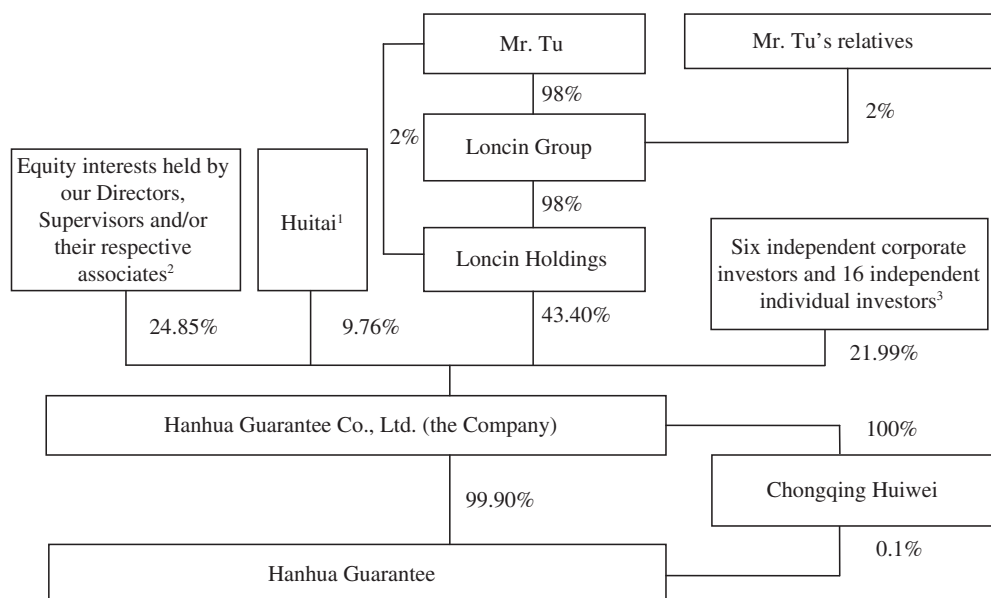
- (b) Huang Jie agreed to contribute her equity interests in Sichuan Micro-credit, valued at an aggregate value of approximately RMB21.1 million, into Hanhua Guarantee Co., Ltd. as to approximately RMB13.1 million credited as registered capital and the remaining approximately RMB8.0 million as capital reserve.

(ii) *Cash Contribution:*

Each of the 28 then existing shareholders of Hanhua Guarantee and Huang Jie agreed to contribute cash to Hanhua Guarantee Co., Ltd. in the aggregate amount of approximately RMB541.5 million, out of which approximately RMB336.4 million was credited as registered capital and the remaining approximately RMB205.1 million as capital reserve.

The above capital increase was completed as of February 25, 2013, as a result of which the registered capital of Hanhua Guarantee Co., Ltd. was increased to approximately RMB1,977.0 million, and Hanhua Guarantee came to be held as to 99.9% by Hanhua Guarantee Co., Ltd. and 0.1% held by Chongqing Huiwei.

The following chart illustrates the corporate structure of our Company and Hanhua Guarantee upon completion of the aforesaid equity interests swaps, cash contributions and equity transfers:



Notes:

- Huitai was held as to 50% by Zhang Guoxiang (one of our executive Directors) and as to 50% by Li Ruping (one of our Supervisors). Mr. Tu had the right to determine all significant matters on Huitai, including Huitai's voting right. For more details, see "Directors, Supervisors, Senior Management and Employees — Share Incentive Scheme." As Huitai will remain majority-owned by Zhang Guoxiang upon the Listing, its interest in our Company will be deemed as an interest held by our Connected Person.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

2. The interests held by our Directors, Supervisors and/or their respective associates include:
 - (A) Chongqing Jiulong, who held approximately 8.36% of the then equity interests of Hanhua Guarantee Co., Ltd., was held as to 55% by Wang Fangfei (one of our non-executive Directors).
 - (B) Zhou Daoxue (one of our Supervisors) held approximately 2.89% of the then equity interests of Hanhua Guarantee Co., Ltd.
 - (C) Puzhao Hengyi, which held approximately 1.93% of the then equity interests of Hanhua Guarantee Co., Ltd., was held as to 80% by Feng Yonglin (brother of Feng Yongxiang, one of our non-executive Directors) and as to 10% by Yu Zhaozheng (mother of Feng Yongxiang, one of our non-executive Directors).
 - (D) Wang Mingyue (daughter of Liu Tingrong, one of our non-executive Directors) held approximately 9.74% of the then equity interests of Hanhua Guarantee Co., Ltd.
 - (E) Yu Zhaozheng (mother of Feng Yongxiang, one of our non-executive Directors) held approximately 1.93% of the then equity interests of Hanhua Guarantee Co., Ltd.
3. The corporate and individual investors were Independent Third Parties.

3. Promoter Agreement and Establishment of Joint Stock Limited Liability Company

Pursuant to the promoter agreement dated March 11, 2013 entered into among the then existing shareholders of Hanhua Guarantee Co., Ltd., Hanhua Guarantee Co., Ltd. was converted into a joint stock limited liability company and was renamed Hanhua Financial, with a registered capital of approximately RMB2,769.9 million.

4. Capital Contribution to the Company by 148 Management and Employees

148 management members and employees of our Group (previously shareholders of Chongqing Boxin Investment Co., Ltd., which used to be one of the shareholders of Hanhua Guarantee) became our Shareholders pursuant to the capital increase agreement dated March 13, 2013 entered into among the then existing shareholders of the Company and these management and employees (five of them are our Directors and/or Supervisors). Upon completion of the above-mentioned capital increase, the 148 management and employees contributed an aggregate amount of RMB92.07 million to the Company by way of cash contribution, of which approximately RMB80.1 million was credited as registered capital and the remaining approximately RMB11.9 million as capital reserve, following which, the registered capital of the Company was increased to RMB2.85 billion. The capital contribution was fully paid as of March 15, 2013 on an irrevocable basis.

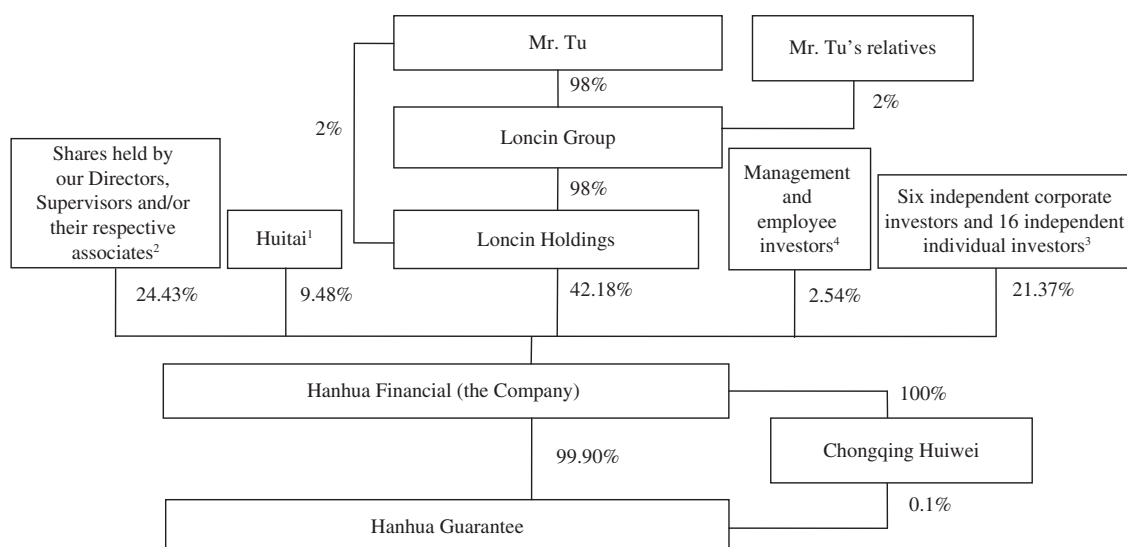
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

There had been no change as to the number of shares held by the 148 management members and employees since their capital contribution. The shareholding percentage of each of the 148 management members and employees was diluted proportionately subsequent to the two rounds of capital subscription after Reorganization; more details are set out below.

Based on the investment amount of RMB92.1 million and the Shares expected to be held by the 148 management and employees upon the completion of the Global Offering, the cost per Share paid by these management and employees is approximately RMB1.15, representing a discount of 36.0% and 49.3% to the minimum and maximum Offer Price of HK\$2.28 and HK\$2.88, respectively.

Under the capital increase agreement, no special rights that were not available to other Shareholders were given to these management and employees.

The corporate structure of our Company and Hanhua Guarantee immediately after the Reorganization is as follows:



Notes:

- Huitai was held as to 50% by Zhang Guoxiang (one of our executive Directors) and as to 50% by Li Ruping (one of our Supervisors). Mr. Tu had the right to determine all significant matters on Huitai, including Huitai's voting right. For more details, see "Directors, Supervisors, Senior Management and Employees — Share Incentive Scheme." As Huitai will remain majority-owned by Zhang Guoxiang upon the Listing, its interest in our Company will be deemed as an interest held by our Connected Person.
- The interests held by our Directors, Supervisors and/or their respective associates include:
 - Chongqing Jiulong, who held approximately 8.12% of the then equity interests of Hanhua Financial, was held as to 55% by Wang Fangfei (one of our non-executive Directors).
 - Zhou Daoxue (one of our Supervisors) held approximately 2.81% of the then equity interests of Hanhua Financial.
 - Zhang Guoxiang (one of our executive Directors), Li Ruping (one of our Supervisors), Lin Feng (one of our executive Directors), Chen Zhonghua (one of our Supervisors) and Liu Jiaoyang (one of our non-executive Directors) held approximately 0.0972%, 0.0774%, 0.0722%, 0.0155% and 0.0155% of the then equity interests of Hanhua Financial, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (D) Puzhao Hengyi, which held approximately 1.87% of the then equity interests of Hanhua Financial, was held as to 80% by Feng Yonglin (brother of Feng Yongxiang, one of our non-executive Directors) and as to 10% by Yu Zhaocheng (mother of Feng Yongxiang, one of our non-executive Directors).
 - (E) Wang Mingyue (daughter of Liu Tingrong, one of our non-executive Directors) held approximately 9.47% of the then equity interests of Hanhua Financial.
 - (F) Yu Zhaocheng (mother of Feng Yongxiang, one of our non-executive Directors) held approximately 1.87% of the then equity interests of Hanhua Financial.
- 3. The corporate and individual investors were Independent Third Parties.
 - 4. 143 management members and employees who became our Shareholders pursuant to the capital increase agreement dated March 13, 2013 were not Connected Persons. (The remaining five are our Directors and/or Supervisors and are specified in note 2 above.)

Approvals

Our PRC legal advisors confirm that we have obtained all the necessary approvals from, and have duly filed with, the relevant PRC government authorities with respect to the above Reorganization. The Reorganization complies with all applicable laws, rules and regulations.

Capital Subscription After Reorganization

1. Capital Subscription on May 13, 2013

Pursuant to an investment agreement dated May 10, 2013 entered into among the Company, Xinjiang Huarong, Chongqing Renhe, Loncin Holdings and Huitai, Xinjiang Huarong and Chongqing Renhe agreed to contribute an amount of RMB200 million and RMB120 million (determined by arm's length negotiations with reference to the accounts of Hanhua Financial prepared in accordance with PRC GAAP with the base date as of and for the year ended December 31, 2012 and audited by Tianjian Accounting Firm), respectively, to our Company, of which RMB100 million and RMB60 million, respectively, was credited as registered capital with the remaining credited as capital reserve. Following the capital increase, our registered capital was increased to RMB3.01 billion. This round of capital contribution was fully paid as of May 10, 2013 on an irrevocable basis and the relevant filings was completed on May 13, 2013.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Set forth below is a summary of this round of capital subscription:

	Name	Date of Investment	Amount of Considerations Paid	Completion Date	Shareholding in the Company by each Investor upon Completion of Global Offering	Background of the Investor	Shareholders of the Investor (Independent Third Party, except as otherwise indicated)
1	Xinjiang Huarong	May 10, 2013	RMB200 million	May 13, 2013	2.26% (assuming the Over-allotment Option is not exercised) 2.19% (assuming the Over-allotment Option is exercised in full)	Xinjiang Huarong was established as a limited partnership enterprise in the PRC on March 14, 2013. It is primarily engaged in equity investments in unlisted companies, equity investments in listed companies by way of subscription of shares and assignment of equity interest and other related advisory services.	Merchant Fortune Asset Management Co., Ltd.: 79.21% China Hua-Rong Asset Management Co., Ltd.: 14.85% Hua-Rong Tian-Ze Investment Co., Ltd.: 5.94%
2	Chongqing Renhe	May 10, 2013	RMB120 million	May 13, 2013	1.36% (assuming the Over-allotment Option is not exercised) 1.31% (assuming the Over-allotment Option is exercised in full)	Chongqing Renhe was established as a limited liability company in the PRC on February 15, 2001. It is primarily engaged in the manufacturing and sales of mechanical parts.	Zhou Daolun (brother of Zhou Daoxue (one of our Supervisors)): 65% Wang Xia: 35%

Based on the investment amount of RMB320 million and the Shares expected to be held by Xinjiang Huarong and Chongqing Renhe upon the completion of the Global Offering, the cost per Share paid by Xinjiang Huarong and Chongqing Renhe is approximately RMB2.0, representing a premium of 11.4% and a discount of 11.8% to the minimum and maximum Offer Price of HK\$2.28 and HK\$2.88 respectively.

Xinjiang Huarong is independent from our Group and our Connected Persons. As Chongqing Renhe is 65% beneficially owned by a close relative of Zhou Daoxue (who is our Supervisor and therefore a Connected Person), Chongqing Renhe is deemed to be not independent from our Group and our Connected Persons.

Under the investment agreement, no special rights that were not available to other Shareholders were given to Xinjiang Huarong and Chongqing Renhe. Each of Xinjiang Huarong and Chongqing Renhe undertook that it would not transfer the equity interests it held in our Company if required by relevant laws, rules and regulations, or competent government authorities.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

2. Capital Subscription on May 28, 2013

Pursuant to the investment agreement dated May 27, 2013 entered into among the following eleven investors (together, the “Eleven Investors”), and the Company, the Eleven Investors agreed to contribute an aggregate amount of RMB945 million (determined by arm’s length negotiations based on the accounts of Hanhua Financial with the base date as of and for the year ended December 31, 2012 and audited by the Tianjian Accounting Firm) to Hanhua Financial, of which RMB420 million was credited as registered capital with the remaining credited as capital reserve. Following the capital increase, our registered capital was increased to RMB3.43 billion. This round of capital contribution was fully paid as of May 27, 2013 on an irrevocable basis and the relevant filings was completed on May 28, 2013.

Set forth below is a summary of this round of capital subscription:

	Name	Date of Investment	Amount of Considerations Paid	Completion Date	Shareholding in the Company by each Investor upon Listing	Background of the Investor	Shareholders of the Investor (Independent Third Party, except as otherwise indicated)
1	Sichuan Hongrun Trading Co., Ltd. (四川泓潤商貿有限公司)	May 27, 2013	RMB270 million	May 28, 2013	2.72% (assuming the Over-allotment Option is not exercised) 2.63% (assuming the Over-allotment Option is exercised in full)	Sichuan Hongrun was established as a limited liability company in the PRC on February 7, 2013. It is primarily engaged in the wholesaling and retailing of merchandises, import and export of goods and technologies.	Liu Bolin (one of our Directors): 75% Chongqing Longhe Technology Co., Ltd: 25%
2	Chongqing Pingwei Technology (Group) Co., Ltd. (重慶平偉科技(集團)有限公司)	May 27, 2013	RMB225 million	May 28, 2013	2.26% (assuming the Over-allotment Option is not exercised) 2.19% (assuming the Over-allotment Option is exercised in full)	Chongqing Pingwei Technology (Group) Co., Ltd was established as a limited liability company in the PRC on November 5, 1996. It is primarily engaged in the electronics, computer software and hardware and automotive components sectors.	Du Ping: 75% Yang Taisheng: 25%
3	Chongqing Longli Real Estate Development Co., Ltd. (重慶市龍力房地產開發有限公司)	May 27, 2013	RMB123.75 million	May 28, 2013	1.24% (assuming the Over-allotment Option is not exercised) 1.20% (assuming the Over-allotment Option is exercised in full)	Chongqing Longli Real Estate Development Co., Ltd was established as a limited liability company in the PRC on April 25, 2003. It is primarily engaged in property development.	Wang Bin: 60% Wang Huadong: 40%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	Name	Date of Investment	Amount of Considerations Paid	Completion Date	Shareholding in the Company by each Investor upon Listing	Background of the Investor	Shareholders of the Investor (Independent Third Party, except as otherwise indicated)
4	Fan Xiulian (范秀蓮)	May 27, 2013	RMB56.25 million	May 28, 2013	0.57% (assuming the Over-allotment Option is not exercised) 0.55% (assuming the Over-allotment Option is exercised in full)	Fan Xiulian is an independent third party to the Company.	N/A
5	Wang Junmin (王俊民)	May 27, 2013	RMB56.25 million	May 28, 2013	0.57% (assuming the Over-allotment Option is not exercised) 0.55% (assuming the Over-allotment Option is exercised in full)	Wang Junmin is an independent third party to the Company.	N/A
6	Shandong Binhai Huifu Investment L.L.P. (山東濱海匯富投資中心(有限合夥))	May 27, 2013	RMB56.25 million	May 28, 2013	0.57% (assuming the Over-allotment Option is not exercised) 0.55% (assuming the Over-allotment Option is exercised in full)	Shandong Binhai Huifu Investment L.L.P. was established as a limited partnership enterprise in the PRC on April 19, 2013. It is primarily engaged in equity investments in entities through internal resources, investment management and investment advisory services.	Shandong Binhai Investment Management Co., Ltd.: 1% 12 independent limited partners: 99%
7	Chongqing Xinjiali Lamp Co., Ltd. (重慶新嘉利燈具有限公司)	May 27, 2013	RMB45 million	May 28, 2013	0.45% (assuming the Over-allotment Option is not exercised) 0.44% (assuming the Over-allotment Option is exercised in full)	Chongqing Xinjiali Lamp Co., Ltd. was established as a limited liability company in the PRC on March 1, 2013. It is primarily engaged in the design, manufacture and sales of automotive lighting, motorcycles lighting, automotive parts and motorcycle accessories.	Huang Yuming: 95% Chen Hejie: 5%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	Name	Date of Investment	Amount of Considerations Paid	Completion Date	Shareholding in the Company by each Investor upon Listing	Background of the Investor	Shareholders of the Investor (Independent Third Party, except as otherwise indicated)
8	Chongqing Qianneng Industry (Group) Co., Ltd. (重慶潛能實業(集團)有限公司)	May 27, 2013	RMB45 million	May 28, 2013	0.45% (assuming the Over-allotment Option is not exercised) 0.44% (assuming the Over-allotment Option is exercised in full)	Chongqing Qianneng Industry (Group) Co., Ltd. was established as a limited liability company in the PRC on March 24, 2000. It is primarily engaged in the manufacturing and sales of oil purifiers and components, import and export of goods and technologies, equity investments through internal resources and leasing of self-owned properties.	Zhang Longyi: 65.3% Zhang Peng: 20% He Daiqun: 14.7%
9	Chongqing Auto Muffler Co., Ltd. (重慶汽車消聲器有限責任公司)	May 27, 2013	RMB22.5 million	May 28, 2013	0.23% (assuming the Over-allotment Option is not exercised) 0.22% (assuming the Over-allotment Option is exercised in full)	Chongqing Auto Muffler Co., Ltd. was established as a limited liability company in the PRC on February 22, 2001. It is primarily engaged in the manufacturing, processing and sales of mufflers of automotive and motorcycles, automotive parts and motorcycle accessories.	Chen Shijie: 55% Qi Xiaodong: 25% Li Ruhui: 10% Lan Yongyi: 10%
10	Shenyang Huining Investment Co., Ltd. (瀋陽慧寧投資有限公司)	May 27, 2013	RMB22.5 million	May 28, 2013	0.23% (assuming the Over-allotment Option is not exercised) 0.22% (assuming the Over-allotment Option is exercised in full)	Shenyang Huining Investment Co., Ltd. was established as a limited liability company in the PRC on May 20, 2013. It is primarily engaged in industrial investment and investment advisory services.	Chen Xi: 80% Chen Tiebing: 20%
11	Yan Kai (嚴凱)	May 27, 2013	RMB22.5 million	May 28, 2013	0.23% (assuming the Over-allotment Option is not exercised) 0.22% (assuming the Over-allotment Option is exercised in full)	Yan Kai is an independent third party to the Company.	N/A

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

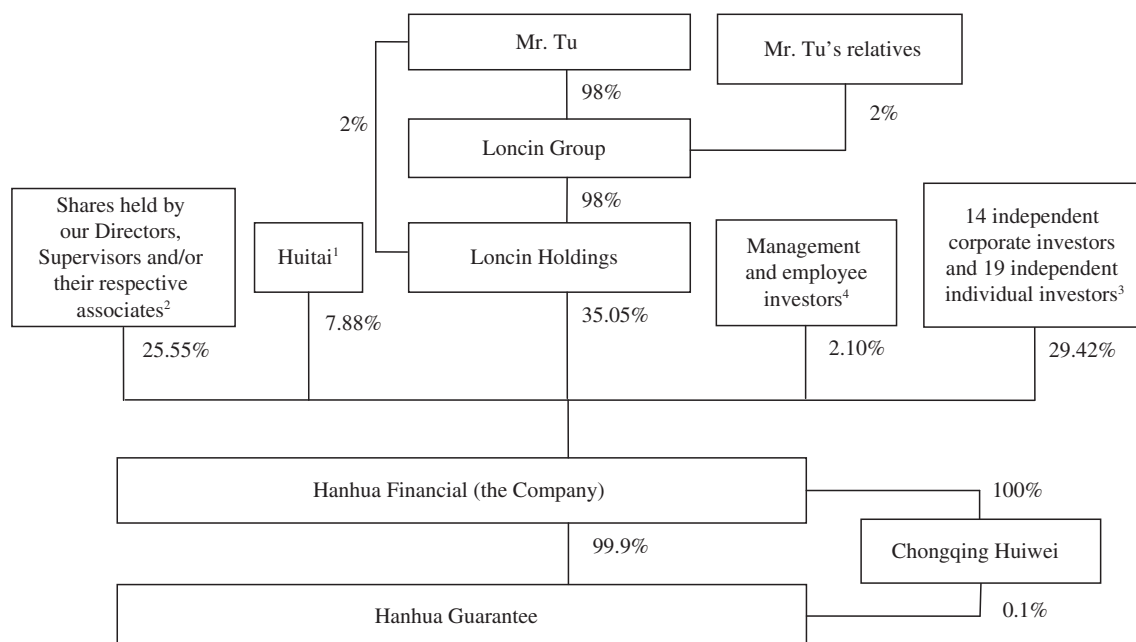
Based on the investment of approximately RMB945 million and the Shares expected to be held by the Eleven Investors upon the completion of the Global Offering, the cost per Share paid by each of the Eleven Investors is approximately RMB2.25, representing a premium of 25.3% and a discount of 0.8% to the minimum and maximum Offer Price of HK\$2.28 and HK\$2.88 respectively.

Sichuan Hongrun Trading Co., Ltd. is held by Liu Bolin (one of our non-executive Directors) and the remaining investors are independent from our Group and our Connected Persons.

Under the investment agreement, no special rights that were not available to other Shareholders were given to the Eleven Investors. Each of the Eleven Investors undertook that it would not transfer the equity interests it held in our Company if required by relevant laws, rules and regulations, or competent government authorities.

Given that our Company is not permitted to engage in financing guarantee business directly based on its business license and only holds equity interests in its subsidiaries, which include several financing guarantee subsidiaries having the requisite business license to conduct financing guarantee business, our Company is not required to obtain regulatory approvals in relation to any changes in shareholding structures, including those changes made during the Capital Subscriptions after Reorganization described above and the Global Offering.

The corporate structure of our Company and Hanhua Guarantee immediately after the completion of the above capital subscriptions will be as follows:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

1. Huitai was held as to 50% by Zhang Guoxiang (one of our executive Directors) and as to 50% by Li Ruping (one of our Supervisors). Mr. Tu had the right to determine all significant matters on Huitai, including Huitai's voting right. For more details, see "Directors, Supervisors, Senior Management and Employees — Share Incentive Scheme." As Huitai will remain majority-owned by Zhang Guoxiang upon the Listing, its interest in our Company will be deemed as an interest held by our Connected Person.
2. The interests held by our Directors, Supervisors and/or their respective associates include:
 - (A) Chongqing Jiulong, who held approximately 6.8% of the then equity interests of Hanhua Financial, was held as to 55% by Wang Fangfei (one of our non-executive Directors).
 - (B) Zhou Daoxue (one of our Supervisors) held approximately 2.3% of the then equity interests of Hanhua Financial.
 - (C) Zhang Guoxiang (one of our executive Directors), Li Ruping (one of our Supervisors), Lin Feng (one of our executive Directors), Chen Zhonghua (one of our Supervisors) and Liu Jiaoyang (one of our non-executive Directors) held approximately 0.08072%, 0.06431%, 0.06002%, 0.01286% and 0.01286% of the then equity interests of Hanhua Financial, respectively.
 - (D) Chongqing Renhe, which held approximately 1.7% of the then equity interests of Hanhua Financial, was held as to 65% by Zhou Daolun, brother of Zhou Daoxue (one of our Supervisors).
 - (E) Sichuan Hongrun Trading Co., Ltd, which held approximately 3.5% of the then equity interests of Hanhua Financial, was held as to 75% by Liu Bolin (one of our non-executive Directors).
 - (F) Puzhao Hengyi, which held approximately 1.56% of the then equity interests of Hanhua Financial, was held as to 80% by Feng Yonglin (brother of Feng Yongxiang, one of our non-executive Directors) and as to 10% by Yu Zhaocheng (mother of Feng Yongxiang, one of our non-executive Directors).
 - (G) Wang Mingyue (daughter of Liu Tingrong, one of our non-executive Directors) held approximately 7.87% of the then equity interests of Hanhua Financial.
 - (H) Yu Zhaocheng (mother of Feng Yongxiang, one of our non-executive Directors) held approximately 1.56% of the then equity interests of Hanhua Financial.
3. The corporate and individual investors were Independent Third Parties. Three independent individual investors subscribed for the Shares during the capital subscription on May 28, 2013. A total of eight independent corporate investors subscribed for the Shares during the capital subscriptions on May 13, 2013 and on May 28, 2013.
4. 143 management members and employees who became our Shareholders pursuant to the capital increase agreement dated March 13, 2013 were not Connected Persons (the remaining five are our Directors and/or Supervisors and are specified in note 2 above).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CONTROLLING SHAREHOLDERS

1. Loncin Holdings

As of the Latest Practicable Date, Mr. Tu, one of our non-executive Directors, held 98% of the equity interest of Loncin Group, which held 98% of the equity interest of Loncin Holdings. Mr. Tu also indirectly held the remaining 2% of the equity interest of Loncin Holdings as of the Latest Practicable Date.

During the Track Record Period, we have, on occasions, not paid at the due time the social security fund and the housing provident fund for certain employees either because their employment relationships had not been transferred to us or these employees were only interns without formal employment contracts with us. Loncin Holdings, Loncin Group and Mr. Tu, have jointly and severally undertaken to fully indemnify us for any charges, late fees and expenses as well as fines imposed by the relevant government authorities which are associated with our historical incidents of untimely payments of social security fund and the housing provident fund.

2. Huitai

As of the Latest Practicable Date, Mr. Zhang Guoxiang (one of our executive Directors) held approximately 62.09% of the equity interests of Huitai, with the remaining 37.91% owned by the other 14 Directors, Supervisors and senior management.

Since the establishment of Huitai in 2009 and before the implementation of the Share Incentive Scheme in 2013, Mr. Tu had the right to determine all significant matters on Huitai, including Huitai's voting right in respect of all matters of Hanhua Guarantee which are subject to shareholder's approval. After the implementation of the Share Incentive Scheme in 2013 and until the expiration of three years after the completion of the Global Offering, Huitai agreed to follow Loncin Holdings in exercising its voting right in respect of all matters of our Company which are subject to shareholders' approval. As confirmed by our PRC legal advisors, this arrangement is valid and enforceable under PRC laws and regulations. The terms of this arrangement was determined, at the time of the agreement, with reference to the prevailing practice applicable to PRC offerings which requires a three year lock-up of shares held by controlling shareholders following an initial public offering. The parties consider the three-year term as reasonable and acceptable and will consider whether to continue to lock-up their shares after the expiration of the three-year term.

For more details of Mr. Tu, Loncin Group, Loncin Holdings, Huitai and Mr. Zhang Guoxiang, see "Relationship with our Controlling Shareholders" and "Directors, Supervisors, Senior Management and Employees."

MAJOR ACQUISITIONS AND DISPOSALS

We did not conduct any major acquisitions or major disposals during the Track Record Period.

PRINCIPAL SUBSIDIARIES

1. Credit Guarantee Business

As of the Latest Practicable Date, the Company carried out its credit guarantee business mainly through its wholly-owned subsidiary, Hanhua Guarantee, which wholly owns the following three subsidiaries: (i) Sichuan Hanhua; (ii) Liaoning Hanhua; and (iii) Beijing Hanhua.

Sichuan Hanhua was established on May 19, 2005 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB500 million. Liaoning Hanhua was established on August 25, 2006 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB300 million. Beijing Hanhua was established on August 11, 2006 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB300 million.

Each of the above subsidiaries has obtained approval for providing financing guarantee services from its respective competent government authority.

2. SME Lending Business

As of the Latest Practicable Date, the Company carried out its SME lending services mainly through the following subsidiaries: (i) Nanning Micro-credit; (ii) Chongqing Micro-credit; (iii) Sichuan Micro-credit; (iv) Tianjin Micro-credit; (v) Shenyang Micro-credit; (vi) Changchun Micro-credit; (vii) Xi'an Micro-credit; and (viii) Kunming Micro-credit. For the details of the shareholding structure of each of the above subsidiaries, see “— Corporate Structure.”

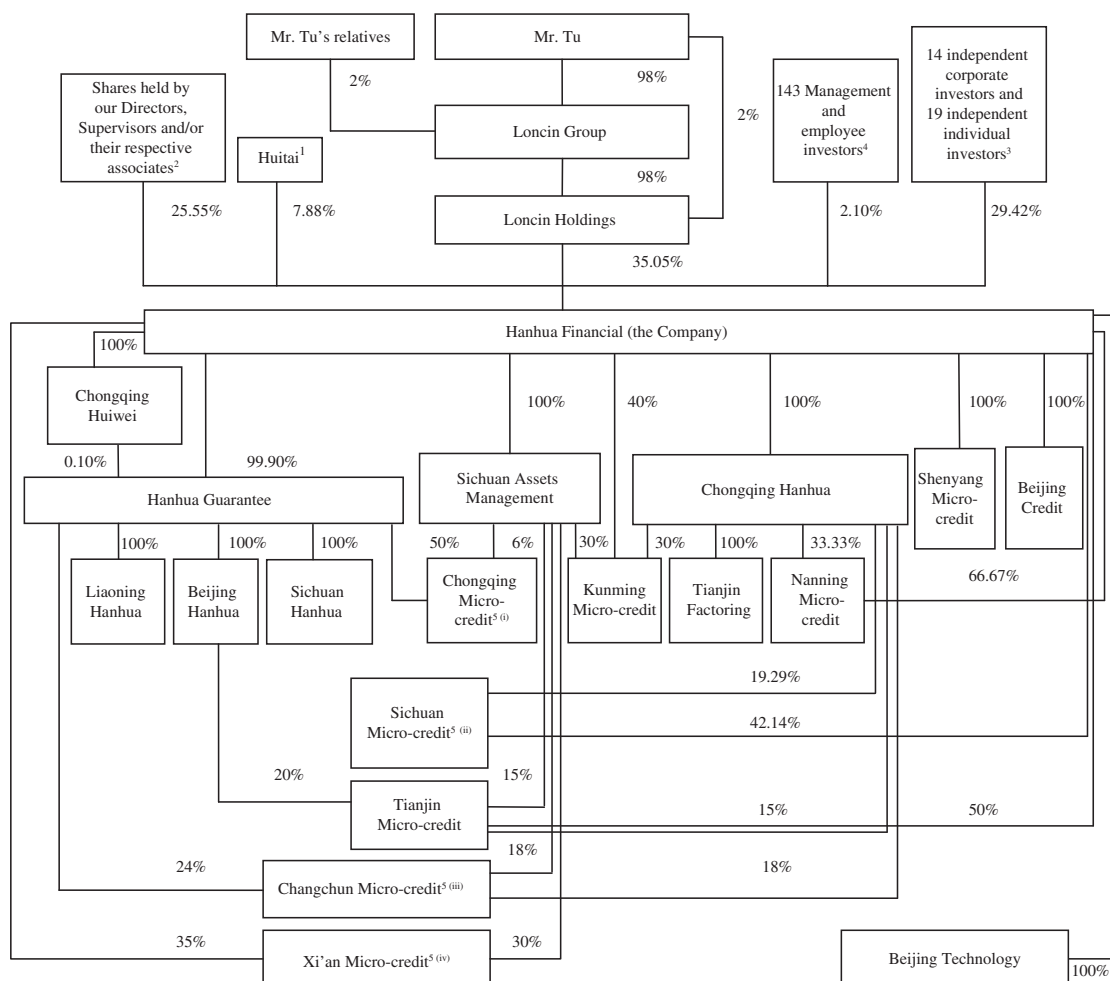
Nanning Micro-credit was established on December 8, 2011 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB150 million. Chongqing Micro-credit was established on September 25, 2008 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB500 million. Sichuan Micro-credit was established on May 19, 2009 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB700 million. Tianjin Micro-credit was established on June 29, 2011 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB100 million. Shenyang Micro-credit was established on September 30, 2011 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB300 million. Changchun Micro-credit was established on January 25, 2013 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB100 million. Xi'an Micro-credit was established on September 12, 2013 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB400 million. Kunming Micro-credit was established on December 6, 2013 in the PRC, and as of the Latest Practicable Date had a registered capital of RMB200 million. Each of our subsidiaries has obtained approval for providing loan services from its respective competent government authority.

For more details of the business conducted by our subsidiaries, see “Business.”

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following chart sets out our ownership and corporate structure immediately prior to the Global Offering:



Notes:

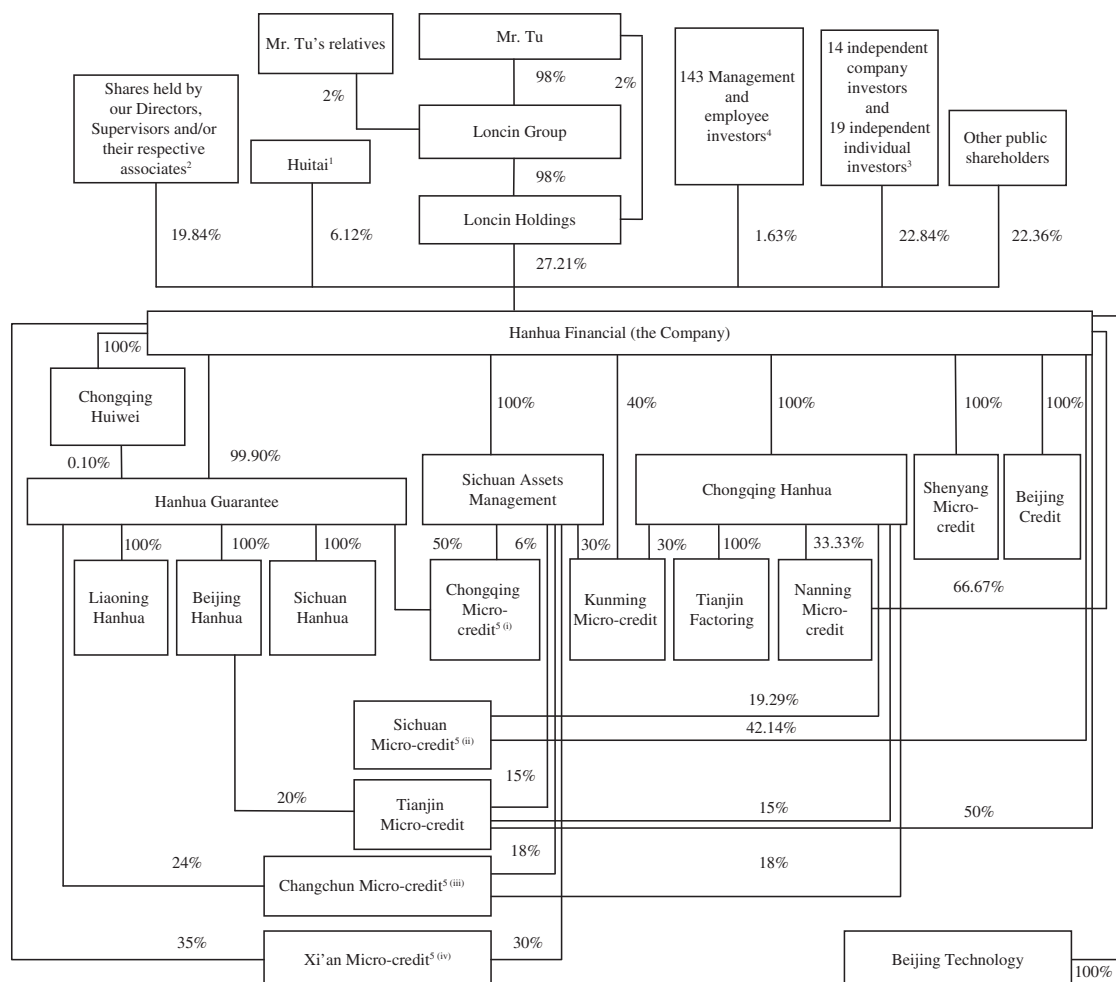
- In June 2013, Li Ruping (one of our Supervisors) transferred approximately 45.9% of his equity interests in Huitai in total to Zhang Guoxiang (one of our executive Directors), Lin Feng (one of our executive Directors) and other twelve senior management under the Share Incentive Scheme, as a result of which, Zhang Guoxiang, Lin Feng and Li Ruping held approximately 62.1%, 5.6% and 4.1% of Huitai, respectively, and the other 12 senior management held the remaining 28.2% of Huitai. Huitai agreed to follow Longcin Holdings in exercising its voting right. For more details, see “Directors, Supervisors, Senior Management and Employees — Share Incentive Scheme.” As Huitai will remain majority-owned by Zhang Guoxiang upon the Listing, its interest in our Company will be deemed as an interest held by our Connected Person.
- The interests held by our Directors, Supervisors and/or their respective associates include:
 - Chongqing Jiulong, who held approximately 6.75% of the then equity interests of Hanhua Financial, was held as to 55% by Wang Fangfei (one of our non-executive Directors).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (B) Zhou Daoxue (one of our Supervisors) held approximately 2.34% of the then equity interests of Hanhua Financial.
 - (C) Zhang Guoxiang (one of our executive Directors), Li Ruping (one of our Supervisors), Lin Feng (one of our executive Directors), Chen Zhonghua (one of our Supervisors) and Liu Jiaoyang (one of our non-executive Directors) held approximately 0.08072%, 0.06431%, 0.06002%, 0.01286% and 0.01286% of the then equity interests of Hanhua Financial, respectively.
 - (D) Chongqing Renhe, which held approximately 1.75% of the then equity interests of Hanhua Financial, was held as to 65% by Zhou Daolun, brother of Zhou Daoxue (one of our Supervisors).
 - (E) Sichuan Hongrun Trading Co., Ltd, which held approximately 3.50% of the then equity interests of Hanhua Financial, was held as to 75% by Liu Bolin (one of our non-executive Directors).
 - (F) Puzhao Hengyi, which held approximately 1.56% of the then equity interests of Hanhua Financial, was held as to 80% by Feng Yonglin (brother of Feng Yongxiang, one of our non-executive Directors) and as to 10% by Yu Zhaozheng (mother of Feng Yongxiang, one of our non-executive Directors).
 - (G) Wang Mingyue (daughter of Liu Tingrong, one of our non-executive Directors) held approximately 7.87% of the then equity interests of Hanhua Financial.
 - (H) Yu Zhaozheng (mother of Feng Yongxiang, one of our non-executive Directors) held approximately 1.56% of the then equity interests of Hanhua Financial.
3. The corporate and individual investors are Independent Third Parties.
4. Our management members and employees who became our Shareholders pursuant to the capital increase agreement dated March 13, 2013. None of them was a director, supervisor or chief executive or otherwise falling within the definition of Connected Person.
5. In respect of each of the three non-wholly owned subsidiaries of the Company, their respective equity interests not held by our Group are held by Independent Third Parties:
- (i) the remaining 44% of the equity interests are held by Chongqing Yuanda Yinwu Co., Ltd. (重慶遠大印務有限公司) (10%), Chongqing East China Materials (Group) Co., Ltd. (重慶華南物資(集團)有限公司) (10%), Shanghai Baohe Industrial Co., Ltd. (上海寶合實業股份有限公司) (10%), Chongqing Taoranjia Food Culture (Group) Co., Ltd. (重慶陶然居飲食文化(集團)有限公司) (6%), Chongqing Huiyuan Investment Co., Ltd. (重慶惠遠投資有限公司) (4%), Wu Fanfan (吳凡凡) (2%), Chongqing Road & Bridge Engineer Co., Ltd. (重慶市涪陵路橋工程有限公司) (1%) and Li Qiujun (李秋君) (1%);
 - (ii) the remaining 38.57% of the equity interests are held by Li Tong (李彤) (2.85%); Chengdu Huachuan Highway Construction Group Co., Ltd. (成都華川公路建設集團有限公司) (14.29%); Sichuan Chuanshixin Commercial Trading Co., Ltd. (四川川之信商貿有限公司) (7.14%) and Chengdu Metallic Materials Co., Ltd. (成都市金屬材料有限公司) (14.29%);
 - (iii) the remaining 40% of the equity interests are held by Zhang Yayun (張亞云) (10%), Wang Jinghui (王景惠) (7%), Zhao Lixin (趙麗新) (7%), Zhang Minghao (張銘豪) (6%), Zhao Junfeng (趙俊鋒) (5%), Sun Shaohong (孫紹紅) (3%) and Zhang Ligong (張立功) (2%); and
 - (iv) the remaining 35% of the equity interests are held by Xi'an Tiexing Industrial and Commercial Co., Ltd. (西安鐵興工貿有限責任公司) (10%), Xi'an Wanlong Materials Trade Co., Ltd. (西安萬龍物資貿易有限公司) (10%), Zhang Minghua (張明華) (10%) and Zhang Xiaonan (張曉南) (5%).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets out our ownership and corporate structure immediately after the Global Offering assuming the Over-allotment Option is not exercised:



Notes:

- Zhang Guoxiang (one of our executive Directors), Lin Feng (one of our executive Directors) and Li Ruping (one of our Supervisors) will hold approximately 62.1%, 5.6% and 4.1% of Huitai, respectively. Huitai agreed to follow Loncin Holdings in exercising its voting right. For more details, see “Directors, Supervisors, Senior Management and Employees — Share Incentive Scheme.” As Huitai will remain majority-owned by Zhang Guoxiang upon Listing, its interest in our Company will be deemed as an interest held by our Connected Person.
- The interests to be held by our Directors, Supervisors and/or their respective associates include:
 - Chongqing Jiulong, who will hold approximately 5.24% of the equity interests of Hanhua Financial, is held as to 55% by Wang Fangfei (one of our non-executive Directors).
 - Zhou Daoxue (one of our Supervisors) will hold approximately 1.81% of the equity interests of Hanhua Financial.
 - Zhang Guoxiang (one of our executive Directors), Li Ruping (one of our Supervisors), Lin Feng (one of our executive Directors), Chen Zhonghua (one of our Supervisors) and Liu Jiaoyang (one of our non-executive Directors) will hold approximately 0.06267%, 0.04993%, 0.04660%, 0.00999% and 0.00999% of the equity interests of Hanhua Financial, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (D) Chongqing Renhe, which will hold approximately 1.36% of the equity interests of Hanhua Financial, is held as to 65% by Zhou Daolun, brother of Zhou Daoxue (one of our Supervisors).
 - (E) Sichuan Hongrun Trading Co., Ltd, which will hold approximately 2.72% of the equity interests of Hanhua Financial, is held as to 75% by Liu Bolin (one of our non-executive Directors).
 - (F) Puzhao Hengyi, which will hold approximately 1.21% of the then equity interests of Hanhua Financial, is held as to 80% by Feng Yonglin (brother of Feng Yongxiang, one of our non-executive Directors) and as to 10% by Yu Zhaoheng (mother of Feng Yongxiang, one of our non-executive Directors).
 - (G) Wang Mingyue (daughter of Liu Tingrong, one of our non-executive Directors) will hold approximately 6.11% of the equity interests of Hanhua Financial.
 - (H) Yu Zhaoheng (mother of Feng Yongxiang, one of our non-executive Directors) will hold approximately 1.21% of the equity interests of Hanhua Financial.
3. The corporate and individual investors are Independent Third Parties.
4. Our management members and employees who became our Shareholders pursuant to the capital increase agreement dated March 13, 2013. None of them was a director, supervisor or chief executive or otherwise falling into the definition of Connected Person.
5. In respect of each of the non-wholly owned subsidiaries of the Company, their respective equity interests not held by our Group are held by Independent Third Parties:
- (i) the remaining 44% of the equity interests are held by Chongqing Yuanda Yinwu Co., Ltd. (重慶遠大印務有限公司) (10%), Chongqing East China Materials (Group) Co., Ltd. (重慶華南物資(集團)有限公司) (10%), Shanghai Baohe Industrial Co., Ltd. (上海寶合實業股份有限公司) (10%), Chongqing Taoranjia Food Culture (Group) Co., Ltd. (重慶陶然居飲食文化(集團)有限公司) (6%), Chongqing Huiyuan Investment Co., Ltd. (重慶惠遠投資有限公司) (4%), Wu Fanfan (吳凡凡) (2%), Chongqing Road & Bridge Engineer Co., Ltd. (重慶市涪陵路橋工程有限公司) (1%) and Li Qiujun (李秋君) (1%);
 - (ii) the remaining 38.57% of the equity interests are held by Li Tong (李彤) (2.85%); Chengdu Huachuan Highway Construction Group Co., Ltd. (成都華川公路建設集團有限公司) (14.29%); Sichuan Chuanshixin Commercial Trading Co., Ltd. (四川川之信商貿有限公司) (7.14%) and Chengdu Metallic Materials Co., Ltd. (成都市金屬材料有限公司) (14.29%);
 - (iii) the remaining 40% of the equity interests are held by Zhang Yayun (張亞云) (10%), Wang Jinghui (王景惠) (7%), Zhao Lixin (趙麗新) (7%), Zhang Minghao (張洺豪) (6%), Zhao Junfeng (趙俊鋒) (5%), Sun Shaohong (孫紹紅) (3%) and Zhang Ligong (張立功) (2%); and
 - (iv) the remaining 35% of the equity interests are held by Xi'an Tiexing Industrial and Commercial Co., Ltd. (西安鐵興工貿有限責任公司) (10%), Xi'an Wanlong Materials Trade Co., Ltd. (西安萬龍物資貿易有限公司) (10%), Zhang Minghua (張明華) (10%) and Zhang Xiaonan (張曉南) (5%).