

CAR Inc. 神州租車有限公司

Incorporated in the Cayman Islands with Limited Liability

Stock Code: 699

Global Offering



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IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

CAR Inc.

神州租車有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 426,341,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 42,636,000 Shares (subject to reallocation)
Number of International Offering Shares	: 383,705,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$8.50 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.00001 per Share
Stock code	: 699

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中金香港証券 華興資本
CHINA RENAISSANCE

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中金香港証券 華興資本
CHINA RENAISSANCE  **廣發香港**
GF HONG KONG

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection," has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Our Company is incorporated in the Cayman Islands and substantially all of our businesses are located in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the Cayman Islands, the PRC and Hong Kong and that there are different risk factors relating to the investment in our Company. Potential investors should also be aware that the regulatory frameworks in the Cayman Islands and the PRC are different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Regulations."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered and sold within the United States or to, or for the account or benefit of any U.S. person, except that Offer Shares may be offered or sold to qualified institutional buyers in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or outside the United States in accordance with Regulation S.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around September 12, 2014 and, in any event, not later than September 17, 2014, or such other date as agreed between parties. The Offer Price will be no more than HK\$8.50 per Offer Share and is currently expected to be no less than HK\$7.50 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by September 17, 2014, or such other date as agreed between parties between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors."

The Joint Global Coordinators may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.zuche.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination."

September 8, 2014

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times.

Latest time to complete electronic applications under

HK eIPO White Form service through the designated website

www.hkeipo.hk⁽²⁾ 11:30 a.m. on
Friday, September 12, 2014

Application lists of the Hong Kong Public Offering open⁽³⁾ 11:45 a.m. on
Friday, September 12, 2014

Latest time to lodge **WHITE** and **YELLOW** Application Forms 12:00 noon on
Friday, September 12, 2014

Latest time to give **electronic application instructions**

to HKSCC⁽⁴⁾ 12:00 noon on
Friday, September 12, 2014

Latest time to complete payment of **HK eIPO White Form**

applications by effecting Internet banking transfer(s) or PPS

payment transfer(s) 12:00 noon on
Friday, September 12, 2014

Application lists of the Hong Kong Public Offering

close 12:00 noon on
Friday, September 12, 2014

Expected Price Determination Date⁽⁵⁾ Friday, September 12, 2014

(1) Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.zuche.com** on or

before⁽⁶⁾ Thursday, September 18, 2014

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.zuche.com** (see paragraph entitled "Publication of Results" in the section headed "How to Apply for Hong Kong Offer Shares") from Thursday, September 18, 2014

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**⁽⁷⁾ and the Company's website at **www.zuche.com**⁽⁸⁾ from Thursday, September 18, 2014

EXPECTED TIMETABLE⁽¹⁾

Results of allocations for the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a “search by ID” function.	Thursday, September 18, 2014
Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before ⁽⁶⁾	Thursday, September 18, 2014
Dispatch of HK eIPO White Form e-Auto Refund payment instructions/refund cheques on or before ⁽⁹⁾	Thursday, September 18, 2014
Dealings in Shares on the Hong Kong Stock Exchange to commence on	Friday, September 19, 2014

Notes:

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Friday, September 12, 2014, the application lists will not open on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists.”
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS.”
- (5) The Price Determination Date is expected to be on or around Friday, September 12, 2014 (Hong Kong time) and, in any event, not later than Wednesday, September 17, 2014 (Hong Kong time), or such other date as agreed between parties. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Wednesday, September 17, 2014, or such other date as agreed between parties, the Global Offering will not proceed and will lapse.
- (6) **Share certificates are expected to be issued on Thursday, September 18, 2014 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Friday, September 19, 2014. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely of their own risk.**
- (7) The announcement will be available for viewing on the “Main Board — Allotment of Results” page on the Hong Kong Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.zuche.com.
- (8) None of the websites or any of the information contained on the website forms part of this prospectus.
- (9) **e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.**

You should read carefully the sections headed “Underwriting,” “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers and the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained in our website, located at www.zuche.com does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest car rental company in China, offering comprehensive car rental services including short-term rentals, long-term rentals and leasing. We are the clear market leader in terms of fleet size, revenue, network coverage and brand awareness, according to Roland Berger.

Our total fleet, which excludes vehicles owned by our franchisees, comprised of 52,498 vehicles as of June 30, 2014. According to Roland Berger, as of December 31, 2013, we had the largest fleet among all car rental companies in China, and our total fleet was larger than the aggregate fleet size of the next nine largest car rental companies and over four times that of the second largest car rental company.

As of June 30, 2014, we had an extensive network of 717 directly operated service locations in 70 major cities in all provinces in China. According to Roland Berger, the number of our directly operated service locations was approximately three times of that of our closest competitor as of December 31, 2013. Our network was further supplemented by 202 service locations in 162 small cities operated by our franchisees as of June 30, 2014.

We provide a superior car rental experience by offering our customers a wide vehicle selection, excellent vehicle condition, a “hassle-free” rental process and 24/7 service in every city where we operate. Our total customer base grew more than four times from approximately 450,000 as of December 31, 2011 to approximately 1,962,000 as of June 30, 2014.

Our brand “ 神州租车,” or “China Auto Rental,” is the most recognized and trusted car rental brand in China, according to Roland Berger. Our brand had the highest search volume on Baidu Index and Google Trends, two major keyword search popularity indices, among car rental companies in China, and our total search volume on each of Baidu and Google was approximately three times that of our closest competing brand in 2013. Our strong brand allows us to achieve premium pricing. It also enables us to lower our customer acquisition costs by bypassing third-party intermediaries and marketing directly to our customers.

As a technology driven company, we have developed an effective, reliable and scalable technology platform. Our technology platform centralizes all aspects of our operational management, including transaction, yield, customer, fleet and financial management. We utilize our technology platform to collect and analyze a vast amount of transaction and customer data to improve our operational efficiency and customer experience and explore new products and services. In particular, our technology platform powers our advanced and user-friendly website and mobile app, which together contributed approximately 66.4% of our total short-term rental reservations in the first half of 2014. Reservations from mobile app as a percentage of our total reservations increased from 6.4% for the three months ended March 31, 2013 to 24.4% for the three months ended March 31, 2014, and further to 30.1% for the three months ended June 30, 2014. As of June 30, 2014, our mobile app had approximately 5,500,000 installations.

We have primarily focused on the short-term self-drive rental market in China, which is fragmented and is expected to grow rapidly at a CAGR of 27% from 2013 to 2018, mainly driven by increasing leisure and business travel by individual and institutional customers and general car usage needs of licensed drivers who do not own cars, according to Roland Berger. Our market share by revenue for short-term self-drive rentals in China was 31.2% in 2013, compared to 8.2% for our closest competitor, according to Roland Berger. As the clear market leader, we are well positioned to capture the significant growth opportunities in China’s short-term rental market.

SUMMARY

During the Track Record Period, we have experienced substantial growth while improving our operational efficiency. Our total fleet size increased from 25,845 vehicles to 52,498 vehicles from December 31, 2011 to June 30, 2014.

OUR BUSINESS MODEL

We generate revenue primarily from our car rental business and used car sales.

We provide short-term rentals, long-term rentals and leasing in our car rental business. We categorize rentals of less than 90 days as short-term rentals and rentals of 90 days or longer as long-term rentals. Our leasing terms usually range from two to three years, and leasing differs from our long-term rentals in that at the end of the leasing period, customers purchase the leased car with a payment agreed upon at the beginning of the leasing arrangement. Our product categorization is similar to that adopted by our industry peers. However, each industry participant may set different lengths for the division between short-term and long-term rentals based on its own business considerations.

Our short-term rental customers can choose from our short-term rental fleet of over 100 popular models covering most vehicle classes and major brands available in the market as of the Latest Practicable Date. Depending on the length of the rental term, our long-term rental customers can choose a vehicle from our short-term rental fleet, or a brand-new vehicle from the makes and models of our short-term rental fleet, or a brand-new vehicle of a make and model specified by the customer.

In addition, we offer various value-added services such as accident coverage packages, GPS navigation systems, 24/7 roadside assistance, vehicle delivery and one-way rentals. We also offer an “Enterprise Cloud” car rental solution, which encompasses all of our products and services, to help institutional customers optimize their car use management. Revenues from our car rental business accounted for approximately 94.7%, 96.9%, 81.7% and 74.2%, respectively, of our total revenue in 2011, 2012, 2013 and the six months ended June 30, 2014.

In addition, our strategic alliance with Hertz provides us with access to Hertz global sales and marketing activity, travel industry partners and alliances and major global corporations with car rental needs in the PRC. Benefiting from our strategic alliance with Hertz, our customers can access Hertz fleet and network worldwide through our referrals, which enable us to benefit from the continued growth in outbound tourism from PRC customers.

We finance our vehicle acquisition primarily through a combination of borrowings from financial institutions, capital lease companies and OEMs, our operating cash flow and equity financings. As of June 30, 2014, bank loans and other borrowings, finance leasing and OEM financing accounted for approximately 94.9%, 3.2% and 1.9%, respectively, of our total outstanding debt. We also intend to use a portion of the proceeds from this offering for vehicle acquisition.

We dispose of our used rental vehicles when they reach the end of their holding period, which is typically approximately 30 months for our primary vehicle models and approximately 36 months for other vehicle models. We dispose of our used vehicles to end users, dealers and franchisees primarily through online bidding and auction platforms, with off-line auction companies and other offline sales as supplemental channels. Revenues from our used car sales accounted for approximately 5.3%, 3.1%, 18.3% and 25.8%, respectively, of our total revenue in 2011, 2012, 2013 and the six months ended June 30, 2014.

We commenced our franchise arrangements in December 2013. We admit franchisees only in small cities where we do not have directly operated service locations. We charge our franchisees an upfront franchise fee, commissions, and certain other miscellaneous fees. Revenue from our franchise arrangements constitutes an insignificant portion of our rental revenue, and we do not expect it to become a significant portion of our rental revenue in the near future. Please see “Business — Our Franchise Arrangements” on page 101 of this prospectus for more information.

SUMMARY

OUR INDUSTRY AND COMPETITIVE LANDSCAPE

China's car rental market can be divided into the short-term car rental market, the long-term car rental market and the leasing market. As it is illegal for car rental companies in China to offer chauffeured car rentals of less than 90 days, we offer only short-term self-drive rentals. The short-term self-drive rental market in China is fragmented and is expected to grow at a CAGR of 27% from approximately RMB6 billion at the end of 2013 to approximately RMB18 billion at the end of 2018, mainly driven by increasing leisure and business travel by individual and institutional customers and general car use needs of licensed drivers who do not own cars, according to Roland Berger. The gap between the numbers of licensed drivers and private cars has been growing and is expected to continue to grow, according to Roland Berger. In 2013, our market share by revenue for short-term self-drive rentals in China was 31.2% in 2013, compared to 8.2% and 1.9%, respectively, for our closest competitors, eHi and Topone, according to Roland Berger. As the clear market leader, we are well-positioned to capture the significant growth opportunities in China's car rental market. Please see "Industry Overview" on page 74 of this prospectus for more information.

OUR CUSTOMERS

We have a large, rapidly growing and loyal customer base consisting of individual and institutional customers. The aggregate number of our individual customers grew over four times from approximately 447,000 as of December 31, 2011 to approximately 1,949,000 as of June 30, 2014. Our institutional customer base grew from approximately 3,500 as of December 31, 2011 to approximately 12,600 as of June 30, 2014. The transactions by our repeat customers as a percentage of our total rental transactions has increased from 56.6% in 2011 to 68.0% in 2013, indicating growing customer loyalty and increasing customer engagement. In 2011, 2012 and 2013 and the six months ended June 30, 2014 our top five customers collectively accounted for 4.3%, 3.3%, 5.5% and 21.2%, respectively, of our total revenue. Please see "Business — Our Customers" on page 95 of this prospectus for more information on our customers.

OUR SUPPLIERS

We purchase vehicles from automobile manufacturers and their authorized dealerships. We typically negotiate our purchase terms and enter into framework agreements directly with automobile manufacturers, which would then direct us to place individual purchase orders under such framework agreements with their authorized dealerships. We also utilize third-party suppliers for some of our IT needs, insurance needs, and repair and maintenance needs. In 2011, 2012 and 2013 and the six months ended June 30, 2014, our five largest suppliers collectively accounted for approximately 53.6%, 45.6%, 55.2% and 42.2%, respectively, of our total vehicle purchases, and our single largest supplier accounted for approximately 17.8%, 14.5%, 14.6% and 13.3%, respectively, of our total vehicle purchases in terms of purchase amount. Please see "Business — Our Suppliers" on page 104 of this prospectus for more information on our suppliers.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

- Our clear market leading position provides us with unique competitive advantages;
- We have established the most recognized and trusted brand by providing a superior customer experience;
- Our effective, reliable and scalable technology platform enables us to enhance operational efficiency and customer experience;
- Our diversified business mix enables us to capture growth opportunities while managing market fluctuations; and
- We have an experienced management team and strong shareholder support.

SUMMARY

OUR STRATEGIES

While we further strengthen our leadership position in China's car rental market, we aspire to become China's leading auto mobility provider. To achieve this goal, we intend to:

- Increase fleet utilization rate and operational efficiency;
- Grow our rental fleet and expand our network coverage;
- Continuously enhance our customer experience and strengthen our brand; and
- Continue our product innovation and further expand along our value chain.

RISK FACTORS

Our operations and this Global Offering involve certain risks, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. These risk factors are set out in "Risk Factors" starting on page 30 of this prospectus. You should read that section in its entirety carefully before you decide to invest in the Offer Shares. Some of the major risks we face include:

- We have operated at a loss in 2011, 2012 and 2013 and only recently became profitable in the six months ended June 30, 2014 and we may not remain profitable in the future;
- If we do not compete successfully against existing and new competitors, we may lose customers and market share;
- Our business requires a large amount of capital to finance the replenishment and expansion of our fleet. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely affect our business, results of operations and financial condition;
- Our business depends heavily on our reputation and market recognition of our brand, and any negative publicity or other harm to our brand or failure to maintain and enhance our brand recognition may materially and adversely affect our business, financial condition and results of operations;
- Our failure to fully comply with various PRC transportation laws and regulations and other applicable PRC laws with respect to our businesses could harm our results of operations; and
- Some of our PRC subsidiaries may have engaged in business activities without the necessary approvals from or registration with local authorities, which could subject us to fines or other penalties that may negatively impact our results of operations or interfere with our ability to operate our business.

DIVIDEND POLICY

Our Board has absolute discretion in whether to declare any dividend for any year and how much dividend to declare, if any. Neither the Company nor any of its subsidiaries has paid or declared any dividend since its inception. We will continue to reevaluate our dividend policy in light of our financial condition and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. In addition, we had an accumulated loss of RMB377.2 million as of June 30, 2014. We will continue to focus on business growth and we do not expect to declare any dividend payment in the near future.

SUMMARY

SUMMARY HISTORICAL OPERATING INFORMATION

The following table sets forth key operating metrics that are critical to our business:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
Short-term rental					
Average daily short-term rental fleet ⁽¹⁾	15,429	26,556	33,475	32,880	35,602
Average daily rental rate (RMB) ⁽²⁾	197	212	246	218	277
Fleet utilization rate (%) ⁽³⁾	56.7%	59.0%	57.9%	61.1%	61.7%
RevPAC (RMB) ⁽⁴⁾	112	125	142	133	171

(1) Average daily short-term rental fleet is calculated by dividing the aggregate days of our short-term rental vehicles in operation in a given period by the aggregate days of that period. When calculating average daily short-term rental fleet, “short-term rental vehicles in operation” refers to our entire short-term fleet, including those temporarily unavailable for customer use due to repair or maintenance and those that are being transported, but excluding those vehicles suspended from rental operations because they failed to pass the mandatory biennial inspection due to customer violation of traffic rules.

(2) Average daily rental rate is calculated by dividing our short-term rental revenue in a given period by the fleet rental days in that period. Fleet rental days are the total rental days for all vehicles in our short-term rental fleet in a given period.

However, average rental rates are not meaningful operational metrics for long-term rentals because our long-term rentals are customized to meet the individual needs each of our customers may have, and as a result, our long-term rental contracts may vary significantly from each other. In addition, the rental rates for our long-term rentals depend on (i) the length and amount of such long-term rental contracts; (ii) the customer’s transaction history with us; and (iii) the model of the vehicle requested by the customer.

In addition, average rental rates do not apply to our leasing services because they are priced based on the vehicle acquisition costs plus our target yield rates as the customers purchase the leasing vehicle at the end of the leasing period. Our leasing contracts may also vary significantly from each other as it is an evolving business for us.

Our management does not evaluate our long-term rentals and leasing businesses with reference to these metrics because the average rental rates do not represent or indicate any performance of our long-term rentals and leasing business.

(3) Fleet utilization rate is calculated by dividing the aggregate days that our vehicles are rented out for short-term rentals by the aggregate days that our short-term rental vehicles are in operation. When calculating fleet utilization rate, “short-term rental vehicles in operation” refers to our entire short-term fleet, including those temporarily unavailable for customer use due to repair or maintenance and those that are being transported, but excluding those vehicles suspended from rental operations because they failed to pass the mandatory biennial inspection due to customer violation of traffic rules.

(4) RevPAC refers to average daily rental revenue per short-term rental vehicle, which is calculated by multiplying the average daily rental rate in a given period by the fleet utilization rate in that same period.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth the summary of the consolidated financial information of our Group. We have derived the consolidated financial information as of and for the years ended December 31, 2011, 2012 and 2013, and as of and for the six months ended June 30, 2014 from our audited consolidated financial information in the Accountants’ Report set out in Appendix I to this prospectus. We have derived the consolidated financial information as of and for the six months ended June 30, 2013 from our reviewed consolidated financial statements set forth in the Accountants’ Report set out in Appendix I to this prospectus.

SUMMARY

Summary of Consolidated Results of Operations

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
	(in thousands, except percentages)									
Total revenue.....	819,208	100.0%	1,609,022	100.0%	2,702,715	100.0%	1,150,055	100.0%	1,862,014	100.0%
Rental revenue	776,009	94.7%	1,558,391	96.9%	2,207,812	81.7%	1,007,689	87.6%	1,381,337	74.2%
Sales of used vehicle	43,199	5.3%	50,631	3.1%	494,903	18.3%	142,366	12.4%	480,677	25.8%
Gross profit.....	244,060	29.8%	492,996	30.6%	628,924	23.3%	314,788	27.4%	578,814	31.1%
Profit/(loss) before tax	(150,587)	(18.5)%	(132,354)	(8.3)%	(215,941)	(8.0)%	3,059	0.2%	228,087	12.2%
Profit/(loss) for the year/period.....	(151,225)	(18.6)%	(132,303)	(8.3)%	(223,365)	(8.3)%	1,650	0.1%	218,332	11.7%

We recorded a loss of RMB151.2 million, RMB132.3 million and RMB223.4 million, respectively, in 2011, 2012 and 2013. The losses in 2011 and 2012 were mainly due to our discount pricing strategies to rapidly grow our scale and market share and cultivate customer acceptance at the early stage of China's car rental industry. The loss in 2013 was mainly due to the costs related to suspended fleet.

We recorded profit of RMB218.3 million for the six months ended June 30, 2014 mainly due to (a) the increase in our average daily rental rate as we had gradually solidified our market leading position in terms of our customer base and brand recognition, (b) a reduced suspended fleet, and (c) our enhanced operational efficiency, which lowered our costs and expenses as a percentage of our revenue.

Summary of Revenue from Car Rental Business

The following table sets forth our revenue from car rental business by service type in absolute amounts and as percentages of our rental revenue for the periods presented:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue
	(in thousands, except percentages)									
Car rental business:										
Revenue from short-term rentals	629,818	81.2%	1,208,561	77.5%	1,714,485	77.7%	793,443	78.7%	1,081,099	78.3%
Revenue from long-term rentals	143,742	18.5%	328,211	21.1%	448,903	20.3%	201,601	20.0%	245,349	17.8%
Revenue from finance lease	2,235	0.3%	13,012	0.8%	21,709	1.0%	9,100	0.9%	19,411	1.4%
Other revenue	214	0.0%	8,607	0.6%	22,715	1.0%	3,545	0.4%	35,478	2.5%
Total revenue from car rental business:.....	776,009	100.0%	1,558,391	100.0%	2,207,812	100.0%	1,007,689	100.0%	1,381,337	100.0%

SUMMARY

Summary of Gross Profit and Gross Profit Margin

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB	RMB	RMB	RMB	RMB
	(in thousands, except percentages)				
Gross profit of car rental business.....	249,721	490,397	656,147	316,567	561,867
Gross profit margin of car rental business	32.2%	31.5%	29.7%	31.4%	40.7%
Gross (loss)/profit of sales of used vehicles	(5,661)	2,599	(27,223)	(1,779)	16,947
Gross (loss)/profit margin of sales of used vehicles	(13.1)%	5.1%	(5.5)%	(1.2)%	3.5%
Total gross profit	<u>244,060</u>	<u>492,996</u>	<u>628,924</u>	<u>314,788</u>	<u>578,814</u>
Total gross profit margin	<u>29.8%</u>	<u>30.6%</u>	<u>23.3%</u>	<u>27.4%</u>	<u>31.1%</u>

Calculation of non-IFRS measures

We compensate for the limitations of the non-IFRS measures by reconciling the non-IFRS financial measures to the nearest IFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our adjusted net profit/(loss) and adjusted EBITDA in the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit/(loss):

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(RMB in thousands, except percentages)				
A. Adjusted net profit/(loss)					
Net Profit/(loss).....	(151,225)	(132,303)	(223,365)	1,650	218,332
Adjusted for:					
Share-based compensation.....	—	—	101,148	—	26,952
Foreign exchange (gain)/loss related to Corporate Reorganization	—	(1,746)	(39,100)	(15,877)	18,050
IPO and reorganization related expenses	6,082	31,093	6,142	—	13,854
Adjusted net profit/(loss)	<u>(145,143)</u>	<u>(102,956)</u>	<u>(155,175)</u>	<u>(14,227)</u>	<u>277,188</u>
Adjusted net profit/(loss) margin (as a percentage of rental revenue)	(18.7%)	(6.6%)	(7.0%)	(1.4)%	20.1%

SUMMARY

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(RMB in thousands, except percentages)				
B. Adjusted EBITDA					
Reported EBITDA calculation					
Profit/(loss) before tax	(150,587)	(132,354)	(215,941)	3,059	228,087
Adjusted for:					
Finance costs	140,641	270,037	334,611	151,889	153,636
Interest income from bank deposit.....	(1,106)	(2,225)	(3,284)	(1,527)	(5,291)
Loan interest income from a related party....	(809)	(131)	—	—	—
Depreciation of rental vehicles.....	258,023	535,979	690,027	307,119	341,429
Depreciation of other property plant, and equipment	10,354	19,358	23,076	12,845	13,683
Amortization of other intangible assets.....	2,229	3,088	6,595	3,196	4,289
Amortization of prepaid land lease payment.	—	169	169	84	84
Impairments on trade receivables.....	711	4,864	14,667	3,018	1,480
Reported EBITDA	259,456	698,785	849,920	479,683	737,397
Reported EBITDA margin (as a percentage of rental revenue)	33.4%	44.8%	38.5%	47.6%	53.4%
Adjusted EBITDA calculation					
Reported EBITDA.....	259,456	698,785	849,920	479,683	737,397
Adjusted for:					
Share-based compensation.....	—	—	101,148	—	26,952
Foreign exchange (gain)/loss related to Corporate Reorganization	—	(1,746)	(39,100)	(15,877)	18,050
IPO and reorganization related expenses	6,082	31,093	6,142	—	13,854
Adjusted EBITDA	265,538	728,132	918,110	463,806	796,253
Adjusted EBITDA margin (as a percentage of rental revenue)	34.2%	46.7%	41.6%	46.0%	57.6%

Summary of Consolidated Statements of Financial Position

	December 31,			June 30,
	2011	2012	2013	2014
	(RMB in thousands)			
ASSETS				
Total non-current assets.....	2,698,791	3,789,628	4,401,803	4,607,086
Total current assets	1,069,082	1,268,667	1,765,268	2,379,598
LIABILITIES				
Total current liabilities.....	2,819,145	4,518,686	4,490,944	3,110,545
Total non-current liabilities	800,902	524,086	1,603,189	1,736,143
TOTAL EQUITY	147,826	15,523	72,938	2,139,996

SUMMARY

Key Consolidated Statement of Cash Flows Information

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(RMB in thousands)			(unaudited)	
Net cash generated from/ (used in) operating activities.....	(1,485,326)	(923,976)	(590,312)	(532,533)	164,837
Net cash generated from/ (used in) investing activities.....	(103,160)	(52,983)	18,070	46,876	(224,188)
Net cash generated from financing activities.....	2,144,669	1,257,631	512,775	587,084	281,207
Net increase/(decrease) in cash and cash equivalents.....	556,183	280,672	(59,467)	101,427	221,856

Depreciation of Rental Vehicles

The depreciation of rental vehicles constitutes a significant portion of our expenses. We bear the risk of effective depreciation when disposing of our rental vehicles. Our depreciation of rental vehicles was 33.3%, 34.4%, 31.3% and 24.7% of our rental revenue in 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. We determine depreciation of rental vehicles by primarily estimating (i) our vehicles' holding periods and (ii) residual values at the expected time of disposal. We make periodic reviews and adjustments to the depreciation rates in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. For further details regarding our depreciation of rental vehicles, please refer to "Financial Information - Critical Accounting Policies, Estimates and Judgments - Property, plant and equipment and depreciation."

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios as of the dates or for the periods indicated:

	December 31,			June 30,
	2011	2012	2013	2014
Net debt/equity ratio (times) ⁽¹⁾	16.6x	174.8x	40.7x	1.5x
Net debt/adjusted EBITDA (times) ⁽²⁾	9.2x	3.7x	3.2x	2.5x
Adjusted EBITDA/gross interest expenses (times) ⁽³⁾	1.9x	2.7x	2.7x	5.2x
As a percentage of rental revenue:				
Gross profit (%) ⁽⁴⁾	32.2%	31.5%	29.7%	40.7%
Net profit/(loss) (%) ⁽⁵⁾	(19.5%)	(8.5%)	(10.1%)	15.8%

Note:

- (1) Net debt/equity ratio is net debt divided by total equity at the end of each financial period. Net debt equals our total interest-bearing bank and other borrowings plus amount due to Legend Holdings, less our cash and cash equivalents.
- (2) Net debt/adjusted EBITDA is net debt divided by adjusted EBITDA. The June 30, 2014 figure is net debt as of June 30, 2014 divided by the last-twelve-month adjusted EBITDA, which is adjusted EBITDA of the first six months of 2014 plus that of the full year of 2013 less that of the first six months of 2013.
- (3) Adjusted EBITDA/gross interest expenses ratio is our adjusted EBITDA divided by finance costs.
- (4) Gross profit margin is our rental gross profit in a given period divided by our rental revenue in the same period.
- (5) Net profit margin is our net profit/(loss) in a given period divided by our rental revenue in the same period.

SUMMARY

ELIGIBILITY OF LISTING

We have applied for the Listing pursuant to the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules.

RECENT DEVELOPMENTS

Our Directors confirm that there has been no material change in our business, results of operations and financial condition since June 30, 2014.

NET CURRENT LIABILITIES, NEGATIVE NET OPERATING CASH FLOW AND WORKING CAPITAL SUFFICIENCY

As of December 31, 2011, 2012 and 2013, June 30, 2014 and July 31, 2014, we recorded net current liabilities of RMB1,750.1 million, RMB3,250.0 million, RMB2,725.7 million, RMB730.9 million and RMB1,041.3 million, respectively.

As of June 30, 2014 and July 31, 2014, our net current liabilities were (i) primarily due to the re-classification of RMB499.6 million and RMB483.0 million, respectively, of our long-term bank and other borrowings as current liabilities, and (ii) to a lesser extent, the use of our short-term borrowings primarily for vehicle purchases, which are classified as non-current assets according to IFRS.

As of the Latest Practicable Date, we had obtained letters from all relevant banks confirming that they did not plan to require us to repay any amount under the loans and borrowings re-classified as current liabilities on an accelerated basis. Although these letters demonstrate the banks' intention to not enforce fund deposit covenant or require early repayment of the loans and borrowings re-classified as payable on demand, (i) we are technically still in breach of such covenant, and (ii) the letters are not sufficient to eliminate the possibility of these banks demanding early repayment of the relevant loans in the next 12 months from the respective issue date of these letters. Therefore, the borrowings cannot be classified as non-current liabilities under IFRS.

For the years ended December 31, 2011, 2012 and 2013, we recorded net cash flows used in operating activities of approximately RMB1,485.3 million, RMB924.0 million and RMB590.3 million, respectively, mainly due to our vehicle purchases, which amounted to RMB1,774.9 million, RMB1,764.5 million and RMB1,889.0 million, respectively, during the same periods. For further information, please see "Financial Information — Liquidity and Capital Resources" on page 216 of this prospectus. We recorded net cash generated from operating activities of approximately RMB164.8 million for the six months ended June 30, 2014.

As of July 31, 2014, we had unutilized approximately RMB200.1 million of bank loan facilities.

Our vehicle acquisition costs represent the most significant expenditure for our expansion. During the Track Record Period, we funded our vehicle acquisition costs through cash generated from operation and interest-bearing borrowings. We have been actively balancing our vehicle acquisition needs and indebtedness level to ensure a sustainable business growth and a healthy cash flow position, and we can adjust our vehicle acquisition plans to maintain an appropriate liquidity level. We expect that we will incur approximately RMB2,600 million for our vehicle acquisition in the next 12 months. In addition, we also intend to incur approximately RMB1,500 million for our debt repayment in the next 12 months. We expect to fund our vehicle acquisition and debt repayment through the following sources:

Sources	Amount (RMB in millions)	%
Cash generated from operations	1,350	33%
Proceeds from disposal of rental vehicles.....	750	18%
Proceeds from the Global Offering	2,000	49%
Total	4,100	100%

SUMMARY

Note:

- (1) Assuming no additional debt financing for the purpose of vehicle acquisition and debt repayment in the next 12 months. Thereafter, with the remaining proceeds dedicated to vehicle acquisitions and additional debt that we may raise, we intend to complete the procurement of what remains of the 44,000 to 59,000 vehicles in line with the disclosure in “Future Plans and Use of Proceeds” section of the prospectus.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, cash generated from operations and banking facilities as well as the estimated net proceeds from the Global Offering, our Directors are of the opinion, and the Joint Sponsors concur, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus.

COSTS RELATED TO SUSPENDED FLEET

In 2013, because of the significant increase of our fleet size in 2011, a large number of our vehicles were due for mandatory biennial inspection. Our vehicles carried traffic violation penalties due to customer violations of traffic rules. We were unable to make our customers clear the traffic violation penalties for a significant number of our vehicles prior to their inspection dates, which resulted in such vehicles failing to pass the mandatory biennial inspection and being prohibited from road use or disposition. As a result, a monthly average of 7,624 vehicles of our fleet were suspended from our rental operations and we incurred a total cost of RMB298.5 million in 2013 resulting from the suspended fleet. The monthly average suspended fleet size is calculated by dividing the aggregate of the month-end number of suspended vehicles in a period by the number of months in that period.

In the second half of 2013, in anticipation of the large amount of vehicles becoming due for their mandatory biennial inspection, we increased our efforts, including allocating more staff and resources to coordinate with our customers, to offset the point deductions recorded on our vehicles. As a result, the size of our suspended fleet decreased to a monthly average of 1,967 vehicles in the six months ended June 30, 2014, for which we incurred a cost of RMB40.9 million for the six months ended June 30, 2014.

The China Road Transportation Association, the trade association for the car rental industry in China, has been actively discussing with the PRC government, which is in the process of amending the applicable regulations to exempt vehicles of car rental companies from being subject to point deductions for traffic violations committed by the customers. For more information on the mandatory periodic inspection and our risks relating to the suspended fleet, please see “Financial Information — Non-IFRS Measures — Costs related to suspended fleet” on page 207 of this prospectus, “Regulations — Regulations relating to enterprises engaging in car rental business — Regulations on penalties for violation of traffic laws and regulations” on page 117 of this prospectus and “Risk Factors — Customer violation of traffic rules could result in suspension of certain our vehicles from operation” on page 33 of this prospectus.

Costs related to suspended fleet include their aggregate depreciation amount and their proportionate share of direct operating expenses, administrative expenses and finance costs. However, when calculating the costs related to suspended fleet, we did not assume the revenue that could have been generated from the suspended fleet had the suspended fleet been available for rentals.

The following table sets forth the breakdown of our costs related to suspended fleet for the periods presented:

	Three months ended March 31, 2013	Three months ended June 30, 2013	Year ended December 31, 2013	Three months ended March 31, 2014	Three months ended June 30, 2014
(RMB in thousands)					
Depreciation	8,699	16,324	101,320	9,227	2,819
Direct operating expenses	9,174	17,213	106,842	14,936	4,605
Administrative expenses	3,131	5,875	36,468	3,220	654
Finance costs	4,629	8,685	53,910	3,878	1,542
Total	<u>25,633</u>	<u>48,097</u>	<u>298,540</u>	<u>31,261</u>	<u>9,620</u>

SUMMARY

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholder

Upon completion of the Pre-IPO Reorganization, our Controlling Shareholder will hold approximately 36.8% of the issued Shares. Immediately following the completion of the Global Offering, our Controlling Shareholder will hold near 30.0% of the issued Shares (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options) or approximately 29.2% of the issued Shares (assuming the Over-allotment Option is exercised in full but without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options). Our Controlling Shareholder has provided a lock up undertaking to the Hong Kong Stock Exchange and us pursuant to Rule 10.07(1) of the Listing Rules. Please see “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings by our Controlling Shareholder and Grand Union Management” on page 246 of this prospectus. Legend Holdings holds interests in certain limited partners of our Controlling Shareholder. Our Controlling Shareholder is controlled by a general partner, Grand Union Management Limited. Legend Holdings holds a 20% non-controlling interest in Grand Union Management Limited.

There is no competition between the business of our Controlling Shareholder and our business. The Directors believe that our Group is capable of carrying out its business independently of our Controlling Shareholder and its associates. Please refer to the section headed “Relationship with Our Controlling Shareholder” starting on page 157 of this prospectus for details.

Pre-IPO Share Option Schemes

On June 15, 2014, the Company adopted the 2014 Pre-IPO Share Option Scheme I and 2014 Pre-IPO Share Option Scheme II. 2014 Pre-IPO Share Option Scheme I was subsequently amended on July 30, 2014.

During the Track Record Period, we incurred share-based compensation expenses of nil, nil, RMB101.1 million and RMB27.0 million, respectively. We expect to incur additional share-based compensation expenses of RMB176.6 million from June 30, 2014 to 2018 under the Pre-IPO Share Option Schemes.

Please refer to the section headed “Statutory and General Information — Pre-IPO Share Option Schemes” in Appendix IV to this prospectus for details.

OFFER STATISTICS

The Global Offering comprises of: (i) the Hong Kong Public Offering of 42,636,000 Shares (subject to adjustment) in Hong Kong; and (ii) the International Offering of 383,705,000 Shares (subject to adjustment and the Over-allotment Option) in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States in reliance on Regulation S. The following table sets out certain offering related data, assuming that: (a) the Global Offering has been completed and 2,293,561,070 Shares are in issue; and (b) the Over-allotment Option has not been exercised.

	Based on minimum indicative Offer Price of HK\$7.50	Based on maximum indicative Offer Price of HK\$8.50
Market capitalization of our Shares ⁽¹⁾	HK\$17,201.7 million	HK\$19,495.3 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$2.41	HK\$2.59

SUMMARY

Notes:

- (1) The calculation of market capitalization is based on 2,293,561,070 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is based on 2,293,561,070 Shares expected to be in issue immediately upon completion of the Global Offering.

LISTING EXPENSES

As of June 30, 2014, we incurred expenses of approximately RMB24.0 million for the Global Offering, RMB4.0 million of which was capitalized, and we expect to incur RMB105.5 million of expenses until the completion of the Global Offering, of which approximately RMB23.6 million is expected to be charged to our consolidated income statement and approximately RMB81.9 million is expected to be capitalized as deferred expenses and charged against equity upon the Listing under the relevant accounting standards. We do not expect these expenses to have a material impact on our results of operations for 2014. Expenses such as underwriter's commission will be fully capitalized, while the other expenses are subject to allocation based on the proportion of the number of newly issued shares compared to the total number of outstanding shares immediately after the Global Offering.

USE OF PROCEEDS

Assuming an Offer Price of HK\$8.00 per Share (being the mid-point of the stated range of the Offer Price of between HK\$7.50 and HK\$8.50 per Share), and prior to any exercise of the Over-allotment Option, we estimate that we will receive net proceeds of approximately HK\$3,242 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 65%, or HK\$2,107 million, of the net proceeds will be used for procurement of additional fleet to support our growth strategy. Assuming a financing structure on a per vehicle basis of approximately 30-40% equity and 60-70% debt, we would be able to procure approximately 44,000 to 59,000 vehicles, approximately half of which we expect to purchase in 2015 and the remainder in 2016;
- approximately 19%, or HK\$629 million, of the net proceeds will be used to repay amounts outstanding under certain bank loans, including our loan facility of RMB200 million at SDIC Trust, RMB200 million at Post Savings Bank of China which was used for vehicle purchase and RMB100 million at China Credit Trust with a maturity of March 2015, April 2015 and March 2015 respectively and interest rate of 9.0%, 6.1% and 6.8%, respectively. See "Financial Information — Indebtedness" on page 229 of this prospectus;
- approximately 10%, or HK\$324 million, on developing new products and services; and
- the remaining 6%, or HK\$182 million, of the net proceeds will be used for our working capital and other general corporate purposes.

If the net proceeds from the Global Offering are not sufficient to satisfy the above capital needs, we will provide additional funding utilizing our internally generated funds or other sources of funding. If the net proceeds from the Global Offering exceed the above capital needs, we intend to use the surplus proceeds proportionately for additional fleet procurement, working capital and other general purposes.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.

“2013 CARH Pre-IPO Share Option Scheme”	the 2013 pre-IPO share option scheme approved and adopted by the shareholders of CARH on December 18, 2013 for the benefit of its directors, senior management and employees
“2014 CARH Pre-IPO Share Option Scheme”	the 2014 pre-IPO share option scheme approved and adopted by the shareholders of CARH on March 1, 2014 for the benefit of its chief financial officer
“2014 Pre-IPO Share Option Scheme I”	the 2014 pre-IPO share option scheme I approved and adopted by our Shareholders on June 15, 2014, and subsequently amended on July 30, 2014 for the benefit of our Directors, senior management and employees, a summary of the principal terms of which is set forth in the section headed “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Schemes — 1. 2014 Pre-IPO Share Option Scheme I”
“2014 Pre-IPO Share Option Scheme II”	the 2014 pre-IPO share option scheme II approved and adopted by our Shareholders on June 15, 2014 for the benefit of our chief financial officer, a summary of the principal terms of which is set forth in the section headed “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Schemes — 2. 2014 Pre-IPO Share Option Scheme II”
“Amber Gem”	Amber Gem Holdings Limited, a company incorporated on April 20, 2012 under the laws of the British Virgin Islands, which will directly hold 18.8% of the issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options). Amber Gem is wholly-owned by Warburg Pincus XI
“Amplewood”	Amplewood Resources Limited, a company incorporated under the laws of the BVI on June 8, 2005, which will directly hold approximately 1.1% of the issued share capital of our Company immediately upon completion of the Global Offering (assuming Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or where the context so requires, any of them, that are used in connection with the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of the Company that were conditionally adopted on August 18, 2014, which will take effect upon the listing of the Shares on the Hong Kong Stock Exchange, as amended from time to time

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Audit and Compliance Committee”	the audit and compliance committee of the Board
“Authority”	any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign
“Board” or “Board of Directors”	our board of Directors
“Board Lot”	means the board lot in which the Shares are traded on the Hong Kong Stock Exchange from time to time
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open generally for normal banking business to the public
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, represents the average year-over-year growth rate of a value over a specified period of time, taking into account the effects of compounding
“CAR Beijing”	Beijing China Auto Rental Co., Ltd. (北京神州汽車租賃有限公司), a company incorporated on September 27, 2007 and existing under the laws of the PRC, and a wholly-owned subsidiary of the Company
“CAR Hong Kong”	China Auto Rental Limited, a company incorporated on June 12, 2008 (formerly known as Legend Capital Management (Hong Kong) Limited and LC Industrial Investment Limited) and existing under the laws of Hong Kong, and a wholly-owned subsidiary of the Company
“CAR Investment”	China Auto Rental Investment Inc. (神州租車投資有限公司), an exempted company incorporated in the BVI on April 30, 2014 with limited liability, and a wholly-owned subsidiary of our Company
“CARH”	China Auto Rental Holdings Inc. (神州租車控股有限公司), an exempted company incorporated in the Cayman Islands on July 13, 2011 (formerly known as China Auto Rental Inc.) with limited liability, which held 100% of the interest of our Company as of the Latest Practicable Date
“Cayman Islands Company Law”	the Companies Law (as amended) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, except where the context otherwise requires and only for the purpose of this prospectus, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) effective from March 3, 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) effective from March 3, 2014, as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” “the Company,” “we,” “us” or “our”	CAR Inc. (神州租車有限公司), an exempted company incorporated in the Cayman Islands on April 25, 2014 (formerly known as China Auto Rental Inc. (神州租車有限公司)) with limited liability and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which was subsequently assumed by it
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto in the Listing Rules and unless the context otherwise requires, refers to Grand Union
“Convertible Notes”	the US\$36 Million Convertible Note and the US\$100 Million Convertible Note

DEFINITIONS

“core connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Corporate Reorganization”	the corporate reorganization arrangements undergone by our Group in preparation for the Listing as described in the section headed “Our History, Reorganization and Corporate Structure — Corporate Reorganization”
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the securities markets in the PRC
“customer(s)”	any individual or entity that has completed a rental or leasing transaction with us
“Dazhong”	Dazhong Auto Rental Company (大眾汽車租賃公司), a car rental company in the PRC
“Didi Dache”	滴滴打車, a mobile app that connects taxis with passengers in the PRC
“Director(s)”	the director(s) of our Company
“eHi”	eHi Auto Services Limited (一嗨汽車租賃有限公司), a car rental company in the PRC
“EIT Law”	the PRC Enterprise Income Tax Law passed by the National People’s Congress of the PRC on March 16, 2007 and taking effect on January 1, 2008, as amended, supplemented and otherwise modified from time to time
“encumbrance”	any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind
“Executive Director(s)”	the executive director(s) of our Company
“GDP”	gross domestic product
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Grand Joy”	Grand Joy Worldwide Limited, a company incorporated under the laws of the BVI on July 5, 2011, which will directly hold approximately 0.4% of the issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)

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“Grandsun”	Grandsun International Investment Limited, a company incorporated under the laws of the BVI on April 28, 2004, which will directly hold approximately 0.5% of the issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)
“Grand Union”	Grand Union Investment Fund, L.P., an exempted limited partnership registered on January 5, 2012 under the laws of the Cayman Islands, which will directly hold near 30.0% of the issued share capital of our Company immediately upon completion of the Global Offering (assuming Over-allotment Option is not exercised and without taking into account any Shares to be exercised upon the exercise of the Pre-IPO Share Options)
“Green application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group,” “our Group,” or “the Group”	our Company and its subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of the present subsidiaries, the business operated by such subsidiaries
“Haode Group”	Haode Group Inc., a company incorporated under the laws of the BVI on July 13, 2011, which will directly hold approximately 12.8% of the issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)
“Hertz”	collectively, Hertz Investments Ltd. and The Hertz Corporation, both incorporated under the laws of Delaware
“Hertz Holdings”	Hertz Holdings Netherlands B.V., a company established on January 9, 1979 and existing under the laws of The Netherlands, which will directly hold approximately 16.8% of the issued share capital of our Company immediately upon completion of the Global Offering (assuming the Hertz Subscription Amount of US\$30 million, an Offer Price of HK\$7.50 and the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)
“Hertz Subscription Amount”	the total amount of up to US\$30 million to be invested by Hertz Holdings for the subscription of the Offer Shares, provided that such subscription amount shall not result in the shareholding percentage of Hertz Holdings in the Company to increase above its percentage interest immediately prior to the Global Offering

DEFINITIONS

“Hertz Transferred Subsidiaries”	Premium Auto Rental, RAC HK, RAC SH, RAC BJ, RAC GZ and Shanghai Hertz
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website www.hkeipo.hk
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HNLH”	Hertz NL Holdings, Inc, a company established on March 20, 2007 and existing under the laws of Delaware, which is an affiliate of Hertz Holdings and a connected person of the company
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars,” “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Hong Kong Offer Shares”	42,636,000 new Shares initially being offered by our Company for subscription pursuant to the Hong Kong Public Offering at the Offer Price, subject to any adjustment or reallocation as described in the section headed “Structure of the Global Offering”
“Hong Kong Public Offering”	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering”
“Hong Kong Share Register”	the register of members of our Shares maintained by the Hong Kong Share Registrar in Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Hong Kong Takeovers Code” or “Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters for the Hong Kong Public Offering as listed in the section headed “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated September 5, 2014 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Joint Lead Managers and the Hong Kong Underwriters as further described in the section headed “Underwriting”
“Huaxia Auto Network”	Beijing Huaxia United Auto Network Technology Co., Ltd. (北京華夏聯合汽車網絡技術有限公司), a company incorporated on June 15, 2005 and existing under the laws of the PRC, an independent third party
“IFRS”	the International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“Independent Non-executive Director(s)”	the independent non-executive Director(s) of our Company
“independent third party(ies)”	any entity or person who is not a connected person within the meaning ascribed under the Hong Kong Listing Rules
“International Offering”	the conditional placing of the International Offering Shares (a) in the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act or another exemption from the registration requirement under the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong, as further described in the section headed “Structure of the Global Offering”
“International Offering Shares”	383,705,000 new Shares initially being offered by our Company for subscription and purchase at the Offer Price under the International Offering, subject to any adjustment or reallocation together with, where relevant, any additional Shares which may be offered by the Company pursuant to the Over-allotment Option as further described in the section headed “Underwriting — The International Offering”
“International Underwriters”	the several underwriters for the International Offering who are expected to enter into the International Underwriting Agreement to underwrite the International Offering

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“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around September 12, 2014 by, among other parties, our Company, the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), as further described in the section headed “Underwriting — The International Offering”
“Investment Agreement”	the investment agreement entered into by, among others, CARH, CAR Hong Kong, Grand Union, Hertz Rent A Car Holdings (HK) Ltd and Hertz on April 15, 2013 in connection with the purchase of ordinary shares of CARH by Hertz and the Pre-IPO Investment by Hertz
“Jinjiang”	Jinjiang International e-Commerce Platform (錦江國際電商平臺), an online travel platform
“Joint Bookrunners”	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司), Credit Suisse (Hong Kong) Limited (瑞士信貸(香港)有限公司), China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司) and China Renaissance Securities (Hong Kong) Limited (華興資本證券(香港)有限公司)
“Joint Global Coordinators”	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司), Credit Suisse (Hong Kong) Limited (瑞士信貸(香港)有限公司), China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司) and China Renaissance Securities (Hong Kong) Limited (華興資本證券(香港)有限公司)
“Joint Lead Managers”	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司), Credit Suisse (Hong Kong) Limited (瑞士信貸(香港)有限公司), China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), China Renaissance Securities (Hong Kong) Limited (華興資本證券(香港)有限公司) and GF Securities (Hong Kong) Brokerage Limited (廣發證券(香港)經紀有限公司)
“Joint Sponsors”	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司) and Credit Suisse (Hong Kong) Limited (瑞士信貸(香港)有限公司)
“Kuaidi Dache”	快的打車, a mobile app that connects taxis with passengers in the PRC
“Latest Practicable Date”	August 30, 2014 being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Legend Holdings”	Legend Holdings Corporation (聯想控股股份有限公司) (formerly known as Legend Holding Ltd. (聯想控股有限公司)), a company incorporated on November 9, 1984 and existing under the laws of the PRC, which holds interests in certain limited partners of Grand Union. Grand Union is controlled by a general partner, Grand Union Management Limited. Legend Holdings holds a 20% non-controlling interest in Grand Union Management Limited

DEFINITIONS

“Lianhui Langfang”	Lianhui Auto (Langfang) Co., Ltd. (聯慧汽車(廊坊)有限公司) (formerly known as United Auto (Langfang) Co., Ltd. (聯合汽車(廊坊)有限公司)), a company incorporated on October 26, 2006 and existing under the laws of the PRC, and a wholly-owned subsidiary of the Company
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing subcommittee of the board of directors of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on September 19, 2014, on which the Shares are listed and from which dealings in the Shares are permitted to take place on the Hong Kong Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Maximum Offer Price”	HK\$8.50 (being the high end of the Offer Price range stated in this prospectus)
“Memorandum of Association”	the memorandum of association of our Company, conditionally adopted on August 18, 2014 and as amended from time to time
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its competent local branches
“Mr. Lu”	Mr. Charles Zhengyao Lu (陸正耀), our founder
“Ms. Guo”	Ms. Lichun Guo (郭麗春), the spouse of Mr. Lu
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) or its competent local branches
“Nomination Committee”	the nomination committee of the Board
“OEMs”	original automobile manufacturers that manufacture vehicles retailed through automobile dealership stores
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) at which the Offer Shares are to be subscribed pursuant to the Global Offer, as further described in the section headed “Structure of the Global Offering — Pricing and Allocation”
“Offer Share(s)”	the Hong Kong Offer Share(s) and the International Offering Share(s)

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“Over-allotment Option”	the option expected to be granted by our Company to the Joint Global Coordinators (on behalf of the International Underwriters), exercisable by the Stabilizing Manager pursuant to the International Underwriting Agreement from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to 63,951,000 Shares (representing in aggregate approximately 15% of the Offer Shares initially being offered under the Global Offering) to, among other things, cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering — Over-Allocation and Stabilization”
“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“PBOC Rate(s)”	the exchange rate for foreign exchange transactions set daily by the PBOC based on the China interbank foreign exchange market rate of the previous day and with reference to current exchange rates on the world financial markets
“People’s Congress”	the PRC’s legislative apparatus, including the National People’s Congress of the PRC and all the local people’s congresses (including provincial, municipal and other regional or local people’s congresses) as the context may require, or any of them
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC government” or “State”	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
“Pre-IPO Investment(s)”	the pre-IPO investments in CARH made by Amber Gem or Hertz the details of which are set out in the section headed “Our History, Reorganization and Corporate Structure — Pre-IPO Investments”
“Pre-IPO Reorganization”	the reorganization arrangements to be conducted by our Group immediately before the Listing as described in the section headed “Our History, Reorganization and Corporate Structure — Pre-IPO Reorganization”
“Pre-IPO Reorganization Agreement”	the pre-IPO reorganization agreement entered into by, among others, CARH, our Company, Grand Union, Hertz Holdings, Hertz International, Ltd., Amber Gem, Sky Sleek, Haode Group, Grand Joy, Amplewood and Grandsun on August 4, 2014 which sets out the terms of the Pre-IPO Reorganization
“Pre-IPO Share Options”	options granted under the 2014 Pre-IPO Share Option Scheme I and the 2014 Share Option Scheme II
“Pre-IPO Share Option Schemes”	collectively, the 2014 Pre-IPO Share Option Scheme I and the 2014 Pre-IPO Share Option Scheme II

DEFINITIONS

“Premium Auto Rental”	Premium Auto Rental (China) Limited, a company incorporated on April 24, 2013 and existing under the laws of Hong Kong, and an indirectly wholly-owned subsidiary of the Company
“Price Determination Date”	the date, expected to be on or about September 12, 2014 on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than September 17, 2014, or such other date as agreed between parties
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	a province or, where the context requires, a provincial level autonomous region or municipality under the direct administration of the central government of the PRC
“Qualified Institutional Buyers” or “QIBs”	qualified institutional buyers as defined in Rule 144A
“Qualified IPO”	the closing of the first firm commitment fully underwritten public offering of ordinary shares of CARH that (i) result in gross proceeds to CARH and its shareholders of at least US\$150 million with a pre-money equity valuation of at least US\$1.5 billion and that results in such securities being listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the Nasdaq Global Market System, the Main Board of the Hong Kong Stock Exchange or a stock exchange otherwise approved by the board of CARH, or (ii) otherwise approved by the board of CARH in accordance with the Shareholders’ Agreement
“RAC BJ”	Hertz Rent A Car (Beijing) Co., Ltd. (赫茲汽車租賃(北京)有限公司), a company incorporated on December 17, 2008 and existing under the laws of the PRC, and an indirectly wholly-owned subsidiary of the Company
“RAC GZ”	Guangzhou Zhuoyue Auto Rental Co., Ltd. (廣州卓越汽車租賃有限公司) (previously known as Hertz Rent A Car (Guangzhou) Co., Ltd. (赫茲汽車租賃(廣州)有限公司)), a company incorporated on March 11, 2013 and existing under the laws of the PRC, and an indirectly wholly-owned subsidiary of the Company
“RAC HK”	Rent A Car Holdings (HK) Limited (previously known as Hertz Rent A Car Holdings (HK) Limited), a company incorporated on September 7, 2007 and existing under the laws of Hong Kong, and an indirectly wholly-owned subsidiary of the Company
“RAC SH”	Hertz Rent A Car (Shanghai) Co., Ltd. (赫茲汽車租賃(上海)有限公司), a company incorporated on January 13, 2009 and existing under the laws of the PRC, and an indirectly wholly-owned subsidiary of the Company
“Regulation S”	Regulation S under the U.S. Securities Act

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“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Reocar”	Reocar (Guangzhou) Auto Rental Limited (瑞致(廣州)租車有限公司), a car rental company in the PRC
“repeat customer(s)”	any individual or entity that has completed more than one rental or leasing transaction with us within any period of time
“Roland Berger”	Roland Berger Enterprise Management (Shanghai) Co., Ltd., an independent industry consultant
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SEC”	the United States Securities and Exchange Commission
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Series A Preferred Shares”	preferred share(s) of CARH of par value US\$0.00005 each (or of such other nominal amount as shall result from capitalization, sub-division, consolidation, re-classification or re-construction of the share capital of CARH from time to time) issued by CARH to and held by Amber Gem with the rights ascribed thereto in the articles of association of CARH
“Series A Preferred Share Purchase Agreement”	the Series A Preferred Share Purchase Agreement entered into by, among others, CARH, Mr. Lu and Amber Gem on July 1, 2012 in connection with the Pre-IPO Investment by Amber Gem
“Series A Preferred Shareholder”	the holder of the Series A Preferred Shares of CARH
“Shanghai Automotive”	Shanghai Automotive Industry and Sales Corporation (上海汽車工業銷售有限公司), an automobile service company in the PRC

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“Shanghai Hertz”	Shanghai Hertz International Car Rental Consulting Co., Ltd. (上海赫茲國際租車諮詢有限責任公司), a company incorporated on July 28, 2005 and existing under the laws of the PRC, an indirectly wholly owned subsidiary of the Company
“Shareholder(s)”	holder(s) of our Shares
“Shareholders’ Agreement”	the amended and restated shareholders’ agreement entered into by, among others, CARH, CAR Hong Kong, Mr. Lu, Grand Union, Grand Joy, Amplewood, Qun Cheng Limited and Grandsun on May 1, 2013
“Shares” or “Ordinary Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00001 each upon completion of the share split on July 3, 2014
“Shou Qi”	Shou Qi Group (首汽集團), an automobile service company in the PRC
“Sky Sleek”	Sky Sleek Limited (天澤有限公司), a company incorporated under the laws of the BVI on November 11, 2011, which will directly hold approximately 2.3% of the issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)
“Stabilizing Manager”	Morgan Stanley Asia Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrower”	Morgan Stanley Asia Limited, who may borrow stocks from Haode Group pursuant to the Stock Borrowing Agreement
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Haode Group and the Stock Borrower, pursuant to which the Stock Borrower may borrow up to an aggregate of 63,951,000 Shares to, among other things, cover any over-allocations in the International Offering
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto in the Hong Kong Listing Rules

DEFINITIONS

“Taxation” or “Taxes”	all forms of taxation whenever created, imposed or arising and whether of Hong Kong, the PRC or of any other part of the world and, without prejudice to the generality of the foregoing, includes all forms of taxation on or relating to profits, salaries, interest and other forms of income, taxation on capital gains, sales and value added taxation, estate duty, death duty, capital duty, stamp duty, payroll taxation, withholding taxation, rates and other taxes or charges relating to property, customs and other import and excise duties, and generally any taxation, duty, impost, levy, rate, charge or any amount payable to taxing, revenue, customs or fiscal Authorities whether of Hong Kong, the PRC or of any other part of the world, whether by way of actual assessment, loss of allowance, withholding, deduction or credit available for relief or otherwise, and including any penalties and/or interest arising in respect of any taxation
“The Lu’s Family Trust”	an irrevocable trust constituted under the laws of the Cayman Islands with Ms. Guo as the settlor and certain family members of Mr. Lu as the beneficiaries
“Topone”	Topone Auto Rental Limited (至尊汽車租賃有限公司), a car rental company in the PRC
“total fleet”	all of our rental vehicles, including (i) vehicles being rented by customers, (ii) vehicles available for customer use, (iii) vehicles temporarily unavailable for customer use due to repair or maintenance or being transported, (iv) used vehicles awaiting for disposition and unavailable for customer use, and (v) vehicles suspended from our rental operations because they failed to pass the mandatory biennial inspection due to customer violation of traffic rules, and excluding vehicles owned by our franchisees
“Track Record Period”	the three years ended December 31, 2013 and the six months ended June 30, 2014
“Tranche 1 Series A Preferred Shares”	43,047,134 Series A Preferred Shares issued and allotted by CARH to Amber Gem on July 18, 2012 for a cash consideration of US\$100 million
“Uber”	a mobile app that enables car sharing in several international cities
“U-Lin”	U-Lin Auto Rental (友鄰租車), a subsidiary of Shanghai Qiangsheng Automobile Rental Limited (上海強生汽車租賃有限公司) and a car rental company in the PRC
“Tranche 2 Series A Preferred Shares”	43,047,134 Series A Preferred Shares issued and allotted by CARH to Amber Gem on September 26, 2012 for a cash consideration of US\$100 million
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

DEFINITIONS

“United States,” “USA” “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollar(s),” “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	The United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“US\$36 Million Convertible Note”	a mandatorily convertible bond issued by CARH having a principal amount of US\$36 million due December 31, 2014 (unless converted earlier) and such other terms as contained therein
“US\$100 Million Convertible Note”	a convertible bond issued by CARH having a principal amount of US\$100 million due December 31, 2014 (unless converted earlier) and such other terms as are contained therein
“VAT”	value-added tax; all amounts are exclusive of VAT in this prospectus except where indicated otherwise
“Warburg Pincus XI”	Collectively, (i) Warburg Pincus Private Equity XI, L.P., a Delaware limited partnership; (ii) Warburg Pincus Private Equity XI-B, L.P., a Delaware limited partnership; (iii) Warburg Pincus XI Partners, L.P., a Delaware limited partnership; (iv) WP XI Partners, L.P., a Delaware limited partnership; and (v) Warburg Pincus Private Equity XI-C, L.P., a Cayman Islands exempted limited partnership, which are private equity funds managed by Warburg Pincus LLC, a New York limited liability company and together hold 100% of the interest in Amber Gem, which will become our substantial shareholder upon Listing
“Yongche”	Beijing Dongfangcheyun Information Technology Co., Ltd. (北京東方車雲信息技術有限公司), a car sharing service company in the PRC
“Youxinpai”	Youxinpai (Beijing) Information Technology Co., Ltd. (优信拍(北京)信息科技有限公司), a PRC-based company providing used car inspection, online bidding and auction and other related services and an independent third party
“%”	percent

In this prospectus:

- (a) *the English names or descriptions of PRC nationals, entities, government authorities, departments, facilities, certificates, titles, laws and regulations, etc., are translations of their Chinese names. If there is any inconsistency, the Chinese names shall prevail;*
- (b) *unless expressly stated otherwise or required by the context, all data are as of the Latest Practicable Date; and*
- (c) *certain amounts and percentage figures included in this prospectus were subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

FORWARD-LOOKING STATEMENTS

Forward-Looking Statements Contained in this Prospectus are Subject to Risks and Uncertainties.

This prospectus contains forward-looking statements that relate to our current expectations and views of future events. The forward-looking statements are contained principally in the sections headed “Summary,” “Risk Factors,” “Future Plans and Use of Proceeds,” “Industry Overview,” “Business” and “Financial Information.” These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors,” which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements.

The words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “seek,” “will,” “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and initiatives, as well as our business plans;
- our future business development, results of operations and financial condition;
- expected changes in our revenue and certain cost or expense items;
- our expectations with respect to increased revenue growth and our ability to sustain profitability;
- our ability to attract customers and further enhance our brand recognition;
- our dividend distribution plans;
- trends and competition in China’s car rental industry; and
- changes in the general economic, regulatory and operating conditions in the markets in which we operate.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors.”

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the Offer Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment.

These risk factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this prospectus.

There are certain risks and uncertainties involved in our operations and this Global Offering, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry, (ii) risks relating to doing business in the PRC and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We had operated at a loss in 2011, 2012 and 2013 and only recently became profitable in the six months ended June 30, 2014 and we may not remain profitable in the future.

We experienced net losses in 2011, 2012 and 2013, and we only became profitable in the six months ended June 30, 2014, despite the first quarter and the second quarter of each year not being our peak season quarters during the Track Record Period. We may not maintain profitability or avoid net losses in the future. Although our revenue has grown in recent periods, such growth rates may not be sustainable and may decrease in the future. In addition, our ability to become profitable depends on our ability to control our expenses, which we expect to increase as we further develop and expand our business. We may incur significant losses in the future for a number of reasons, including the other risks described in this prospectus, and we may further encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If we fail to increase revenue at the rate we anticipate or if our expenses increase at a faster rate than the increase in our revenue, we may not be able to remain profitable.

If we do not compete successfully against existing and new competitors, we may lose customers and market share.

The car rental industry in China is competitive and fragmented. As of December 31, 2013, there were over 10,000 car rental companies in China with an average fleet size of no more than 50 vehicles, according to Roland Berger. We compete in the short-term rental market with local car rental companies such as eHi and Topone and with international car rental companies such as Avis and Enterprise which became an investor in eHi in March 2012. We compete in the long-term rental market with state-owned enterprises such as Shouqi and Dazhong and international companies such as Avis. Alliances or mergers among our existing competitors or with new entrants into the car rental industry may present additional challenges. In addition, some of our competitors have operated commercially successful car rental businesses for as long as or longer than we have. Some of our competitors or potential competitors may have higher brand recognition among our target customers or greater financial, technical and marketing resources.

An increasing number of car rental customers in China reserve car rental services through car rental companies' websites or mobile apps due to the convenience offered by these channels. As a result, it is critical to us to continue to enhance and improve the responsiveness, functionality and features of our websites and mobile apps to remain competitive. The development of websites, mobile apps and other proprietary technology entails significant technical and business risks. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or upgrade our websites and mobile applications. Our competitors may

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use new technologies more effectively, develop more appealing and popular websites and mobile apps, or adapt more quickly than we do to evolving industry trends or changing market requirements. Some of our competitors may have closer relationships with major Internet companies in China than us and thus receive better access from internet and mobile interfaces.

We believe that our ability to compete successfully depends upon many factors both within and beyond our control, including the competitiveness of our prices, the diversity and condition of our vehicles, the quality of our products and services, the size and diversity of our customer base, our brand strength in the market relative to our competitors, customer receptivity of the car rental business, consumer spending power and other macroeconomic factors. If we fail to maintain our competitive position, our business and prospects will be materially and adversely affected.

Our business requires a large amount of capital to finance the expansion and replenishment of our fleet. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely affect our business, results of operations and financial condition.

The car rental business is capital intensive. Maintaining our competitiveness and implementing our growth strategies both require us to obtain sufficient funds to replenish and expand our fleet. Our vehicle acquisition costs were RMB1,774.9 million in 2011, RMB1,764.5 million in 2012, RMB1,889.0 million in 2013 and RMB887.2 million in the six months ended June 30, 2014. To replenish and expand our fleet, we have depended substantially on borrowings from banks and other financial institutions. As of June 30, 2014, our outstanding interest-bearing indebtedness was RMB4,231.6 million, and we had net current liabilities of RMB730.9 million as we incurred a substantial amount of short-term and long-term borrowings to finance the expansion of our rental fleet. As of June 30, 2014, 59.8% of our borrowings were short-term borrowings repayable within one year or on demand, while such short-term borrowings were primarily for purchasing vehicles, which are non-current assets, the mismatch in using short-term borrowings for non-current assets may cause liquidity risks to us. We may not be able to generate sufficient cash flows from our operations or obtain additional financing to service these obligations. Our ability to incur additional borrowings to finance our business growth may also be materially and adversely affected.

Furthermore, we expect to raise additional funds to finance the expansion and replenishment of our fleet and the overall expansion of our business. Such additional financing may not be available on commercially reasonable terms or at all, especially if there is a recession or other events causing volatility in the capital markets worldwide. To the extent that we raise additional funds by issuing equity securities, our shareholders may experience substantial dilution, and to the extent we engage in debt financing, we may become subject to restrictive covenants that could limit our flexibility in conducting future business activities.

Our ability to retain our existing financial resources and obtain additional financing on acceptable terms is subject to a variety of uncertainties, including but not limited to:

- economic, political and other conditions in China;
- investors' perception of, and demand for, securities of car rental companies;
- PRC governmental policies relating to bank loans and other credit facilities;
- PRC governmental regulations of foreign investment and the car rental industry in China;
- conditions of the Hong Kong and other capital markets in which we may seek to raise funds; and
- our future results of operations, financial condition and cash flows.

If additional financing is not available on acceptable terms or at all, we may not be able to fund our expansion, promote our brand, enhance our products and services, respond to competitive pressures or take advantage of investment or acquisition opportunities, all of which may adversely affect our results of operations and business prospects.

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Our business depends heavily on our reputation and consumer perception of our brand, and any negative publicity or other harm to our brand or failure to maintain and enhance our brand recognition may materially and adversely affect our business, financial condition and results of operations.

We believe that our reputation and consumer perception of our brand are critical to our business. Maintaining and enhancing our reputation and brand recognition depends primarily on the quality and consistency of our products and services, as well as the success of our marketing and promotional efforts. We believe that maintaining and enhancing our brand is essential to our efforts to maintain and expand our customer base. If customers do not perceive our products or services to be of high quality, our brand image may be harmed, thereby decreasing the attractiveness of our products. While we have devoted significant resources to brand promotion efforts in recent years, our ongoing marketing efforts may not be successful in further promoting our brand. In addition, our brand image may be harmed by negative publicity relating to our Company or China's car rental industry regardless of its veracity. If we are unable to maintain and further enhance our brand recognition and increase market awareness for our company and products, our ability to attract and retain customers may be impeded and our business prospects may be materially and adversely affected.

Restrictions on car purchase in certain Chinese cities may limit our fleet growth, which may adversely affect our results of operations.

In an effort to cope with traffic congestion and air pollution, several of China's largest cities, such as Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou and Guiyang, have implemented quotas or other restrictions on new vehicle registrations. In addition, some cities in China such as Beijing, Nanchang and Guiyang have also implemented traffic control measures banning cars with certain license plate numbers on certain days from traveling in these cities. See "Regulations — Regulations relating to enterprises engaging in car rental business — Regulations on limitation of use and purchase of automotive vehicles." If our business expansion outpaces our license reserve and our ability to secure vehicle licenses or permits, and if such restrictions continue, or if more Chinese cities adopt similar restrictions, our fleet expansion may be adversely affected, which in turn may adversely affect our business prospects and results of operations.

Any disruption to our information technology systems could adversely impact our business.

We rely heavily upon our technology platform in all aspects of our operations, including transaction processing, fleet management and payment processing. Our technology platform connects one central data center with four types of service terminals, namely, our website at www.zuche.com, our mobile apps, our call centers and our service locations. Any system interruptions caused by our servers, telecommunications failures, computer viruses, hacking or other attempts could cause a loss of reservations, interfere with our fleet management, slow down rental and sales processes and otherwise materially and adversely affect our ability to manage our business effectively.

The reliability of our network infrastructure is critical to our business. Any system interruption that results in the unavailability of our website or a disruption to our communications platform could damage our reputation and brand and cause our business and operating results to suffer. We may experience temporary system interruptions for various reasons, including network failures, power failures, cyber-attacks, software errors or system overload due to overwhelming customer visits. As we are dependent in part on third parties for the implementation and maintenance of certain aspects of our systems and because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely or satisfactory manner, or at all.

Our servers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions and delays in our service and operations as well as loss, misuse or theft of data. Any successful attempts by hackers to disrupt our website service or our internal systems could harm our business, reputation or brand, and could be expensive to remedy. Efforts to prevent hackers from entering our computer systems are expensive to implement and may limit the functionality of our services. Any significant disruption to our website or internal computer systems could result in a loss of customers and adversely affect our business and results of operations.

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Our business prospects may also suffer from our failure to capture and retain a significant portion of the growing number of customers that access travel products and services through mobile devices if we are unable to develop services compatible with new mobile devices and technologies. The lower functionality, speed and memory generally associated with mobile devices make the use of our services through such devices more difficult, and the versions of the mobile apps we develop for these devices may fail to prove compelling to users, manufacturers or distributors of mobile devices. Distributors of mobile devices may establish unique technical standards for their devices, and our mobile apps and services may not work or be viewable on these devices as a result. As new mobile devices and technologies are continually being released, it is difficult to predict the problems we may encounter in developing or adapting new versions of our mobile apps to these devices and technologies and we may need to devote significant resources to the creation, support, and maintenance of such mobile apps. If we are slower than our competitors in developing attractive mobile apps that are adapted for such devices, we may fail to capture and retain a significant portion of the growing number of customers who access services through mobile devices, and we may also lose our existing customers, either of which could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

Our revenue and our business operations have grown since our inception. Our revenue was RMB819.2 million, RMB1,609.0 million, RMB2,702.7 million and RMB1,862.0 million, respectively, for 2011, 2012 and 2013 and for the six months ended June 30, 2014. Our total fleet size was 25,845 vehicles, 41,043 vehicles, 53,022 vehicles and 52,498 vehicles as of December 31, 2011, 2012 and 2013 and June 30, 2014. We may not be able to sustain these rates of growth in future periods due to a number of factors, including, among others, our execution capability, our ability to maintain customer satisfaction, macroeconomic factors out of our control, competition within China's car rental industry, the greater difficulty of growing at sustained rates from a larger revenue base, our inability to control our expenses and the availability of resources for our growth. In addition, our anticipated expansion will place a significant strain on our management, systems and resources. Our development and expansion strategies will require substantial managerial efforts and skills and the incurrence of additional expenditures and may subject us to new or increased risks. For example, as our leasing business grows, we may face increased consumer credit risks if our leasing customers fail to make payments pursuant to the leasing contracts. Further, pursuing these strategies may require us to expand our operations through internal development efforts as well as partnerships, joint ventures, investments and acquisitions. We may not be able to efficiently or effectively implement our growth strategies or manage the growth of our operations, and any failure to do so may limit future growth and hamper our business strategies.

Customer violation of traffic rules could result in suspension of some of our vehicles from operation.

PRC laws and regulations provide a "traffic points" system under which each driver is allotted 12 points for 12 consecutive months. Traffic violations are penalized through, among other things, deduction of the points. For traffic violations caught by law enforcement officers, the point deduction is imposed on the driver. For traffic violations caught by automated traffic enforcement systems, for example, running a red light that was recorded by a traffic camera, the point deduction is imposed on the vehicle.

Vehicles in use for less than six years in China are subject to mandatory biennial inspection by transportation authorities. For a vehicle to pass the inspection, all point deductions recorded on the vehicle must be offset by applying the drivers' available points. Some of our vehicles have point deductions recorded on them due to customer traffic violations caught by automated traffic enforcement systems. For our vehicles to pass their mandatory biennial inspection, we coordinate and track down our customers who committed the traffic violations and require them to offset the point deductions on our vehicles by applying their available points. However, depending on the volume of vehicles due for inspection and the time required to coordinate with our customers, we sometimes were unable to timely offset all the point deductions on our vehicles before

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their inspection dates, and may be unable to do so in the future, which has resulted or will result in them being prohibited from road use or disposition until they pass the inspection. See “Regulations — Regulations relating to enterprises engaging in car rental business — Regulations on penalties for violation of traffic laws and regulations.”

If we fail to promptly offset the point deductions imposed on our vehicles, our vehicles will not be able to pass the biennial inspection and will be suspended from road use and disposition until all points deductions are offset. As a result, our business, results of operation and financial condition will be materially and adversely affected by the suspended fleet. For the year ended 2013 and the six months ended June 30, 2014 we incurred costs related to suspended fleet of approximately RMB298.5 million and RMB40.9 million, respectively, from vehicle suspensions resulting from failure to pass biennial inspections due to customers’ failure to promptly offset their point deductions. For more information on the impact of vehicle suspension on our revenue, please see “Financial Information — Selected Results of Operations and Financial Position — Non-IFRS Measures.”

Our business depends substantially on the continued efforts of our key executive officers and our business may be severely disrupted if we lose their services.

Our future success depends on the active participation of our executive team, who possesses significant knowledge of the car rental business and is responsible for the strategic direction of our business. In particular, we are highly dependent on Mr. Charles Zhengyao Lu, our founder, chairman and chief executive officer. Our business also depends on the continued services of our key employees who have specialized knowledge of our business and industry and would be difficult to replace. Competition for qualified personnel is particularly intense in the car rental industry. While we attempt to provide competitive compensation packages to attract and retain key personnel, some of our competitors may have greater resources and more experience than us, making it difficult for us to compete for key personnel.

We face risks related to the residual value of our rental vehicles and may not be able to dispose of our used cars at desirable prices.

We bear all of the risks related to the residual value of our rental vehicles. Automobile manufacturers in China do not typically offer guaranteed depreciation or vehicle repurchase programs to car rental companies. When we acquire rental vehicles, we estimate the period that we will hold these vehicles and their residual value at the expected time of disposition. We record our depreciation expenses based on such estimates. We adjust depreciation rates of rental vehicles annually in response to the latest market conditions and their effect on residual values as well as the estimated time of disposition. Any changes in the market conditions that require us to increase the depreciation rates could have a material adverse effect on our results of operation.

There are also significant uncertainties in whether we will be able to dispose of our used cars at desirable prices. We dispose of our used cars to end users, dealers and franchisees primarily through online bidding and auction platforms, with off-line auction companies and other offline sales as supplemental channels. China’s used car market is at its early stage of development and there is no established national distribution network of used automobile dealers in China, which creates an impediment for the sale of used vehicles. In addition, a variety of reasons could cause the used car market to experience considerable downward pricing pressure, which could further affect our ability to realize the residual value of our used vehicles. For example, a decline in new car sales prices may drive down used car sales prices or discourage consumers from buying used cars, and a continued decline in the reputation of a manufacturer of vehicles included in our fleet could reduce the residual values of those vehicles, particularly if the manufacturer were to unexpectedly announce the eventual elimination of a model or immediately cease manufacturing them altogether. Similarly, a large amount of used vehicles for sale from our competitors may also impose additional pricing pressure on us.

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As used cars constitute a significant portion of our assets and as our business requires us to constantly replenish our fleet, risks related to the residual value of our rental vehicles and failure to dispose of our used cars at desirable prices may materially and adversely affect our financial condition and business prospects.

Our limited operating history in an emerging and rapidly evolving market may not provide an adequate basis on which to judge our future prospects and results of operations.

We commenced business operations in September 2007. Our limited operating history may not provide a meaningful basis for you to evaluate our business, financial performance and prospects. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance. You should consider our business and prospects in light of the risks, uncertainties, expenses and challenges that we will face as an early-stage company operating in a rapidly growing market. Going forward, we may not be successful in addressing the risks and uncertainties that we will confront, which may materially and adversely affect our business prospects.

We have maintained a high level of indebtedness, which may materially and adversely affect our financial performance and operating results.

We have maintained a high level of indebtedness. As of December 31, 2011, 2012 and 2013 and June 30, 2014, our total borrowings amounted to RMB2,326.2 million, RMB2,994.5 million, RMB3,810.9 million, and RMB4,231.6 million, respectively. Of our total borrowings as of June 30, 2014, RMB2,530.2 million was due within a period of less than one year and RMB1,701.4 million was due within a period of more than one year.

The level of indebtedness could have significant consequences to our business, including, but not limited to:

- requiring a substantial portion of our cash flow from operations to be used for financing our debt service, thereby reducing the availability of the cash flow to fund working capital, capital commitments or other general corporate purposes;
- limiting our ability to obtain, and increasing the cost of, additional financing to fund future working capital, capital commitments or general corporate purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business and within the car rental industry.

Our financial performance and operating results may be materially and adversely affected if our business environment or interest rates change, or if our cash flows and capital resources are insufficient to fund our debt service obligations. We may be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness, which may not be successful or provide sufficient remedial measures. Failure to service our debt could result in the imposition of penalties, including increases in rates of interest that we pay on our debt, legal actions against us by our creditors, or bankruptcy.

Restrictive covenants contained in credit facilities may limit our ability to incur additional indebtedness and restrict our future operations, and failure to comply with these restrictive covenants may adversely affect our liquidity, financial condition and results of operations.

We are subject to restrictive covenants under our credit facilities with banks and other financial institutions. These restrictive covenants include, among other things, financial covenants such as maintaining certain asset-liability ratios, our shareholding structure, fleet utilization rates and rates of return on fixed assets, limitations on our ability to incur additional indebtedness or create new mortgages or charges, making timely reports, restrictions on the use of proceeds and asset sales, and requirements to provide notice or obtain consent for certain significant corporate events. These covenants limit the manner in which we conduct our business and we may be unable to engage in certain business activities or finance future operations or capital needs.

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Failure to meet any of these financial covenants or any other restrictive covenants in the future may entitle lenders to declare all borrowings outstanding and accrued and unpaid interest to be immediately due and payable and require us to pay accrued and unpaid interest at higher interest rates. Furthermore, any event of default or acceleration of payment in a credit facility may trigger cross-default or cross-acceleration provisions in other credit facilities. If lenders accelerate the repayment of our borrowings, we may not have sufficient cash to timely repay the borrowings and any repayment may disrupt our cash flow and liquidity plans. Additionally, we have provided collateral under certain credit facilities. If we cannot repay these borrowings, lenders may take ownership of other collaterals granted to them. In addition, our failure to comply with any financial or other restrictive covenants under our credit facilities, or an assessment that we are likely to fail to comply with these covenants could lead us to seek an amendment to or a waiver of these covenants. If we are not successful in obtaining such amendment or waiver, the lender may demand acceleration of the repayment of the borrowings. As a result, our business, financial condition and results of operations would be materially and adversely affected.

Our net current liabilities position and our planned business expansions expose us to liquidity risks.

As of December 31, 2011, 2012 and 2013, June 30, 2014 and July 31, 2014, we had net current liabilities of RMB1,750.1 million, RMB3,250.0 million, RMB2,725.7 million, RMB730.9 million and RMB1,041.3 million, respectively. Our net current liabilities as of June 30, 2014 were primarily due to the re-classification of the significant amounts of our long-term bank and other borrowings as current liabilities on demand. As of the Latest Practicable Date, we had obtained letters from all relevant banks confirming that they did not plan to require us to repay any amount under these loans and borrowings on an accelerated basis. Although these letters demonstrate the banks' intention to not enforce the fund deposit covenant or require early repayment of the loans and borrowings re-classified as payable on demand, (i) we are technically still in breach of such covenant, and (ii) the letters are not sufficient to eliminate the possibility of these banks demanding early repayment of the relevant loans in the next 12 months from the respective issue date of these letters. Therefore, the borrowings cannot be classified as non-current liabilities under IFRS. Please see "Financial Information — Liquidity and Capital Resources — Net Current Assets and Liabilities" for further discussion on our net current liabilities.

We plan to further expand our rental fleet and enhance our nationwide network by adding service locations to increase penetration in our existing cities. We also intend to further develop our leasing and used car dispositions business and selectively expand into adjacent business areas, such as fleet management and car sharing. Please see "Business — Our Strategies" for more information on our business strategies. We expect to incur additional bank and other borrowings for these goals.

We have mainly relied on bank and other borrowings, equity financings and cash generated from our operations to fund our business expansion. Our leverage could materially and adversely affect our liquidity. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of the principal amount and interest on our borrowings, thus reducing the availability of our cash flow from operations to fund working capital needs;
- increase our vulnerability to adverse economic or industry conditions;
- potentially restrict us from pursuing strategic business opportunities;
- limit our ability to incur additional debt; and
- increase our exposure to interest rate fluctuations.

During the Track Record Period and as of the Latest Practicable Date, we had not experienced a reduction or withdrawal of credit from our lenders or an inability to settle our trade payables in the ordinary course of business. However, we cannot assure you that we will always be able to continue to refinance our future debt when they become due, repay our debt upon maturity and/or raise the necessary funding to finance our current liabilities and our capital commitments.

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In addition, we cannot assure you that we will be able to comply with all the requirements under our credit facility, or that we will be able to obtain waivers if we fail to comply with them. Failure to service our debt or comply with the terms, conditions and covenants of our credit facility could result in penalties, including increases in our interest rates, accelerated repayment of loans and interest, termination of the credit facility, cross default and legal action against us by our creditors, any of which could have a material and adverse effect on our business, results of operations and financial condition.

Furthermore, our liquidity depends on the amount of cash we generate from operations and our access to further financial resources to fulfill our short-term payment obligations, which may be affected by our future operating performance, prevailing economic conditions and other factors, some of which are beyond our control.

We had negative net operating cash flow for the years ended December 31, 2011, 2012 and 2013. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially adversely affected.

For the years ended December 31, 2011, 2012 and 2013, we recorded negative net cash flow from operating activities of approximately RMB1,485.3 million, RMB924.0 million and RMB590.3 million, respectively, mainly due to our expansion. For further information, please see “Financial Information — Liquidity and Capital Resources.” We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to implement our business strategies as planned. As a result, our business, financial condition and results of operations may be materially adversely affected.

Our growth may be adversely impacted by uncertainties in China’s car rental industry, which is at an early stage of development and may experience unexpected downturns for various reasons.

China’s car rental industry is relatively new and renting a car is a relatively new concept among Chinese consumers. Car rentals may not gain acceptance or popularity among Chinese consumers. The growth of the car rental industry, as well as demand for our products and services, is subject to uncertainties and numerous other factors, some of which are beyond our control. These uncertainties and factors include but are not limited to:

- general economic conditions in China, particularly economic conditions adversely affecting consumer spending;
- the growth and strength of China’s travel industry and demand for transportation services;
- the growth and strength of the global automobile industry, in particular China’s automobile industry, including the popularity and perceptions of automobile safety and reliability;
- the development and change of governmental policies relating to the car rental industry and transportation laws and regulations; and
- the popularity and perceptions of car rental among the general public.

A decline in the popularity of car rentals could adversely affect our revenue and business prospects.

Because we incur significant up-front expenses for vehicle acquisitions, our financial condition and results of operations may be materially and adversely affected if we are unable to purchase adequate supplies of competitively priced vehicles or the cost of vehicle acquisition increases.

The price and other terms at which we can acquire vehicles from automobile manufacturers vary based on market conditions. In 2013, we purchased approximately 14.6%, 14.2%, 12.1%, 8.1% and 6.2% of our vehicles from our top five vehicle suppliers, respectively. There is no guarantee we will be able to purchase a sufficient number of our desired vehicles on competitive terms and conditions to meet our expansion and

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replenishment needs. If we are unable to obtain an adequate supply of cars, if we obtain less favorable pricing and other terms when we acquire cars and are unable to pass on those increased costs to our customers, or if we fail to maintain relationships with any of our significant vehicle suppliers, our financial condition and results of operations and prospects may be materially and adversely affected.

To fulfill the anticipated demand for our services, we must make significant investments in vehicle acquisitions. The build-up of our fleet in advance of actual reservations exposes us to significant up-front expenses. If market demand for our services does not increase as quickly as we anticipate, if at all, we may not be able to pay our up-front costs, and our operating results may be adversely affected as a result of underutilization of capacity, which will adversely affect our revenue and asset impairment charges.

We may not be able to increase or maintain our prices, which could materially and adversely affect our profit margins and results of operations.

Price is one of the key factors that customers consider in choosing car rental services. The Internet has enabled consumers to easily compare the prices of products and services offered by various car rental companies. We have offered price reductions and discounts in the past few years to attract customers and increase our market share. Given the intense competition in China's car rental industry, our competitors may offer lower prices to gain market share or compensate for declines in their rental activities. To the extent we do not match or remain within a reasonable competitive margin of our competitors' pricing for various reasons including the potentially higher cost base of our fleet, we may lose customers and experience a decrease in reservations. If, as a result of the competitive pressure, we lower our prices to match our competitors' prices, and we are not able to reduce our expenses, our profit margins and results of operations could be materially and adversely impacted.

Our business and results of operations may be adversely affected if Legend Holdings fails to comply with the terms of guarantees for our borrowings.

Legend Holdings has provided guarantees for a significant portion of our loans and capital lease obligations. As of the Latest Practicable Date, the total amount of loan facilities of the Group guaranteed by Legend Holdings, less administration fee, amounted to approximately RMB3,887.5 million. We intend to repay the loans for the sum of approximately RMB500.0 million guaranteed by Legend Holdings using a portion of the net proceeds of the Global Offering. In respect of the remaining loans, we do not intend to terminate the guarantees or refinance existing loan facilities as we would need to spend a considerable amount of time, effort and costs while the terms of new facility agreements may not be more favorable compared to the existing loan facilities. See "Relationship with Our Controlling Shareholder." Therefore, if Legend Holdings fails to comply with the terms of the guarantees for any of our outstanding loans or capital lease obligations for which it provides guarantees, our lenders may accelerate the payment schedule of our loans or capital lease obligations, which would have a material adverse effect on our liquidity and business.

If our efforts to maintain a high level of customer satisfaction are not successful, we may not be able to attract or retain customers, and our operating results may be adversely affected.

Customer satisfaction is critical to the success of our business. From time to time, our customers may express dissatisfaction with our products and services, including our vehicle availability or response time for questions or incidents relating to our vehicles. To the extent dissatisfaction with our products and services is widespread or not adequately addressed, our reputation could be harmed and our efforts to build and strengthen our brand recognition would be adversely impacted, which could harm our ability to attract and retain customers, which could in turn adversely affect our business and results of operations.

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Our failure to fully comply with various PRC transportation laws and regulations and other applicable PRC laws with respect to our businesses could harm our results of operations.

Our business operations are subject to a number of PRC laws and regulations with respect to transportation and car rental businesses, including a number of regulations promulgated by various local governments. Regulatory requirements and restrictions include the registration of commercial vehicles, restrictions on the use of non-local cars for rental operations, the registration of a branch company for each service store or hub, obtaining governmental licenses and permits and making certain filings to operate the car rental business. See “Regulations — Regulations relating to enterprises engaging in car rental business.” For example, some local governments have certain car ownership or local license plates requirements for rental vehicles. Since we provide nationwide car rental services with car fleet deployed and driven across our nationwide network in China, and we offer one-way rentals to our customers, whereby a customer may rent a car from one city and return it to a service hub located in another city, certain local governments may find our car rental operations in violation of local rules and regulations regarding local license plate requirements for rental vehicles. If we were found to have violated local rules and regulations, regardless of whether such failure was intentional, we could be subject to fines and other penalties, including the withdrawal of licenses or permits that are essential to the operation of our business, which could adversely affect our business operations. However, we are unable to quantify the impact from potential violation of local rules and regulations by our one-way rentals because (a) it is unpredictable whether a customer drops off a non-local vehicle in a city where rental operation with vehicles with non-local license plates is prohibited, and (b) there is uncertainty whether such local rules and regulations are applicable to our one-way rentals.

In addition, PRC laws and regulations regulate other aspects of our business, including use of parking facilities, leasing and the sale of used cars and provision of car repair services. See “Regulations — Regulations on operating parking facilities,” “Regulations — Laws and regulations on sales and auction of used cars” and “Regulations — Regulations on automobile repair and maintenance services.” If we fail to comply with any existing PRC laws or regulations, including the laws with respect to using parking facilities, leasing and the sale of used cars or provision of car repair services, or fail to obtain or maintain any of the required permits or approvals, or if the PRC government promulgates new laws and regulations that require additional licenses or imposes additional restrictions on the operation of any part of our business, the relevant regulatory authorities may impose fines and penalties on us, confiscate our income, revoke our business licenses and require us to discontinue our business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material and adverse effect on our results of operations.

Our business, financial condition and results of operations may be adversely affected by the downturn in the PRC or global economy and weakness in travel demand.

Our results are affected by many economic factors. A decline in economic activity either in China or in international markets may have a material adverse effect on our business. For the car rental business, a decline in economic activity typically results in a decline in both business and leisure travel and, accordingly, a decline in the volume of car rental transactions.

A slowdown in the global or Chinese economy or the recurrence of any financial disruptions may also have a material and adverse impact on financings available to us. The weakness in the economy could erode investors’ confidence, which constitutes the basis of the equity markets. A financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all.

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Our business, financial condition and results of operations may be adversely affected by fluctuations in fuel prices or supplies.

We may be adversely affected by significant increases in fuel prices or limitations on fuel supplies. Prices for petroleum-based products, including gasoline, have experienced significant volatility in recent years and affected automotive travel patterns in many ways. Limitations in fuel supplies or significant increases in fuel prices could significantly discourage customers from renting cars and have an adverse effect on our business and results of operations.

We utilize third-party service providers to deliver certain services to our customers. If these service providers deliver services of an inadequate level of quality or terminate their relationships with us, our business could be adversely affected.

We utilize third-party service providers to deliver some of our services to our customers. In particular, we outsource some of the cleaning, repair and general maintenance work of our fleet to third-party service providers such as automobile dealerships, repair shops designated by automobile dealerships and local service shops selected based on reputation and assessment by our local teams. We also use third-party service providers to dispatch on-the-ground, nationwide roadside assistance teams to promptly respond to our customers' roadside emergencies. We do not control the operations of these providers. If these third party service providers terminate their relationship with us, or do not provide an adequate level and quality of service to our customers, it could be disruptive to our business as we seek to replace the service provider or remedy the inadequate level of service. In addition, if one or more of our customers suffer or claim to have suffered harm or damages as a result of the actions, or are otherwise unsatisfied with the quality of services of third-party service providers, our reputation and our brand could be harmed. This, in turn, may cause us to lose customers, which would adversely affect our business and results of operation.

Our expenses may increase if we implement salary increases in order to retain the requisite services of our staff.

As of August 30, 2014, we had 4,953 full-time employees. We have observed an overall tightening of the labor market and increased salaries. Failure to obtain stable and dedicated labor support may disrupt our business and adversely affect our operations. Furthermore, salary and wage costs have increased in China in recent years and may continue to increase in the near future. To remain competitive, we may need to increase the salaries of our employees to attract and retain them. Our salary and wage costs amounted to RMB118.8 million, RMB207.6 million and RMB332.5 million in 2011, 2012 and 2013, respectively, accounting for 14.5%, 12.9% and 12.3% of our revenue during the respective periods. Increases in labor costs will increase our expenses and our financial position may be adversely affected.

Our ability to monitor the performance and the quality of service provided by our franchisees is limited.

As of June 30, 2014, we had entered into franchise agreements with 159 franchisees to provide short-term rentals through 202 franchised service locations in 162 small cities where we do not own or operate any store directly, representing approximately 21.9% of the total number of our service locations nationwide. We have a set of policy documents on the performance and the quality of service provided by our franchisees. However, it is difficult for us to monitor the day-to-day operations of our franchisees to ensure compliance with our policies and relevant PRC laws and regulations. No assurance can be given that our franchisees will comply with our requirements and the requirements of PRC laws and regulations, which may result in severe penalties or shut-down imposed by governmental authorities, or that we will be able to identify and correct all cases of noncompliance by our franchisees in a timely manner, if at all. Failure by our franchisees to adhere to our policies or our failure to identify and correct all cases of noncompliance by our franchisees in a timely manner, may have an adverse impact on our brands' images and reputation, and may adversely affect our business, results of operations and financial condition.

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If we are found to violate any PRC laws and regulations on commercial franchising, we may be subject to penalties.

We employ franchise arrangements to expand our network coverage. As of June 30, 2014, our franchise network covered a total of 162 small cities in China. The PRC laws and regulations set forth a number of requirements governing the commercial franchising, including qualification of the franchisor, reporting and filing requirements and certain disclosure obligations owned by the franchisor to the franchisee. See “Regulations — Regulations on commercial franchising.” We started our franchise arrangement in December 2013. As of June 30, 2014, we had entered into franchise agreements with 159 franchisees, and we recently completed initial filing with MOFCOM with respect to the franchise arrangements in a number of provinces. If MOFCOM finds any of our franchising activities in violation of PRC laws and regulations, it may impose administrative penalties against us.

Relocation of our call center and the Shenzhou Institute to Tianjin may present logistical and management challenges, incur additional cost and may adversely and materially affect our business and results of operations.

We are in the process of relocating our call center and Shenzhou Institute, our in-house training organization located at our headquarters, to Tianjin. We believe the relocation will enable us to save a significant amount of office rental expenses and labor costs as well as take advantage of favorable policies from the Tianjin government. There can be no assurance that the time to complete the relocation will not be materially extended due to reasons beyond our control, nor can we assure you that all of our current employees subject to relocation will be willing to be relocated to Tianjin. The relocation process also presents a number of logistical and management challenges, including resettlement for our employees, relocation of our IT-related equipment that, if not properly installed, could have an adverse effect on our business operations. We may also incur additional costs in connection with the relocation such as employee-related costs and costs for replacing and moving certain office equipment. The occurrence of any such event may adversely affect our business and results of operations.

Some of our PRC subsidiaries may have engaged in business activities without the necessary approvals from or registration with local authorities, which could subject us to fines or other penalties that may negatively impact our results of operations or interfere with our ability to operate our business.

According to applicable PRC laws, a company is required to conduct business within the business scope prescribed in its business license and file an amendment to its registration with the appropriate authority if the company expands or changes the scope of its business. Additional governmental approvals, licenses, registrations or filings may also be required for any expansion of business scope. As our PRC operating subsidiaries expand their operations, they may need to obtain additional governmental approvals and licenses or amend their registrations or filings, which they may fail to do in a timely manner. Failure to obtain these permits or register or file in a timely manner, or at all, may subject us to fines and penalties and substantially inhibit our ability to operate our business.

The car rental industry is mainly regulated by governmental authorities at local levels, which impose various regulatory requirements on the operating entities and vehicles, and such regulatory requirements vary from place to place, and the practice of local authorities may also deviate from the existing local rules. See “Regulations — Regulations relating to enterprises engaging in car rental business — Regulations on car rental business.” As a result of the inconsistency in local rules and their interpretation and implementation, as well as the fast expansion of our business, we have not obtained or timely renewed all of the requisite permits and licenses, made or timely renewed all of our requisite filings or registrations for our business operations or fully complied with all other regulatory requirements applicable in the cities in which we currently operate, including the permit or registration for car rental business and the registration and operational requirements of the commercial vehicles used for rental operations, as required by certain local authorities. However, in some cities, implementation procedures of the applicable rules and regulations are still under development by local government agencies. Furthermore, as the practice of local authorities may deviate from the currently effective local rules and regulations, it may take us a considerable amount of time

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to obtain all of the outstanding permits, licenses and registrations. As such, we are not able to anticipate when we will become fully in compliance with all of the applicable rules and regulations with regard to the permits, licenses and registrations for our car rental business. We may be subject to penalties if we fail to obtain or timely renew these permits and licenses or registrations or fail to comply with any other regulatory requirements. These penalties may include fines ranging from RMB1,000 to RMB100,000.

A large number of PRC provinces and cities have promulgated rules that prohibit an entity with a prescribed business scope of car rental business from concurrently providing chauffeured services during the provisions of car rental services. See “Regulations — Regulations relating to enterprises engaging in car rental business — Regulations on chauffeured services.” We maintained a cooperation relationship with Yongche, an independent third party providing chauffeured services, from May 2013 to August 2014 to satisfy our short-term rental customers’ needs for chauffeured services. When our short-term rental customers selected chauffeured services, we connected them to Yongche to provide such chauffeured services to our customers as part of a packaged service offered by us. For our long-term rental customers requesting chauffeured services, we provide them with chauffeured services through Shanghai Taichang Auto Driving Service Co., Ltd., our PRC subsidiary which possesses the license to provide chauffeured services. The Company believes, after consultation with its PRC legal advisor, Han Kun Law Offices, that its activities of directing customers to other entities that provide chauffeured services are not in violation of relevant laws and regulations. However, since our customers hire chauffeured services through us, we cannot assure you that the local government authorities will not find our activities to be in violation of relevant regulations and impose penalties on us.

Companies providing automobile repair and maintenance services are subject to various regulatory requirements, such as obtaining relevant licenses and permits. For further details, see “Regulations — Regulations on automobile repair and maintenance services.” After consultation with our PRC Legal Advisor, we believe that we have obtained all necessary licenses and permits for our automobile repair and maintenance services. However, due to the uncertainties of the enforcement of applicable PRC laws and regulations by competent local governments, if the competent local governments find our automobile repair and maintenance services lack of certain additional licenses or permits, we may be required to obtain such additional licenses and permits, and may face monetary fines if we fail to obtain them in a timely manner.

Furthermore, a company that uses an office in a location outside its domicile to conduct business operation must register such office as a branch company with the competent local authority. See “Regulations — Regulations on registration of branch companies.” As of June 30, 2014, we had 233 directly operated service stores and 484 car pick-up points. We have registered all of our service stores with active business operation that meet all other regulatory requirements as our subsidiaries or branch companies with competent local authorities. As we quickly expand our operations, we may need to register additional branch companies from time to time. However, whether a service store or a pick-up point will be deemed as having business nature or otherwise qualified for branch company registration is subject to the sole discretion of the government authorities. We cannot assure you that the governmental authorities will take the same view with us on whether a service store or pick up point is required or qualified to be registered as a branch company. If the government authorities find that we fail to complete branch company registrations for any of our service stores or pick-up points in a timely manner or otherwise violate relevant regulations on branch companies, we may be subject to penalties, including fines, confiscation of income, or being ordered to cease business. We may be subject to these penalties as a result of our failure to meet the registration requirements, and these penalties may substantially inhibit our ability to operate our business. The maximum potential penalty we may be subject to is RMB100,000 for our failure to register a service store or pick-up point as a branch company if the government authorities determine that such branch company registrations are required.

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We face risks relating to our labor dispatch arrangements with third party staffing companies.

We use third party staffing companies to dispatch workers to us under labor dispatch agreements typically with a term of one year. As of August 30, 2014, approximately 25.0% of our staff were dispatched workers employed and dispatched to us by third party staffing companies. Most of these dispatched workers work as car drivers, call center customer service staffs or vehicle repair workers. According to PRC laws and regulations, labor dispatch is only applicable for temporary, auxiliary or substitute positions, and the number of the dispatched workers must be reduced to no more than 10% of the total number of employees within two years of the relevant regulations coming into effect. See “Regulations — Regulations on labor matters.” Since the nature of most of the positions we offer to our dispatched workers are not temporary, auxiliary or substitute, we may be warned and ordered to correct our non-compliance activities by governmental authorities within a prescribed time limit, and if we fail to do so, we may be subject to a fine ranging from RMB5,000 to RMB10,000 per dispatched worker. We may also be held jointly and severally liable with staffing companies for damages if such violation has caused damage to dispatched laborers. However, the Interim Provisions also provide a two-year period for employers that already had dispatched workers exceeding 10% of its total number of employees before the implementation of the Interim Provisions to correct and adjust their employment arrangements. We are in the process of adjusting our employment arrangements to comply with the Interim Provisions. We believe that, after consultation with our PRC legal advisor, Han Kun Law Offices, our use of dispatched labor are not in violation of relevant PRC laws and regulations. As of the Latest Practicable Date, we had not been subject to any penalties with respect to such labor dispatch arrangements. Further, we cannot guarantee to you that third party staffing companies will meet our staffing needs in a timely manner or provide contract workers with satisfactory qualifications and skills. In addition, under the PRC Labor Contract Law, a staffing company shall perform an employer’s obligations, including payment of remuneration to the employees and contribution of social insurance premiums. Under the labor dispatch service agreements between us and third party staffing companies, we, as the entity receiving labor dispatch services, shall make a monthly lump-sum payment in an amount that reflects the dispatched workers’ salaries, social insurance contributions and our service fees to relevant third party staffing companies. However, we cannot assure you that the staffing company has fully performed or will consistently fulfill its obligations, including any social insurance or housing fund contributions. If we are held liable for any shortage in the social insurance or housing fund contributions for the contract workers dispatched to us, our results of operations and financial condition may be adversely affected.

If our rights to lease certain properties are challenged, our business operations may be adversely affected.

We have entered into leases with government-owned enterprises, privately owned enterprises and individuals for all our stores and parking facilities throughout our network in the PRC. Some of our leases have legal deficiencies. As of the Latest Practicable Date, in respect of our leased properties the rent of which is primarily calculated based on the square footage, the lessors of 69 of them with a total GFA of approximately 34,166 square meters have not provided us with relevant title certificates, representing approximately 44.6% of the total GFA of such leased properties. In addition, in respect of our leased properties the rent of which is primarily calculated based on the number of parking spot, the lessors of 22 of them have not provided us with relevant title certificates. If our rights to lease these properties are challenged by relevant government authorities or other third parties, we may have to cease our operations based on such properties and to relocate our stores or parking facilities, which could adversely affect our business operations. For more information on our leased properties, please see “Business — Properties.”

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We principally rely on trade secrets to protect our technology and know-how. We have devoted substantial resources to the development of our technology, including our software program for rental reservations. In order to protect our technology and know-how, we rely significantly on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy

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in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we would not be able to assert any trade secret rights against such parties. Costly and time-consuming litigation might be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

We do not have title to vehicles covered by the financial leasing or OEM financing agreements during the terms of these agreements, and a failure to service these agreements could adversely impact our ability to operate the vehicles.

In 2011 and 2012, we acquired a total of approximately 6,000 cars from Minsheng Financial Leasing and Citroën's financial arm for which we used approximately 8,700 cars as collateral to obtain borrowings. During the terms of the financial leasing or OEM financing agreements, which typically range from 24 to 36 months, we do not have title to the leased vehicles. We believe, after consultation with our PRC legal advisor, Han Kun Law Offices, that although certain local regulations require that car rental companies must provide rental services using vehicles owned by them, it is unlikely that our rental services provided through our rental vehicles covered by the financial leasing or OEM financing agreements will be determined by the competent local authorities to be in violation of relevant local regulations as long as such vehicles are registered under the name of our PRC subsidiaries and the transfer of title of such vehicles is solely for financing purpose under a temporary basis. See "Regulations — Regulations relating to enterprises engaging in car rental business — General regulations on automotive vehicles." Under these agreements, we may lose access to the vehicles if we fail to make timely payments, insure the vehicles as required by the financial institutions, or breach other covenants under the agreements, which would make it difficult to maintain normal operations of our fleet and achieve optimal fleet utilization rate, which in turn may adversely affect our results of operations.

We face risks related to liabilities resulting from the use of our vehicles by our customers.

Our business can expose us to claims for personal injury, death and property damage resulting from the use of our rental cars by our customers. For example, if a customer uses a car that has worn tires or some mechanical or other problem, including a manufacturing defect, which contributed to a motor vehicle accident that results in a death or property damage, we may be a defendant of the claims for the alleged liabilities for the accident and the damage resulting from it. Furthermore, according to the PRC Tort Law, when the driver of a rental car who is not the owner of the vehicle is held liable for a traffic accident, liability will first be covered by the insurance company providing the compulsory traffic accident insurance of the vehicle, and the driver shall be responsible for the portion not covered by the compulsory traffic accident insurance. See "Regulations — Tort law." However, since judicial proceedings determining the cause of a motor vehicle accident can be lengthy and costly, and the results of such proceedings may be uncertain, we may not be successful in defending ourselves each time such an incident occurs. If a significant number of such claims cannot be resolved, our reputation could suffer.

We could be negatively impacted if our insurance coverage proves to be limited or inadequate.

We may suffer from insufficient insurance coverage for our vehicles or liabilities resulting from our rentals. We bear the risk of damage to or losses of our vehicles, including those caused by accidents, theft or flood. To mitigate such risk, we maintain motor vehicle damage insurance coverage of up to 100% of the actual value of each vehicle in respect of vehicle damage in addition to compulsory auto liability insurance. See "Regulations — Regulations on auto insurance." Though we believe the amounts and nature of the coverage we obtain are adequate in light of the risks involved, this coverage may not be sufficient to cover all damage that our vehicles could potentially sustain. Our rental contracts typically provide that the customers are responsible for damage to or loss of (including certain loss through theft) our vehicles during the rental period. Further, if any customer damages or loses one of our vehicles, the customer may not be able to compensate us for all of our losses, or at all. Further, pursuing claims against our insurers or our customers

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may prove costly and time consuming and because we are responsible for damage to our vehicles, a deterioration in claims management could lead to delays in settling claims, thereby increasing claim costs. In addition, substantial uninsured claims filed against us or the inability of our insurance carriers to pay otherwise-insured claims would have an adverse effect on our financial condition.

We also face risks associated with our business and operations in general, which include, but are not limited to, damage to properties due to fire, explosions and other accidents, business interruption due to power shortages or network failure, losses of key personnel and risks posed by natural disasters including storms, floods and earthquakes, any of which may result in significant costs or business disruption. Insurance companies in China currently offer limited business-related insurance products. We do not maintain insurance coverage for our office equipment or premises, nor do we maintain business interruption insurance. In addition, consistent with customary practice in China, we do not maintain key employee insurance for our directors and executive officers. If we were to incur substantial liabilities that were not covered by our insurance, we could incur costs and losses that could materially and adversely affect our results of operations.

The insurance premiums we have to pay may increase, which may adversely affect our business and results of operations.

We rely upon insurance coverage to protect against personal injuries and property damage caused by our vehicles and require our customers to bear a portion of the insurance premiums at the time of rental. We also maintain property insurance coverage in respect of vehicle damage and other losses. The insurance expenses amounted to RMB102.5 million, RMB118.2 million, RMB157.3 million and RMB75.1 million during 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively, which accounted for 12.5%, 7.3%, 5.8% and 4.0% of our revenues during the respective periods. We have purchased insurance from a limited number of insurance companies in China on favorable terms. Two PRC insurance companies, namely Taiping General Insurance Co., Ltd. and China Life P&C Insurance Company Ltd., provide substantially all of our insurance coverage. If the insurance premiums we pay for our coverage increase, regardless of whether it is because of an increase in claims on our part, a general industry-wide increase in pricing or our failure to maintain good relationships with our primary insurance providers, we may not be able to pass such premium increase to our customers, which could have an adverse effect upon our results of operations.

If our technology platform that stores confidential information about our customers is breached or otherwise subjected to unauthorized access or fraudulent transactions, we may be exposed to liabilities and suffer a loss of customers and damage to our business reputation.

Our technology platform holds confidential information about our customers. We have implemented measures to protect our proprietary information database from Internet hacking and other unauthorized access to our customers' confidential information. However, we cannot guarantee that such anti-hacking technology will effectively protect against increasingly sophisticated counter-measures and it is possible that third parties, such as hackers or criminal organizations, may unlawfully gain access to information provided by our users to us. Confidential information of our customers may also be misappropriated or inadvertently disclosed through employee misconduct or mistakes. We may also in the future be required to disclose to government authorities certain confidential information concerning our customers.

Furthermore, some of our customers pay for our services through third-party online payment service providers. In such transactions, secure transmission of confidential information, such as customers' debit and credit card numbers and expiration dates, personal information and billing addresses, over public networks, including our website, is essential for maintaining consumer confidence. We have limited influence over the security measures of third-party online payment service providers. Any compromise of our security or third-party service providers' security would have a material adverse effect on our reputation, business prospects, financial condition and results of operations.

Any significant breach of security of our technology platform could significantly harm our business, reputation and results of operations and could expose us to lawsuits brought by our customers and sanctions by government authorities in the jurisdictions in which we operate. Additionally, if we are accused of failing

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to protect the confidential information of our customers, we may be forced to expend significant financial and managerial resources in defending against these accusations and we may face potential liability. Any negative publicity may adversely affect our public image and reputation, which in turn may reduce the number of our users and harm our business and results of operations. Our servers may also be vulnerable to computer viruses, break-ins and similar disruptions caused by any unauthorized tampering into our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential information of our customers. We may not have sufficient protection or recovery plans in these circumstances and our business interruption insurance may not be sufficient to compensate us for losses that may occur. As we rely heavily on our servers, computer systems and the Internet service in performing our business, such disruptions could negatively impact our ability to effectively run our business, which could have an adverse effect on our operating results.

If we are unable to obtain and maintain adequate space at locations convenient to our customers at reasonable costs, our growth opportunities may be adversely affected.

Our service hubs, all of which are on leased properties and operated by us, are physical storefronts with parking facilities. Our service hubs are located primarily in China's largest cities and we must compete for limited parking space in these cities. Further, the efficient operation of our business requires that our physical storefronts and the parking facilities are within close proximity of each other. Given the population density of the large cities in which we operate, identifying such locations can be difficult and renting them can be expensive. If we were to lose a lease or concession rights relating to our locations, finding suitable replacement locations at reasonable costs could prove difficult and we may not be able to find replacement locations at all, all of which could adversely affect our business and financial condition.

Manufacturer safety recalls could create risks to our business.

Our vehicles may be subject to safety recalls by their manufacturers. During a recall period, we may attempt to retrieve recalled cars from customers and decline to rent these cars until we have taken all of the steps described in the recall. If a large number of cars is subject to simultaneous recalls, we may not be able to rent those vehicles to our customers for a significant period of time. These recalls, depending on their severity, could materially affect our fleet utilization rate, revenues, damage our customer relations and brand image, and reduce the residual value of the vehicles involved.

Failure to adequately protect our intellectual property rights may substantially harm our business and operating results.

Because our business depends substantially on our intellectual property, including our technology platform, the protection of our intellectual property rights is crucial to the success of our business. We rely on a combination of trademarks, trade secrets, copyright law and contractual restrictions to protect our intellectual property. These afford only limited protection. Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider proprietary, such as the technology used to operate our website, our content and our trademarks. Moreover, policing our proprietary rights is difficult and may not always be effective.

Competitors have adopted and, in the future, may adopt service names similar to ours, thereby impeding our ability to build brand identity and possibly leading to confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term “神州” or our other trademarks.

The protection of intellectual property rights and brands in China may not be as effective as those in Hong Kong or other jurisdictions. The steps we have taken may be inadequate to prevent the misappropriation of our technology or unauthorized use of our brands. From time to time, we may have to enforce our intellectual property rights through litigation. Such litigation may result in substantial costs and diversion of resources and management attention.

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Our business may be subject to seasonal effects, and a disruption in rental activities during our busy seasons could adversely affect our results of operations.

Our business generally experiences some effects of seasonal variations due to customer demand or increases in travel during certain time of the year such as Labor Day, National Day and Chinese Lunar New Year holidays. During these times, our fleet utilization rates and our revenue are generally higher than the rest of the year. However, our revenues also fluctuate due to other factors affecting our income such as changing weather conditions. The seasonality changes may cause fluctuations in our financial results and any occurrence that disrupts rental activity during our busy seasons could have a disproportionately material adverse effect on our liquidity and results of operations.

Current and future strategic alliances or future acquisitions may have a material and adverse effect on our business, reputation and results of operations.

Our success depends, in part, on our ability to expand our markets and grow our business in response to changing customer needs and competitive pressures. We may seek to grow our business by entering into strategic alliances to obtain access to complementary businesses, solutions or technologies, or we may seek to obtain these benefits through acquisitions. The identification of suitable partners or acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully close desired agreements. The anticipated benefits of any alliance, acquisition, investment or business relationship may not be realized or we may be exposed to unknown liabilities. Further, if a business partner were to violate the agreement we have entered into with them, such actions may have an adverse effect on our business and our reputation. Also, we may not be able to successfully assimilate and integrate the business, technologies, solutions, personnel or operations of any company we partner with or acquire. Acquisitions may also involve the entry into geographic or business markets in which we have little or no prior experience. For one or more of those arrangements or transactions, we may:

- provide proprietary information and the right to use our intellectual property to our business partners;
- issue additional equity securities that would dilute our shareholders;
- use cash that we may need in the future to operate our business;
- incur debt on terms unfavorable to us or that we are unable to repay;
- incur large charges or expenses or assume substantial liabilities;
- encounter difficulties retaining key employees of the acquired companies or integrating business cultures; and
- become subject to adverse tax consequences, substantial depreciation or deferred compensation charges.

Any of these actions involve risks that could harm our business and operating results.

Our business is vulnerable to interruptions caused by health epidemics, earthquakes, fires, floods and other natural events.

Our business could be materially and adversely affected by the outbreak of health epidemics such as H1N1, or swine influenza, avian influenza, severe acute respiratory syndrome, or SARS. In 2009 and early 2010, there were outbreaks of swine influenza in certain regions of the world, including China. In 2006, 2007 and 2011, there were reports on the occurrences of avian influenza in various parts of China, including a few confirmed human cases and deaths. Any prolonged recurrence of swine influenza, avian influenza, SARS or other adverse public health developments in China could adversely affect economic activities in China, decrease business or leisure travel and require the temporary closure of our offices, which could severely disrupt our business operations and adversely affect our results of operations. Our systems and operations are

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also vulnerable to interruption or damage caused by earthquakes, fires, floods, power losses, telecommunications failures, acts of war, human errors, break-ins and similar events. Significant natural disasters such as earthquake, fire or flood, could have a material adverse impact on our business, operating results and financial condition.

RISKS RELATED TO DOING BUSINESS IN THE PRC

Adverse changes in economic and political policies of the PRC government could have a material and adverse effect on overall economic growth in China, which could materially and adversely affect our business.

We conduct substantially all of our business operations in China. Accordingly, our business, financial condition, results of operations and prospects depend to a significant degree on economic developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement in the economy, the general level of economic development, growth rates and control of foreign exchange and the allocation of resources. While the PRC economy has experienced significant growth in the past several decades, this growth has remained uneven across different periods, regions and among various economic sectors. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. The PRC government also exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. Our financial condition and results of operation could be materially and adversely affected by government control over capital investments or changes in certain regulations that are applicable to us. Any future actions and policies adopted by the PRC government could materially affect the Chinese economy and slow the demand of vehicle usage in China, which could materially and adversely affect our business.

Uncertainties with respect to the PRC legal system could have a material and adverse effect on us.

We conduct our business primarily through our subsidiaries and branch companies in China. Our operations in China are governed by PRC laws and regulations. The PRC legal system is based on statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations continue to evolve and the limited number and non-binding nature of published decisions concerning them, their interpretation and enforcement involves uncertainties. In addition, the PRC legal system is based partly on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us, or the tax implications of making payments to us, could have a material adverse effect on our ability to conduct our business or our financial condition.

We are a holding company, and we rely principally on dividends and other distributions on equity from our wholly owned subsidiaries in China for our cash requirements, including the funds necessary to pay dividends to our shareholders and service any debt we may incur. Current PRC regulations permit our subsidiaries in China to pay dividends to us only out of their respective accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its respective after-tax profits each year, if any, to fund

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certain statutory reserve funds until the aggregate amount of such reserve funds reaches 50% of its registered capital. At its discretion, each of our PRC subsidiaries may allocate a discretionary portion of its respective after-tax profits to staff welfare and bonus funds. These reserves may not be distributable as cash dividends. Furthermore, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us. Most of our assets are held by, and substantially all of our earnings and cash flows are attributable to, our PRC subsidiaries. Our cash flows are principally derived from dividends paid to us by our PRC subsidiaries. As a result, our ability to distribute dividends largely depends on earnings from our PRC subsidiaries and their ability to pay dividends out of their earnings. If operating losses from our PRC subsidiaries were to continue to grow, our operating results and cash flows would be further materially and adversely affected. Our PRC subsidiaries so far have not paid us any dividends. We cannot assure you that our PRC subsidiaries will generate sufficient earnings and cash flows in the near future to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations, pay interest and expenses or declare dividends.

In addition, the PRC Enterprise Income Tax Law, or New EIT Law, and its implementation rules provide that a withholding tax rate of 10% will be applicable to dividends paid by foreign-invested PRC enterprises to their non-PRC resident enterprise shareholders unless otherwise exempted or reduced according to treaties or arrangements between the PRC government and governments of other countries or regions where the non-PRC resident enterprises are incorporated. The Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, provides that dividends paid by a foreign invested enterprise in the PRC to its offshore direct holding company, which is considered a Hong Kong tax resident and is determined by competent PRC tax authority to have satisfied relevant requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws, will be subject to withholding tax at the rate of 5% of total dividends. Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is further subject to approval of the relevant tax authority. Based on the Notice on Certain Issues with respect to the Enforcement of Dividend Provisions in Tax Treaties, or Circular 81, issued on February 20, 2009 by the State Administration of Taxation, or SAT, the relevant PRC tax authorities may deny such tax treaty benefits from “conduit companies” or shell companies without business substance. Furthermore, SAT promulgated the Circular on How to Interpret and Recognize the “Beneficial Owners” in Tax Treaties, or Circular 601, issued by SAT in October 2009 which provides guidance for determining whether a resident of a contracting state is the “beneficial owner” of an item of income under the PRC’s tax treaties and tax arrangements. According to Circular 601, a beneficial owner generally must be engaged in substantive business activities. A “conduit company” will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. A “conduit company” normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. It is unclear whether any dividends distributed by our PRC subsidiaries to China Auto Rental (Hong Kong) Limited, or CAR Hong Kong, our wholly-owned subsidiary incorporated in Hong Kong, will be entitled to the 5% reduced tax rate under the Double Tax Avoidance Arrangement. If we were to pay dividends and dividends paid to CAR Hong Kong were subject to 10% tax rate instead of the 5% tax rate, our financial condition may be negatively affected.

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in our global income becoming subject to 25% PRC enterprise income tax.

The New EIT Law provides that an enterprise established outside China whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be subject to the uniform 25% enterprise income tax rate, or EIT rate, on its global income. Under the implementation rules of the New EIT law, “de facto management body” is defined as the organization body that effectively exercises substantial and overall management and control over such aspects as the production and business operations, personnel, accounting and properties of the enterprise, and if a foreign enterprise is deemed to

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be a PRC resident enterprise, dividends and other income received by its non-PRC resident enterprise shareholders from the deemed PRC resident enterprise may be considered PRC-source income and subject to a 10% PRC withholding tax, which may be reduced under any applicable double taxation agreement between the PRC and the relevant country.

On April 22, 2009, SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, that sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within the PRC; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within the PRC. Although Circular 82 explicitly provides that the above standards apply to enterprises which are registered outside the PRC and funded by PRC enterprises or PRC enterprise groups as controlling investors, Circular 82 may reflect SAT’s criteria for determining the tax residence status of foreign enterprises in general. We currently do not believe that we or our Hong Kong subsidiaries are PRC resident enterprises because we do not believe that we or our Hong Kong subsidiaries meet all of the conditions above but there is no assurance in this regard. If the PRC tax authorities successfully challenge our position, we will be subject to PRC enterprise income tax reporting obligations and 25% PRC enterprise income tax on our global income. If we are treated as a PRC resident enterprise, it is not entirely clear whether dividends received from our PRC subsidiaries will be exempted from the income tax. If we are treated as a PRC resident enterprise and dividends received from our PRC subsidiaries are not exempt from the PRC income tax, the 25% PRC income tax on our global income could significantly increase our tax burden and materially and adversely affect our ability to satisfy any cash requirements we may be subject to.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Offer Shares.

Under the New EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises and either do not have an establishment or place of business in the PRC, or have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although substantially all of our business operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax if we are considered a PRC resident enterprise, as described in the preceding risk factor. If PRC income tax is imposed on gains realized through the transfer of our Shares or if we are required to withhold PRC tax from any dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

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The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

In connection with the New EIT Law, the Ministry of Finance and SAT jointly issued, on April 30, 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. On December 10, 2009, SAT issued the Notice on Strengthening the Management on the Enterprise Income Tax for Non-resident Enterprises Equity Transfer, or Circular 698. Both Circular 59 and Circular 698 became effective retrospectively on January 1, 2008. By promulgating and implementing these circulars, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interest in a PRC resident enterprise by a non-PRC resident enterprise. For example, pursuant to Circular 698, if a non-resident enterprise indirectly transfers the equity interests of a PRC resident enterprise by transferring the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the transferring nonresident enterprise must report this Indirect Transfer to the competent PRC tax authority of the PRC resident enterprise. The PRC tax authority will apply the “substance over form” principle, and as a result may disregard the existence of the overseas holding company if such overseas holding company lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such an Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular No. 698 also provides that where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. In addition, SAT released the SAT Public Notice (2011) No. 24, or SAT Public Notice 24, which took effect on April 1, 2011, to clarify several issues related to SAT Circular No. 698. Under SAT Public Notice 24, the term “effective tax” refers to the effective tax on the gain derived from a disposition of any equity interests of an overseas holding company. There is uncertainty as to the application of SAT Circular No. 698. While the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have broad jurisdiction over requests for information regarding foreign companies having remote contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal interpretation as to the procedures or format for reporting an Indirect Transfer. In addition, there have not been any formal declarations concerning how to determine whether a foreign investor has adopted an arrangement for the purpose of reducing, avoiding or deferring PRC tax. We have conducted and may conduct acquisitions and restructuring involving corporate structures, and historically our shares were transferred by certain shareholders to us. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on transfer of our shares or any adjustment of such gains would cause us to incur additional costs.

Although it appears that SAT Circular No. 698 was not intended to apply to purchase and sale of shares of publicly traded companies in the open market, the PRC tax authorities may determine that SAT Circular No. 698 is applicable to our non-resident shareholders who acquired our shares outside of the open market and subsequently sell our shares in our private financing transactions or in the open market if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-resident investors or non-resident enterprise shareholders may be at risk of being taxed under SAT Circular No. 698 and may be required to expend valuable resources to comply with SAT Circular No. 698 or to establish that we and our non-resident enterprise investors or non-resident enterprise shareholders should not be taxed under SAT Circular No. 698, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors’ or such non-resident enterprise shareholders’ investments in us.

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PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of shareholders' loans or capital contributions upon completion of this offering. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, or FIEs, cannot exceed statutory limits based on the difference between the registered capital and the investment amount of such subsidiaries, and shall be registered with the State Administration of Foreign Exchange, or SAFE, or its local counterparts.

Furthermore, any capital contributions we make to our PRC subsidiaries shall be approved by the Ministry of Commerce, or MOFCOM, or its local counterparts. We may not be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In addition, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises, or Circular 142, on August 29, 2008. Under Circular 142, registered capital of a foreign invested company settled in RMB converted from foreign currencies may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments in the PRC. In addition, foreign-invested companies may not change how they use such capital without SAFE's approval, and may not in any case use such capital to repay RMB loans if proceeds of such loans have not been utilized. Violations of Circular 142 may result in severe penalties, including heavy fines as set forth in the "Regulations — Regulations on Foreign Exchange." As a result, Circular 142 may significantly limit our ability to transfer the net proceeds from our initial public offering and subsequent offerings or financings to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Furthermore, SAFE promulgated Circular 59 on November 9, 2010, which requires the PRC government to closely examine the authenticity of settlement of net proceeds from offshore offerings and the net proceeds to be settled in the manner described in the offering documents. SAFE further promulgated the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses, or Circular 45, on November 16, 2011, which expressly prohibits foreign-invested enterprises from using the registered capital settled in Renminbi converted from foreign currencies to grant loans through entrustment arrangements with a bank, repay inter-company loans or repay bank loans that have been transferred to a third party. Circular 142, Circular 59 and Circular 45 may significantly limit our ability to transfer the net proceeds from this offering to our PRC subsidiaries and convert the net proceeds into RMB, which may materially and adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Restrictions on the remittance of RMB into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and the remittance of currency out of China. We receive all of our revenues in RMB and all of our cash inflows and outflows are denominated in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC operating subsidiaries. We may convert a portion of our revenues into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy its foreign currency denominated obligations.

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Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Offer Shares. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of PRC.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

SAFE issued a public notice named Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (including its appendixes), or Circular 37, effective on July 4, 2014, which replaced the previous Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or Circular 75. Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. Such offshore entity being referred to as a offshore special purpose vehicle. In addition, such PRC residents must update their foreign exchange registrations with SAFE when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have requested all of our current shareholders and/or beneficial owners to disclose whether they or their shareholders or beneficial owners fall within the ambit of the Circular 37 and will urge relevant shareholders, upon learning they are PRC residents, to register with the local SAFE branch as required under the Circular 37. However, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by the Circular 37 or other related rules in a timely manner. If any of our shareholders who is a PRC resident as determined by Circular 37 fails to fulfill the required foreign exchange registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries, which will adversely affect our business.

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Failure to comply with PRC regulations regarding the registration requirements for stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Under the SAFE regulations, in particular, the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in the Share Incentive Schemes of Overseas-Listed Companies, or Circular 7, all PRC residents who participate in an employee stock incentive plan or stock option plan of an overseas publicly-listed company are required, through the PRC subsidiary of the overseas publicly-listed company, to jointly entrust a PRC agent to handle foreign exchange registration with SAFE or its local branch and complete certain procedures relating to the share incentive schemes such as opening account and capital transfer. PRC residents include PRC nationals or foreign citizens having been consecutively residing in PRC for not less than one year, acting as directors, supervisors, senior management personnel or other employees of PRC companies affiliated with such offshore listed company. A PRC agent could be a PRC subsidiary of such overseas publicly-listed company participating in the share incentive scheme or another PRC institution qualified for asset trusteeship as designated by the PRC subsidiary and in accordance with PRC laws. The PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The foreign exchange proceeds received by the PRC residents from sale of shares under share incentive plans granted by the overseas publicly-listed company must be remitted to bank accounts in China opened by the PRC agents. Further, a Notice Concerning Individual Income Tax on Earnings from Employee Stock Options, jointly issued by the Ministry of Finance and SAT, provides that domestic companies that implement employee share option programs must file the employee share option plans and other relevant documents with local tax authorities having jurisdiction over the companies before implementing such plans, and must file share option exercise notices and other relevant documents with local tax authorities before their employees exercise any share options.

We and our PRC resident employees who have been granted options or incentive shares under our share incentive plan, which we adopted in February 2012, will be subject to these regulations when our company becomes publicly listed in Hong Kong. If we or any of our PRC resident option grantees fail to comply with these regulations, we or our PRC resident option grantees may be subject to fines and other legal or administrative sanctions. See “Regulations — Regulations on employee stock option plans.”

Fluctuation in the value of the RMB may have a material adverse effect on the value of your investment.

The value of the RMB against the Hong Kong dollar and the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in an over 20% appreciation of the RMB against the U.S. dollar over the following three years. For almost two years after reaching a high against the U.S. dollar in July 2008, however, the Renminbi traded within a narrow band against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the Renminbi fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. In June 2010, the PRC government announced that it would allow more RMB exchange rate fluctuation. However, it remains unclear how this announcement might be implemented. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuation of the RMB against the U.S. dollar. Substantially all of our revenues and costs are denominated in RMB, and a significant portion of our financial assets are also denominated in RMB. We are a holding company and we rely on dividends paid by our operating subsidiaries in China for our cash needs. Any significant revaluation of the RMB may materially and adversely affect any dividends payable on our Offer Shares in U.S. dollars. To the extent that we need to convert U.S. dollars we received from this offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

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The approval of the CSRC may be required in connection with this offering under PRC law, and if required, we cannot assure you that we will be able to obtain such approval.

On August 8, 2006, six PRC regulatory agencies, including MOFCOM, the State Assets Supervision and Administration Commission, or SASAC, SAT, SAIC, the China Securities Regulatory Commission, or CSRC, and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006, and were amended on June 22, 2009 by MOFCOM. The M&A Rules, among other things, purport to require offshore special purpose vehicles that are controlled directly or indirectly by PRC companies or individuals and that have been formed for the purpose of seeking a public listing of the interest in PRC companies on an overseas stock exchange through acquisitions to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles. The interpretation and application of the regulations remain unclear, and this offering may ultimately require approval from CSRC, and if it does, it is uncertain how long it will take us to obtain the approval. If CSRC approval is required for this offering, our failure to obtain or delay in obtaining CSRC approval for this offering would subject us to sanctions imposed by CSRC and other PRC regulatory agencies, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, results of operations and financial condition.

Our PRC legal advisor, Han Kun Law Offices, has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to CSRC for the approval of the listing and trading of our Offer Shares on the Stock Exchange because (i) CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation, and (ii) our wholly-owned PRC subsidiaries were established by means of foreign direct investment, rather than through a merger or acquisition of the equity interests or assets of a domestic company as defined under the M&A Rules, and it is not aware of any public record indicating that any of the issuers having similar offshore and onshore corporate structures and already listed on an offshore stock exchange has been required by CSRC to procure the approval of CSRC prior to its listing. However, our PRC legal advisor further advised us that since there has been no official interpretation or clarification of the M&A Rules, there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering and the opinions summarized above are subject to any new laws and regulations or further implementations and interpretations of competent government authorities in any form relating to the M&A Rules. Further, we cannot assure you that PRC government authorities, including the CSRC, will reach the same conclusion as our PRC legal advisor. If the CSRC or other PRC government authorities determine that prior CSRC approval is required, any future registered offering will be delayed until we obtain the approval from the CSRC. If a prior approval from the CSRC is required but not obtained, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities.

PRC laws and regulations establish more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC laws and regulations, such as the M&A Rules, Anti-monopoly Law of the PRC and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM in August 2011, or the MOFCOM Security Review Rules, established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time consuming and complex, including requirements in some instances that MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review. The MOF Security Review

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Rules, effective from September 1, 2011, which implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on February 3, 2011, further provide that, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review by MOFCOM, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that our car rental business or other business of our PRC subsidiaries fall into the scope subject to the security review. As these circulars and rules are relatively new and there is a lack of clear statutory interpretation on the implementation of the same, there is no assurance that the MOFCOM will apply these national security review-related circulars and rules to the acquisition of equity interest in our PRC subsidiaries. If we are found to be in violation of the MOF Security Review Rules and other PRC laws and regulations with respect to the merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income, revoking our PRC subsidiaries' business or operating licenses, requiring us to restructure or unwind the relevant ownership structure or operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. Further, if the business of any target company that we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or through any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The enforcement of the PRC Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations.

On June 29, 2007, the Standing Committee of the National People's Congress of China enacted the Labor Contract Law, which became effective on January 1, 2008 and was amended on December 28, 2012. The PRC Labor Contract Law introduces specific provisions related to fixed-term employment contracts, part-time employment, probation, consultation with labor union and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining, which together represent enhanced enforcement of labor laws and regulations. According to the PRC Labor Contract Law, an employer is obliged to sign an unlimited-term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract must have an unlimited term, with certain exceptions. The employer must pay severance to an employee where a labor contract is terminated or expires, with certain exceptions. In addition, the government has continued to introduce various new labor-related regulations after the effectiveness of the PRC Labor Contract Law. Among other things, it is required that annual leave ranging from five to 15 days be made available to employees and that employees be compensated for any untaken annual leave days in the amount of three times of their daily salary, subject to certain exceptions. As a result of these new regulations which are designed to enhance labor protection, we expect our labor costs to increase, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel. In the event that we decide to change our employment or labor practices, the labor contract law and its implementation rules may also limit our ability to effect those changes in a manner that we believe to be cost-effective. In addition, as the interpretation and implementation of these new regulations are still evolving, our employment practice may not at all times be deemed in compliance with the new regulations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected.

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RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to the completion of the Global Offering, there has been no public market for our Shares. The Offer Price is the result of negotiations between us and the Joint Global Coordinators (on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. In addition, there can be no guarantee that an active trading market for our Shares will develop; or, if it does develop, that it will be sustained following completion of the Global Offering; or that the market price of our Shares will not decline below the Offer Price.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. Recently, a number of PRC-based companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

The sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and current shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares by our existing shareholders, or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares to be held by our existing shareholders upon completion of the Pre-IPO Reorganization and the other Shares to be subscribed by Hertz Holdings are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such existing shareholders to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

RISK FACTORS

You may experience difficulties in enforcing your Shareholder rights because we are incorporated in the Cayman Islands; the law of the Cayman Islands is different from the law of Hong Kong and other jurisdictions and may not provide the same protections to minority shareholders.

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of the Cayman Islands differs in some respects from that of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our memorandum and articles of association, the Cayman Islands Companies Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities law.

As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or major Shareholders than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions. For example, the Cayman Islands does not have a statutory equivalent of section 724 of the Hong Kong Companies Ordinance, which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs.

Certain facts and statistics contained in this prospectus have come from official government sources or other industry publications, the reliability of which cannot be assumed or assured.

We have derived certain facts and other statistics in this prospectus relating to the PRC, its economies, as well as the car rental industry from various government publications and other publicly available sources. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, each of the Sponsors, the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside of the PRC. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this prospectus being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such facts or statistics.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. Prior to the Latest Practicable Date, there could have been press and media coverage regarding us or the Global Offering, which may include certain financial information, financial projections, valuations, and other information about us that do not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the International Offering of initially 383,705,000 Offer Shares and the Hong Kong Public Offering of initially 42,636,000 Offer Shares, each subject to the re-allocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus and without taking into account the Over-allotment Option.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Subject to the terms of the Underwriting Agreements, the Hong Kong Offer Shares are fully underwritten by the Hong Kong Underwriters and the International Offering Shares are fully underwritten by the International Underwriters. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters and any of their respective directors, officers, employees, agents or representatives or advisors or any other persons involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for our Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the related Application Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around September 12, 2014 and in any event no later than September 17, 2014.

If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before September 17, 2014 or such later date or time as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares will be required to, or be deemed by his acquisition of the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offers of the Hong Kong Offer Shares described in this prospectus and the related Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus, and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold directly or indirectly, in the PRC or the U.S.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares to be issued pursuant to the Pre-IPO Reorganization, the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and the Shares to be issued upon the exercise of the Pre-IPO Share Options.

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, September 19, 2014. Save as disclosed in this prospectus, no part of the Company's share or loan capital is listed or dealt in on any other stock exchange and no listing or permission to deal in the Shares is being or is proposed to be sought on any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Share Register of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising any rights attached to them. Our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of their respective directors, officers, employees, agents or representatives or advisors or any other person or party involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" of this prospectus and on the related Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus.

SHARE REGISTRAR AND HONG KONG STAMP DUTY

Our Company’s principal register of members will be maintained by its principal share registrar and transfer office, Codan Trust Company (Cayman) Limited, in the Cayman Islands. All of the Shares allocated pursuant to the Global Offering will be registered on the Company’s register of members to be maintained in Hong Kong by its Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Dealings in the Shares registered in our Company’s Hong Kong Share Registrar will be subject to Hong Kong stamp duty. Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders’ risk, to the registered address of each shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

COMMENCEMENT OF DEALINGS IN SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on September 19, 2014. Shares will be traded in board lots of 1,000 Shares each.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translations between Renminbi and HK dollars were made at the rate of RMB0.79543 to HK\$1.00, being the PBOC rate prevailing on August 29, 2014 and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.7501 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on August 29, 2014. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the Listing, we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Listing Rules or the Companies (Winding up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Hong Kong Listing Rules as our Executive Director does not ordinarily reside in Hong Kong. He spends the majority of his time supervising our Company's principal business operations in the PRC. We consider that it would be of the best interest of our Group for our Executive Director and our management being based in the PRC to supervise and manage our daily business operations.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules, and the following arrangements have been made for maintaining regular and effective communication with the Hong Kong Stock Exchange:

- (a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two appointed authorized representatives are Mr. Charles Zhengyao LU (陸正耀) and Ms. Ka Man SO (蘇嘉敏), who will be readily contactable by the Hong Kong Stock Exchange and can meet with the Hong Kong Stock Exchange on reasonable notice. Their contact details (including office and mobile phone numbers, facsimile numbers, email addresses and correspondence addresses) have been provided to the Hong Kong Stock Exchange. In addition, they have the means to contact all members of the Board of Directors promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters.
- (b) Each of the Directors, including the Executive Director, has confirmed that he possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange within a reasonable period of time upon the Hong Kong Stock Exchange's request. Their respective contact details, including office phone numbers, mobile phone numbers, facsimile numbers and email addresses have been provided to the Hong Kong Stock Exchange.
- (c) We have retained the services of a compliance advisor, Somerley Capital Limited, in compliance with Rule 3A.19 of the Listing Rules. Somerley Capital Limited will, in addition to the Company's authorized representatives, act as an additional channel of communication of the Company with the Hong Kong Stock Exchange and be available to answer enquiries from the Hong Kong Stock Exchange, for a period commencing on the Listing Date until the date on which the Company announces its financial results and distributes its annual report for the first full financial year following the Listing. The contact person of the compliance advisor will be fully available to answer enquiries from the Hong Kong Stock Exchange.

WAIVER AND EXEMPTION IN RESPECT OF 2014 PRE-IPO SHARE OPTION SCHEME I

Under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance, this prospectus is required to include, among other things, details of the number, description and amount of any of our Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

options and their potential dilution effect on the shareholdings upon the Listing as well as the impact on the earnings per share arising from the exercise of such outstanding options. Under the 2014 Pre-IPO Share Option Scheme I, we have granted options to 280 persons (the “Grantees” and each a “Grantee”) to subscribe for 92,461,415 Shares on the terms set out in the section headed “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Schemes — 1. 2014 Pre-IPO Share Option Scheme I”. Except for three members of senior management, no Grantees under the 2014 Pre-IPO Share Option Scheme I is a Director or senior management or connected person of the Company.

We have applied for (i) a waiver from strict compliance with the requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the option to subscribe for the Shares in the Company under the 2014 Pre-IPO Share Option Scheme I on the ground that it will be unduly burdensome to disclose full details of all of these options granted under the 2014 Pre-IPO Share Option Scheme I in this prospectus. In light of the requirements under the relevant regulations indicated above, we have made the following submission to the Hong Kong Stock Exchange and the SFC:

1. The options granted under the 2014 Pre-IPO Share Option Scheme I were granted to a total of 280 Grantees. Our Directors consider that it would be unduly burdensome to disclose full details of all of these options granted by our Company in this prospectus, which would significantly increase the cost and timing for information compilation, prospectus preparation and printing.
2. Key information of the options granted under the 2014 Pre-IPO Share Option Scheme I to members of the senior management and persons who have been granted share options representing more than 1,500,000 Shares under the 2014 Pre-IPO Option Scheme I has already been disclosed in the section headed “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Schemes — 4. Outstanding Options,” which is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per share of the options granted under the 2014 Pre-IPO Share Option Scheme I in their investment decision making process.
3. The lack of full compliance of the disclosure requirements set out above will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the investing public.

The Hong Kong Stock Exchange has granted the waiver to us subject to the conditions that:

- (a) the grant of a certificate of exemption from strict compliance with the relevant Companies (Winding up and Miscellaneous Provisions) Ordinance requirements by the SFC;
- (b) on an individual basis, full details of all the options granted under the 2014 Pre-IPO Share Option Scheme I by our Company to the Directors, senior management, connected persons of our Company and persons who have been granted share options representing more than 1,500,000 Shares, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules, be disclosed in this prospectus;
- (c) in respect of the options granted by our Company to the Grantees other than those referred to in subparagraph (b) above, the following details be fully disclosed in this prospectus:
 - (1) the aggregate number of Grantees;
 - (2) the number of Shares subject to such options;
 - (3) the consideration paid for the grant of such options;
 - (4) the exercise period of the options; and

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP
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- (5) the exercise price for the options;
- (d) the dilution effect and impact on earnings per Share upon full exercise of the options granted under the 2014 Pre-IPO Share Option Scheme I be disclosed in this prospectus;
- (e) the aggregate number of Shares subject to the outstanding options by the Company under the 2014 Pre-IPO Share Option Scheme I and the percentage of our Company's issued share capital of which such number represents be disclosed in this prospectus;
- (f) a summary of the 2014 Pre-IPO Share Option Scheme I be disclosed in this prospectus; and
- (g) the list of all the Grantees (including the persons referred to in paragraph (c) above), containing all details as required under Rule 17.02(1)(b), paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V in this prospectus.

The SFC has issued a certificate of exemption under section 342A of the Companies (Winding up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance subject to the conditions that:

- (a) on an individual basis, full details of all the options granted under the 2014 Pre-IPO Share Option Scheme I to each of the Directors, senior management, connected persons of our Company and persons who have been granted share options representing more than 1,500,000 Shares are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted by our Company under the 2014 Pre-IPO Share Option Scheme I to the employees other than those referred to in sub-paragraph (a) above, the following details are disclosed in this prospectus:
 - (1) the aggregate number of Grantees;
 - (2) the number of Shares subject to such options;
 - (3) the consideration paid for the grant of such options;
 - (4) the exercise period of the options; and
 - (5) the exercise price for the options;
- (c) a list of all the Grantees (including the persons referred to in sub-paragraph (a) above) who have been granted options to subscribe for Shares under the 2014 Pre-IPO Share Option Scheme I, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus; and
- (d) the particulars of the exemption will be disclosed in this prospectus.

Further details of the 2014 Pre-IPO Share Option Scheme I are set out in the section headed "Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Schemes — 1. 2014 Pre-IPO Share Option Scheme I" in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

WAIVER IN RESPECT OF THE FIRST INTERIM REPORT

In relation to the requirements contained in Rule 13.48 and Practice Note 10 of the Listing Rules to publish the Company's interim report and send a copy of its interim report to its Shareholders in respect of the six months ended June 30, 2014 (the "Interim Report Requirements") within three months after the end of the six months period, i.e. on or before September 30, 2014, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with such requirements in relation to the six months ended June 30, 2014.

The reasons submitted to the Stock Exchange in support of this waiver application include, among others, the contents of this prospectus, and in particular, the audited condensed interim financial information in respect of the same period, i.e. the six months ended June 30, 2014 and other financial disclosure therein, afford the Shareholders and potential investors of the Company with commensurate, if not superior, disclosure. The Company confirms that it would not be in breach of its articles of association or laws and regulations of the Cayman Islands or other regulatory requirements regarding its obligation to publish and distribute interim reports and accounts.

Upon Listing, the Company intends to comply with the Code set out in Appendix 14 to the Listing Rules (except Code provision A.2.1) and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Disclosure on the compliance with the Code for the year ending December 31, 2014 will be set out in the corporate governance report which will form part of the Company's 2014 annual report.

WAIVER AND CONSENT IN RESPECT OF SUBSCRIPTION BY HERTZ HOLDINGS

Rule 9.09(b) of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any core connected person of the issuer (except as permitted by Rule 7.11 of the Listing Rules) from four clear business days before the expected hearing date until listing is granted. Rule 10.04 of the Listing Rules provides that an existing shareholder of an issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or her own name or through nominees if the conditions in Rule 10.03(1) and (2) are satisfied. The requirements of Rule 10.03 of the Listing Rules are that (1) no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. Paragraph 5(2) of Appendix 6 to the Listing Rule prohibits allocation of shares in a global offering to existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions in Rule 10.03 and 10.04 are fulfilled or prior written consent of the Stock Exchange has been obtained.

Immediately after the Pre-IPO Reorganization, Hertz Holdings will hold approximately 19.0% of the Shares of our Company (without taking into account the Shares to be issued upon the exercise of the Pre-IPO Share Options). Pursuant to the Shareholders' Agreement, to the extent permissible under the Listing Rules, Hertz Holdings agreed to invest an amount in the Qualified IPO at least equal to the lower of (a) US\$30 million; or (b) 20% of the shares to be offered by CARH in the Qualified IPO. Hertz Holdings has advised the Company that it intends to exercise its pre-existing contractual rights to subscribe, in connection with the Global Offering at the Offer Price, for an additional number of Shares with an aggregate subscription amount up to US\$30 million at the Offer Price, provided that such subscription amount shall not result in the shareholding percentage of Hertz Holdings in the Company to increase above its percentage interest immediately prior to the Global Offering. If Hertz Holdings subscribes for additional Shares for any purpose other than reducing the dilutive effect of the Global Offering on its percentage interest in the Company, the subscription arrangement will cease to be available.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Given that:

- Hertz Holdings will subscribe for additional Shares at the Offer Price on the same terms and conditions as other investors pursuant to the Global Offering;
- the subscription by Hertz Holdings will form part of the International Offering, and will not have an impact on the Shares to be offered to public investors in Hong Kong under the Hong Kong Public Offering;
- Hertz Holdings has agreed to a lock up period of six months commencing on the Listing Date, which will ensure that there will be an orderly market in the Shares of the Company;
- subscription of the additional Shares by Hertz Holdings is a pre-existing contractual arrangement between Hertz and CARH, the negotiation of which took place in early 2013 in the lead up to the signing of the Shareholders' Agreement in May 2013 and was conducted on an arm's length basis, and the subscription is for the purpose of giving effect to such pre-existing arrangement;
- the subscription right of Hertz Holdings is, in substance, similar in nature to the typical anti-dilution right granted to pre-IPO investors and, in particular, the subscription by Hertz Holdings will not result in its percentage interest held in the Company to increase above its percentage interest immediately prior to the Global Offering. Such rights are permitted to be exercised at the time of IPO pursuant to Paragraph 3.1(e) of Guidance Letter 43-12;
- full disclosure in respect of the pre-existing contractual arrangement between CARH and the Company and details of the proposed subscription by Hertz Holdings is made in this prospectus and the allotment results announcement will contain details of allocation made to Hertz Holdings; and
- the subscription by Hertz Holdings of additional Shares will facilitate the marketing of, and boost investors' confidence in, the Global Offering,

we have applied for and the Stock Exchange has granted a waiver from strict compliance with Rules 9.09(b) and 10.04 of the Listing Rules and consent pursuant to paragraph 5(2) of Appendix 6 to the Listing Rules. As part of the Global Offering, the Company will allocate, on an assured basis, to Hertz Holdings additional number of Shares with an aggregate subscription amount of up to US\$30 million, provided that such subscription amount shall not result in the shareholding percentage of Hertz Holdings in the Company to increase above its percentage interest immediately prior to the Global Offering.

Hertz Holdings will hold approximately 16.8% of the Shares of our Company (assuming the Hertz Subscription Amount of US\$30 million, an Offer Price of HK\$7.50, being the low end of the stated range of the Offer Price, and without taking into account the Shares to be issued upon the exercise of the Over-allotment Option and the Pre-IPO Share Options)

WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules require that there shall be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities shall be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by public (listed on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK\$50 million.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP
AND MISCELLANEOUS PROVISIONS) ORDINANCE**

We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Hong Kong Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, pursuant to which, the public float of the Company may fall below 25% of the issued share capital of the Company (assuming the Over-allotment Option is not exercised) or such higher percentage of Shares held by the public (if the Over-allotment Option is fully or partially exercised).

The Hong Kong Stock Exchange has agreed to grant the requested waiver on the conditions that:

- (i) the minimum public float of the Company should be at the highest of (a) 15%; (b) such percentage of Shares held by the public after completion of the Global Offering; and (c) such percentage of Shares held by the public after the exercise of the Over-allotment Option;
- (ii) we will make appropriate disclosure of the lower percentage of public float required by the Hong Kong Stock Exchange in this prospectus;
- (iii) we will as soon as practicable announce the percentage of Shares held by the public immediately after completion of the Global Offering (but before the exercise of the Over-allotment Option), such that the public will be informed of the minimum public float requirement applicable to the Company;
- (iv) we will confirm sufficiency of public float in the successive annual reports of the Company after the Listing;
- (v) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float prescribed by the Hong Kong Stock Exchange; and
- (vi) we will continue to comply with Rules 8.08(2) and 8.08(3) of the Listing Rules.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Director		
Charles Zhengyao LU (陸正耀)	701, Unit B, Building 304 Wangjingyuan Chaoyang District Beijing PRC	Chinese
Non-Executive Directors		
Linan ZHU (朱立南)	1-20B Huajingtai Zhonghai Huating Futian District Shenzhen PRC	Chinese
Erhai LIU (劉二海)	No. 46-1 Guardan Erli, Xisanqi Haidian District Beijing PRC	Chinese
Hui LI (黎輝)	1-PH2B, Building 1 Park Avenue 6 Chaoyang Park South Road Beijing PRC	Hong Kong
Narasimhan Brahmadesam SRINIVASAN	727 Starboard Drive Naples, Florida 34103-4147 USA	American
Independent Non-Executive Directors		
Sam Hanhui SUN (孫含暉)	601, Unit 3, Building 2 No. 64 Donggong Road Dongcheng District Beijing PRC	Chinese
Wei DING (丁瑋)	Beijing Riviera Villa 219 Chaoyang District Beijing PRC	Hong Kong
Li ZHANG (張黎)	A111, Flat 38, Yandong Building Peking University Haidian District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Lei LIN (林雷)	6, 11th Floor, Building 1 No.42 Donghuan North Road Chaoyang District Beijing, PRC	Chinese

Please refer to the section headed “Directors and Senior Management” in this prospectus for further information with respect to our directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Credit Suisse (Hong Kong) Limited
88/F International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Joint Global Coordinators and Joint Bookrunners

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Credit Suisse (Hong Kong) Limited
88/F International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

China International Capital Corporation Hong Kong
Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

China Renaissance Securities (Hong Kong) Limited
Unit 901
Agricultural Bank of China Tower
50 Connaught Road Central
Central
Hong Kong

Joint Lead Managers

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Credit Suisse (Hong Kong) Limited
88/F International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China International Capital Corporation Hong Kong
Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

China Renaissance Securities (Hong Kong) Limited
Unit 901
Agricultural Bank of China Tower
50 Connaught Road Central
Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Legal advisors to the Company

As to Hong Kong and United States law
Davis Polk & Wardwell
Hong Kong Solicitors
The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law
Han Kun Law Offices
Suite 906, Office Tower C1
Oriental Plaza
1 East Chang An Avenue,
Dongcheng District
Beijing, PRC

As to Cayman law
Conyers Dill & Pearman (Cayman) Limited
Cricket Square
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisors to the Underwriters

As to Hong Kong and United States law
Skadden, Arps, Slate, Meagher & Flom and affiliates
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<i>As to PRC law</i> King & Wood Mallesons 20th Floor, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing, PRC
Auditor and Reporting Accountant	Ernst & Young <i>Certified Public Accountants</i> 22nd Floor, Citic Tower 1 Tim Mei Avenue Central, Hong Kong
Independent Industry Consultant	Roland Berger Enterprise Management (Shanghai) Co., Ltd. 23/F, Shanghai Kerry Centre 1515 Nanjing West Road Shanghai, PRC
Receiving Bank(s)	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Hong Kong Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Compliance Advisor	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	2F, Lead International Building 2A Zhonghuan South Road Wangjing, Chaoyang District Beijing PRC
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's Website	www.zuche.com <i>(The contents of this website do not form part of this prospectus)</i>
Company Secretary	Ms. Ka Man SO (蘇嘉敏) ACS, ACIS, BA(Hons) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized Representatives	Mr. Charles Zhengyao LU (陸正耀) 2F, Lead International Building 2A Zhonghuan South Road Wangjing, Chaoyang District Beijing PRC Ms. Ka Man SO (蘇嘉敏) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit and Compliance Committee	Mr. Sam Hanhui SUN (孫含暉) (Chairman) Mr. Lei LIN (林雷) Mr. Erhai Liu (劉二海)
Remuneration Committee	Mr. Wei DING (丁瑋) (Chairman) Mr. Li ZHANG (張黎) Mr. Erhai Liu (劉二海)
Nomination Committee	Mr. Li ZHANG (張黎) (Chairman) Mr. Charles Zhengyao LU (陸正耀) Mr. Lei LIN (林雷)

CORPORATE INFORMATION

**Principal Share Registrar and
Transfer Office**

Codan Trust Company (Cayman) Limited
Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Shanghai Pudong Development Bank Co., Ltd.
Beijing Haidianyuan Sub-Branch
No.62 Beisihuanxilu
Haidian District
Beijing
PRC

Bank of Communications
Beijing Dongdan North Street Branch
No. 112 Yi Dongdan North Street
Beijing
PRC

INDUSTRY OVERVIEW

The information set forth in this section has been derived from an industry report we commissioned from Roland Berger and various government and private publications. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors, officers, representatives, affiliates or other advisers or any other person or parties involved in the Global Offering and no representation is given as to its accuracy or completeness.

General Economic Environment for China's Car Rental Industry

China's economic growth has been and is expected to continue to be an important driver for the car rental industry. On the one hand, GDP growth stimulates business activities, which increases the demand for transportation and business travel, and on the other hand, it increases consumer spending on both travel and car-related expenditures. Self-drive road travel is becoming an increasingly popular mode of transportation among Chinese citizens, partly driven by a continuous improvement in the highways infrastructure network. Given China's policies to limit traffic congestion and reduce government car ownership and the increasing cost and burden associated with car ownership, consumers and corporations are seeking alternative means to car ownership for car travel. As a result, many Chinese consumers and corporations increasingly resort to car rental services to satisfy their car use needs.

Overview of China's Car Rental Market

Service offerings

The two basic service offerings in China's car rental market are short-term rentals, or rentals of less than 90 days, and long-term rentals, or rentals of 90 days or more, with leasing being considered a third and supplemental form of service offering.

Due to regulatory prohibitions, market data on short-term rentals does not include chauffeured services of three months or less. Over 20 provinces and cities promulgated local regulations in the past few years to prohibit car rental companies from providing chauffeured services to customers. The April 2011 MOT circular reiterates the prohibition on the national level, stating that the prescribed business scope of Chinese car rental companies prohibits them from providing chauffeured services to customers. In light of the emergence of car-sharing mobile apps that enable unlicensed entities and individuals to provide short-term car rental or chauffeured services, the Beijing municipal government reiterated such prohibition in August 2014, stressing that rental vehicles may not be used to provide unauthorized chauffeured services and that privately owned vehicles may not be used to provide unauthorized car rental services.

Market size

China's car rental industry is at an early stage of development and has experienced substantial growth in recent years. According to Roland Berger, the total size of China's car rental market, as measured by revenues, grew from approximately RMB9 billion in 2008 to approximately RMB34 billion in 2013, representing a CAGR of 29%.

Roland Berger projects that the total market size will further grow at a CAGR of 14% to approximately RMB65 billion by 2018. Total fleet size in China's car rental market grew at a CAGR of 30% from approximately 100,000 vehicles in 2008 to approximately 369,000 vehicles in 2013, and is expected to grow to approximately 779,000 vehicles in 2018, representing a CAGR of 16% from 2013 to 2018, according to Roland Berger.

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Penetration rate

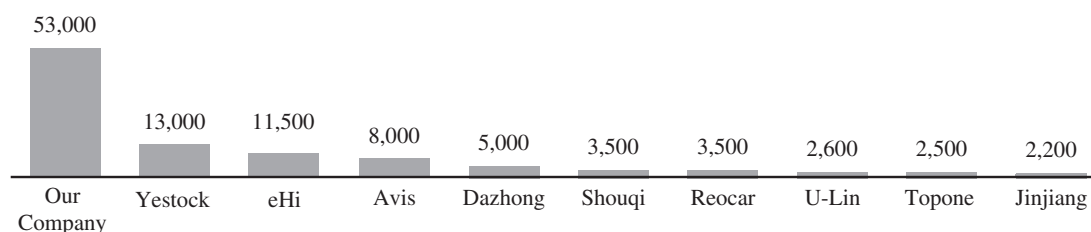
As the car rental market is still in an early stage of development in China, the car rental penetration rate, which is the number of rental vehicles as a percentage of the total number of vehicles, is still fairly low in China compared to more developed markets such as the United States and Japan. In 2012, the car rental penetration rate in China was 0.4%, compared to 2.5% in Japan, 1.6% in the United States, 1.4% in Korea and 1.3% in Brazil, according to Roland Berger.

Market fragmentation

China's car rental market is highly fragmented compared to more developed markets. There were over 10,000 car rental companies in China as of December 31, 2013 with an average fleet size of less than 50 vehicles, according to Roland Berger. The top five car rental companies in aggregate accounted for approximately 14% of China's car rental market in 2013, compared to 95%, 91% and 58% for US, Germany and Brazil, respectively. As the market matures, Roland Berger expects concentration to further increase towards levels seen in more developed markets.

Market participants

Car rental companies in China include privately-owned domestic car rental companies, such as China Auto Rental and eHi and affiliates of state-owned automobile manufacturers in China such as Shouqi and Dazhong. International car rental companies primarily compete through partnerships with domestic car rental companies. For example, Hertz is our shareholder and has entered into strategic alliance with us, while Enterprise and AVIS have invested in and partnered with eHi and Shanghai Automotive, respectively. The top ten car rental companies in China have an aggregate fleet size of around 104,800 vehicles as of December 31, 2013, according to Roland Berger. The following chart shows the top ten car rental companies' individual fleet size as of December 31, 2013.



Source: Roland Berger

Competition

Competition among car rental companies is primarily based on, among other things, fleet size, brand recognition, network coverage, price, variety and condition of the vehicles, variety of service offerings and quality of customer service. In the sense that other car transportation services also divert consumers from car rental in general, car rental companies in China also compete marginally with non-car rental companies that offer car transportation solutions, such as car sharing services, chauffeured service or taxi-related service provided by Uber, Yongche, Didi Dache and Kuaidi Dache. However, such services address different customer needs and these non-car rental services are unlikely to become a substitute for car rental services.

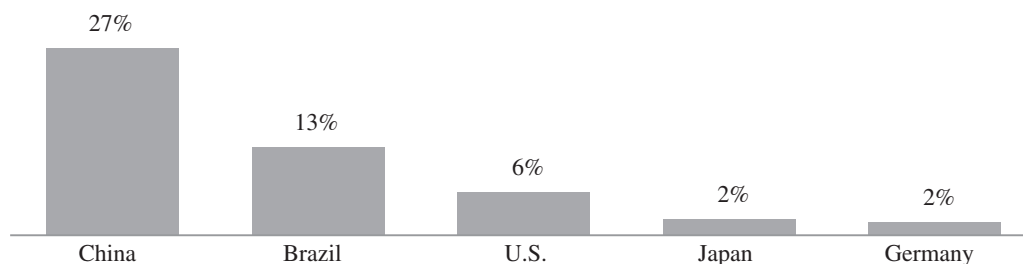
China's Short-term Car Rental Market

Short-term rental needs primarily come from increasing leisure and business travel by individual and institutional customers and general car usage needs of licensed drivers who do not own cars.

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According to Roland Berger, China's short-term car rental market has significant growth potential. The size of China's short-term self-drive car rental market, as measured by rental revenues, grew at a CAGR of 32% from RMB1 billion in 2008 to RMB6 billion in 2013, which far exceeds the growth rate of more developed markets such as the United States, Brazil, Japan and Germany. It is expected to grow at a CAGR of approximately 27% from RMB6 billion in 2013 to RMB18 billion in 2018, outpacing the growth in more developed markets.

The following chart sets forth the 2013-2018E CAGR comparison between China's short-term self-drive car rental market and those of developed short-term car rental markets:



Source: Roland Berger

Drivers for the growth of China's short-term car rental market

According to Roland Berger, the following factors have driven, and are expected to continue to drive, the growth of China's short-term car rental industry.

Increased spending on leisure and business travel

With increasing per capita disposable income, Chinese consumers have been and are expected to engage in an increasing amount of leisure travel. According to Roland Berger, the number of self-drive trips for leisure purposes, which includes road travel with rented and privately owned cars, has increased from approximately 38 million in 2008 to approximately 146 million in 2013, representing a CAGR of 31%, and expected to further grow to approximately 477 million in 2018, representing a CAGR of 27%.

In addition, as China's economy continues to grow, business activities have been increasing and will continue to result in increased business travel. The number of self-drive trips for business has increased from approximately 128 million in 2008 to approximately 467 million in 2013, representing a CAGR of 29%, and expected to further grow to approximately 970 million in 2018, representing a CAGR of 16%, according to Roland Berger.

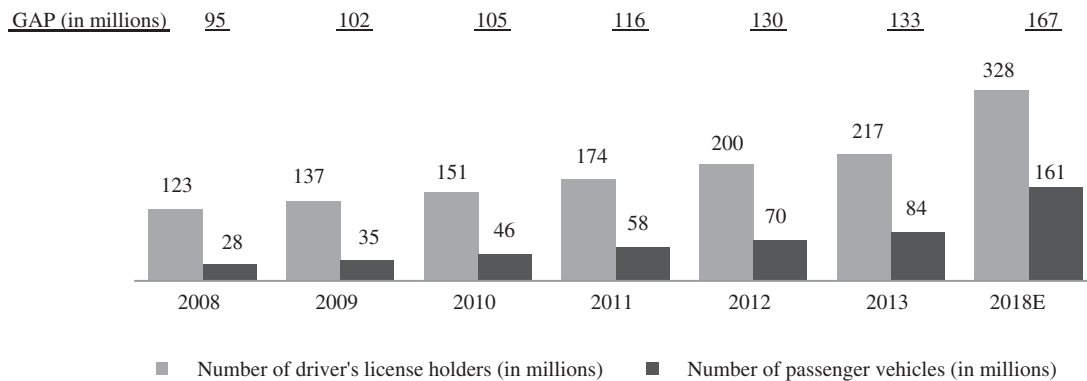
Growing gap between the numbers of licensed drivers and private cars

Compared to other countries, the growing gap between the numbers of licensed drivers and private cars is a phenomenon unique to China, according to Roland Berger. This large and widening gap functions as another powerful driver for China's car rental market.

Desiring the benefits of car use, a large and growing number of Chinese consumers are becoming licensed drivers. However, according to Roland Berger, due to car purchase restrictions in many Chinese cities, a significant number of these licensed drivers are unable to purchase their own cars. In addition, the considerable cost of car ownership, including the purchase price of the car, license plate quota, parking, repairs and maintenance and insurance, also prevent many licensed drivers from owning a car. As a result, the gap between the numbers of licensed drivers and private cars has been and is expected to continue to

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grow, according to Roland Berger. The following chart shows information on the numbers of licensed drivers and vehicles in China in the periods indicated:



Source: Roland Berger

Government car ownership reforms

The Chinese government has recently implemented a series of policy reforms to limit the number and models of cars that may be purchased by government agencies and encourage government agencies to meet their needs for car use by renting vehicles. For example, China's central government released an official guidance on July 16, 2014 to cease providing government-owned cars for use in regular government affairs or to government officials below a certain rank as part of its measures to reduce government spending. There are more than four million government-owned cars in China, including approximately three million cars for general use. These reforms have reduced and are expected to further reduce the number of government-owned cars in China. Due to these reforms, government bodies and state-owned enterprises are expected to turn to car rental companies to reduce the size of their fleet. Short-term rentals offer efficient uses of resources whilst downsizing the government-owned cars.

Development of the replacement rental market

Insurance companies and automobile dealers in China have recently started providing replacement rental services to customers whose vehicles are under repair or maintenance. Insurance replacement rentals accounted for 1.8% of China's overall car rental market in 2013, according to Roland Berger. As insurance companies and automobile manufacturers in China compete for customers by offering additional services such as replacement rentals, demand for replacement rental services is expected to increase and drive growth for the short-term rental market, according to Roland Berger.

Other factors

Several economic and social factors also facilitate the growth of China's short-term rental market. China's highway infrastructure has improved tremendously in the past two decades and is expected to remain a focus of the Chinese government, according to Roland Berger. China's highway infrastructure is expected to experience further improvement in terms of highway mileage and coverage, congestion and network efficiency and collaboration between different modes of road transportation. In particular, China plans to construct approximately 250,000 km of highway each year until 2018, according to Roland Berger. This trend is expected to increase car travel by Chinese consumers.

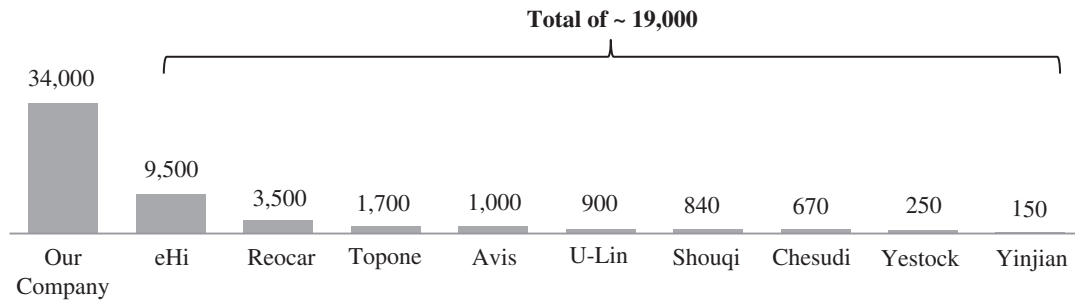
In addition, Chinese consumers are increasingly receptive to car rental services as self-drive car travel becomes a more prevalent transportation means. The widespread use of smart phones among Chinese consumers makes car rental services significantly more accessible, which also contributes to increased use of car rental services. Further, the rapidly maturing credit system in China also reduces credit risks faced by car rental companies and facilitates car rental transactions.

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Competitive landscape in China's short-term self-drive car rental market

In 2013, the top five car rental companies collectively accounted for approximately 44% of China's short-term self-drive car rental market in terms of revenue, according to Roland Berger. The top two companies, China Auto Rental and eHi, had market share of 31.2% and 8.2%, respectively, while the next three car rental companies accounting for an aggregate market share of 5.0% in 2013, according to Roland Berger.

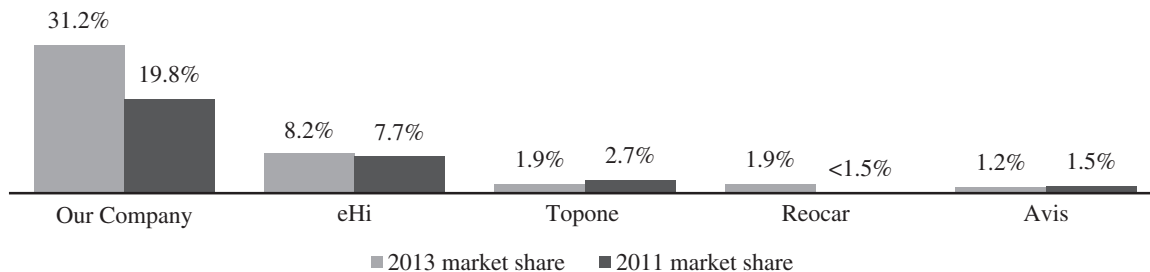
The chart below shows the top ten car rental companies in China in terms of short-term self-drive fleet size in 2013.



Source: Roland Berger

The competitive landscape and level of concentration in the short-term car rental market has substantially changed over the last few years. As the market matures, Roland Berger expects concentration to further increase.

The chart below shows a comparison of market shares of the top five short-term self-drive car rental companies in the periods indicated:



Source: Roland Berger

Key competitive factors in China's short-term car rental market

According to Roland Berger, the following are the key factors to compete in the short-term car rental market in China:

- Vehicle registration permits or license plates.** Several of China's largest cities, including Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou and Guiyang, have implemented restrictions on the issuance of new license plates, the transfer of old license plates, and entry to downtown areas by cars with non-local license plates. A few other large cities are expected to implement similar restrictions in the near future. Please see "Regulations" for more details. These restrictions make it highly difficult to obtain license plates, which in turn prevents fleet expansion by existing and new participants in China's car rental market, especially in key markets such as Beijing and Guangzhou.

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- *Funding ability.* Due to the capital-intensive nature of the car rental business, adequate funding is indispensable to support fleet growth. As a result, access to diverse funding channels and ability to obtain a large amount of funding are critical to the initial build-up as well as sustained competitiveness of car rental companies.
- *Scale and cost structure.* Fleet size determines economies of scale in terms of vehicle procurement, insurance coverage costs, car repair and maintenance and used car disposal, which in turn leads to lower operating costs per car and higher operating efficiencies.
- *Brand.* Brand recognition plays an important role in customers' decision-making process. Significant spending on advertising and marketing is required for any new market participant to build brand recognition, and such spending may not readily translate into corresponding revenues.
- *Customer experience.* Customer experience, including network coverage, vehicle condition, selection of car models, 24-hour service, car pick-up and return convenience are instrumental in attracting and retaining car rental customers.

China's Long-term Car Rental and Leasing Market

Long-term rental needs primarily come from car usage needs of institutional customers who prefer not to incur large capital expenditures or administrative expenses of a self-owned fleet. Leasing needs also primarily come from institutional customers who would like to purchase the vehicles at the end of the leasing term to enjoy the associated tax and accounting benefits. According to Roland Berger, the highly fragmented long-term car rental market remains the largest segment of China's car rental market in terms of revenue. In terms of total revenue, the long-term rental market grew at a CAGR of 28% from approximately RMB7 billion in 2008 to approximately RMB24 billion in 2013, compared to a CAGR of 32% of the short-term self-drive rental market during the same period, and the long-term rental market is expected to grow at a CAGR of 11% from approximately RMB24 billion in 2013 to approximately RMB40 billion in 2018, which is much slower than the expected 27% growth CAGR of the short-term self-drive rental market during the same period, according to Roland Berger. However, recent trends show that due to increasing availability of leasing services and the financial and tax benefits offered by leasing an increasing portion of long-term rental needs are expected to be diverted to leasing.

Drivers for the growth of China's long-term car rental market

The following factors have driven, and are expected to continue to drive, the growth of China's long-term car rental market:

- *Increased car use by corporations.* Car use by corporations is the key driver for long-term rentals. With China's expected steady GDP growth, increased car use by businesses is expected to continue to drive the growth of China's long-term car rental market.
- *Project-based business activities and corporate benefit programs.* Project-based business activities, such as auditing, consulting and real estate development, often resort to long-term rental under 12 months to meet the project team's transportation needs. In addition, long-term rental service is often included in the benefits provided to expatriate executives by multinational corporations that operate in China.
- *Financial optimization for businesses.* Long-term rentals help lower corporations' tax expenditure and cash outflow, which is an incentive for corporations to utilize long-term rentals.

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- *Policy reforms on government car ownership.* As a result of the recently implemented series of policy reforms by the Chinese government to limit the number and models of cars that may be purchased by government agencies and encourage government agencies to meet their needs for car use by resorting to commercial vehicles, government agencies are expected to resort to car rentals as one of the primary means of meeting their car use needs, which creates a strong demand for long-term rentals, according to Roland Berger. For example, the Chinese government released an official guidance on July 16, 2014 to significantly limit the use of government-owned cars as part of its measures to reduce government spending.

Drivers for the growth of China's leasing market

The following factors have driven, and are expected to continue to drive, the growth of China's leasing market:

- *Changing consumer culture and increasing availability of credit.* Chinese consumers are increasingly utilizing credit to satisfy their car use needs while more financial institutions are offering credit to meet the consumers' needs, both of which contributes to the growth of the leasing market.
- *Benefits of financial leverage.* For individual customers, leasing offers more financial leverage as it may also cover the expenses for sales tax, license plates, insurance and vehicle modification. For institutional customers, tax benefits derived from a leasing arrangement outweighs the higher interest rate associated with leasing, which makes leasing an attractive car use option from a financial perspective.
- *Policy reforms on government car ownership.* As a result of the recently implemented series of policy reforms by the Chinese government to limit the number and models of cars that may be purchased by government agencies and encourage government agencies to meet their needs for car use by resorting to commercial vehicles, government agencies are utilizing more leasing services.

Competitive landscape in China's long-term car rental market

In 2013, the top five long-term car rental companies collectively accounted for approximately 9.8% of China's long-term car rental market in terms of revenue, according to Roland Berger. The top three car rental companies, Avis, China Auto Rental and Yestock, each had a market share of 2.5%, 2.1% and 2.1%, respectively, while the next two car rental companies had an aggregate market share of 3.1% in 2013, according to Roland Berger.

China's Used Car Market

The sales volume of used cars in China grew significantly from approximately 1.6 million units in 2008 to approximately 3.5 million units in 2013, which represented 23% of the total units of new cars sold in 2013 in China, according to Roland Berger.

As China's automobile market continues to develop and mature, the used car market is expected to expand significantly, driven by the continued increase in car ownership, an increasing number of OEMs and automobile dealerships entering and promoting the development of the used car market and growing demand for and acceptance by consumers towards used cars. The Chinese government is expected to introduce a series of policies, such as more detailed industry standards and more favorable tax treatment, that would contribute to the development of China's used car market. The volume of used car transactions in China is expected to grow at a CAGR of 18% from 2013 to 2018, reaching 8.0 million units in 2018.

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The chart below shows that the value of used car transactions in China is expected to grow at a CAGR of 19% from RMB224 billion in 2013 to RMB538 billion in 2018, according to Roland Berger.

(RMB billions)



Source: Roland Berger

Used cars are disposed of through various types of retail channels, including broker/dealer markets, stores authorized by OEMs and automobile dealerships, used car trading platforms, auction companies and car rental companies. Disposition of used cars is gradually becoming a significant factor to the performance of car rental companies, according to Roland Berger.

Report Commissioned from Roland Berger and Use of Information

We commissioned Roland Berger, an independent industry consultant, to conduct an analysis of, and to report on, the car rental industry in the PRC and other countries. Roland Berger, founded in 1967, is one of the world's leading strategy consultancies with successful operations in all major international markets. Roland Berger has over a decade of experience in China's automotive industry and has provided domestic and international automotive clients with various strategic planning services. Roland Berger is an independent third party.

Investors should note that Roland Berger was engaged to prepare the car rental industry report for use in this prospectus.

Certain information and data presented in this section were provided by Roland Berger. Roland Berger has advised that the statistical and graphical information contained herein is drawn from its database and other sources. In connection therewith, Roland Berger has advised that:

- certain information in Roland Berger's database is derived from estimates or subjective judgment based on sample information from and interviews with car rental companies, government agencies and other industry consultants, and is prepared primarily as a marketing research tool;
- the information in the databases of other data collection agencies or industry consultancies may differ from the information in Roland Berger's database;
- while Roland Berger has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures;
- this section also contains forward-looking statements which are based on assumptions and current and expected market dynamics. The actual figures may vary as the market dynamics are ever changing. Roland Berger cannot be held liable for the realization of its forecasts; and
- Roland Berger implements its own methodology for information and data collection, and therefore the information discussed in this section may differ from those of other sources.

INDUSTRY OVERVIEW

Investors should also note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government publications, other publications as well as industry report we commissioned from Roland Berger. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any part has been omitted that would render such information false or misleading in any material respect. We, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of our or their respective directors, officers, representatives, affiliates or other advisors or any other persons or parties involved in the Global Offering make no representation as to the accuracy of the information that is directly or indirectly derived from official government publications, other publications as well as industry report we commissioned from Roland Berger. Such information may not be consistent with other information compiled within or outside the PRC. Accordingly, such information may not be accurate and should not be unduly relied upon.

The Company paid an aggregate amount of RMB742,000 to Roland Berger for the preparation and updating of this report. The Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the report prepared by Roland Berger which may qualify, contradict or have an impact on the information set out in this section.


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Overview

We are the largest car rental company in China, offering comprehensive car rental services including short-term rentals, long-term rentals and leasing. We are the clear market leader in terms of fleet size, revenue, network coverage and brand awareness, according to Roland Berger.

Our total fleet, which excludes vehicles owned by our franchisees, comprised of 52,498 vehicles as of June 30, 2014. According to Roland Berger, as of December 31, 2013, we had the largest fleet among all car rental companies in China, and our total fleet was larger than the aggregate fleet size of the next nine largest car rental companies and over four times that of the second largest car rental company.

We are dedicated to providing an enjoyable and reliable car rental service. As of June 30, 2014, we had an extensive network of 717 directly operated service locations in 70 major cities in all provinces in China. According to Roland Berger, the number of our directly operated service locations was approximately three times of that of our closest competitor as of December 31, 2013. Our network is further supplemented by 202 service locations in 162 small cities operated by our franchisees. Our service locations are strategically deployed to cover major transportation hubs, such as airports and train stations, key tourist destinations, major business districts and residential communities. We provide superior car rental experience by offering our customers a wide vehicle selection, excellent vehicle condition, a “hassle-free” rental process and 24/7 service in every city where we operate. Our total customer base grew approximately four times from approximately 450,000 as of December 31, 2011 to approximately 1,962,000 as of June 30, 2014.

Our brand “ 神州租车,” or “China Auto Rental,” is the most recognized and most popular car rental brand in China, according to Roland Berger. According to Baidu Index and Google Trends, two major keyword search popularity indices, our brand had the highest search volume among car rental companies in China and our total search volume on each of Baidu and Google was approximately three times that of our closest competing brand in 2013. Since the Ministry of Industry and Information Technology launched its China Brand Power Index in 2012, our brand was named the most recognized car rental brand among Chinese customers for two consecutive years. Our strong brand allows us to achieve premium pricing and lower our customer acquisition costs.

As a technology driven company, we have developed an effective, reliable and scalable technology platform. Our technology platform centralizes all aspects of our operational management, including transaction, yield, customer, fleet and financial management. Leveraging our technology platform, we collect and analyze a vast amount of transaction and customer data to improve our operational efficiency and customer experience. In particular, our technology platform powers our advanced and user-friendly website and mobile app, which together accounted for approximately 66.4% of our total short-term rental reservations in the first half of 2014. Our mobile app is fully integrated with our technology platform and is capable of handling the entire transaction process. Capitalizing on the location-based service feature, our mobile app enables customers to locate their nearest service locations and enjoy built-in GPS navigation service. Reservations from our mobile app as a percentage of our total reservations increased from 6.4% for the three months ended March 31, 2013 to 24.4% for the three months ended March 31, 2014, and further to 30.1% for the three months ended June 30, 2014. As of June 30, 2014, our mobile app had approximately 5,500,000 installations.

We have primarily focused on the short-term self-drive rental market in China, which is fragmented and is expected to grow at a CAGR of 27% from approximately RMB6 billion at the end of 2013 to approximately RMB18 billion by the end of 2018, mainly driven by increasing leisure and business travel by individual and institutional customers and general car usage needs of licensed drivers who do not own cars, according to Roland Berger. Our market share by revenue for short-term self-drive rentals in China was 31.2% in 2013, compared to 8.2% for our closest competitor, according to Roland Berger. As the clear market leader, we are well positioned to capture the significant growth opportunities in China’s short-term rental market.

During the Track Record Period, we have experienced substantial growth while improving our operational efficiency. Our fleet size increased from 25,845 vehicles to 52,498 vehicles from December 31, 2011 to June 30, 2014. Our revenue increased at a CAGR of 81.6% from RMB819.2 million in 2011 to RMB2,702.7 million in 2013, and by 61.9% from RMB1,150.1 million for the six months ended June 30,

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2013 to RMB1,862.0 million for the six months ended June 30, 2014. We recorded a loss of RMB151.2 million in 2011 and a loss of RMB223.4 million in 2013, and our profit increased from RMB1.7 million for the six months ended June 30, 2013 to RMB218.3 million for the six months ended June 30, 2014. Our adjusted net profit/(loss), which is our profit or loss excluding share-based compensation, foreign exchange gain or loss related to Corporate Reorganization, and IPO and reorganization related expenses, was a loss of RMB145.1 million in 2011 and a loss of RMB155.2 million in 2013, and our adjusted net profit (loss) increased from a loss of RMB14.2 million for the six months ended June 30, 2013 to a profit of RMB277.2 million in the six months ended June 30, 2014. Our adjusted EBITDA, which is our profit or loss before income taxes, net finance income/costs, depreciation, amortization and impairment, excluding share-based compensation, foreign exchange gain or loss related to Corporate Reorganization, and IPO and reorganization related expenses, increased from RMB265.5 million in 2011 to RMB918.1 million in 2013, and our adjusted EBITDA increased from RMB463.8 million in the six months ended June 30, 2013 to RMB796.3 million in the six months ended June 30, 2014. Please see “Financial Information — Selected Results of Operations and Financial Position — Non-IFRS Measures” for more information.

Our Strengths

We believe the following strengths have contributed to our success and differentiated us from our competitors.

Our clear market leading position provides us with unique competitive advantages.

As an early mover in the highly fragmented car rental market in China, we have established and have been continuously strengthening our market leadership. We are the clear leader in China’s car rental industry in terms of fleet size, network coverage, brand awareness and revenue, according to Roland Berger. Our total fleet of 53,022 vehicles as of December 31, 2013 was larger than the aggregate fleet size of the next nine largest car rental companies and over four times that of the second largest car rental company in China, according to Roland Berger. According to Roland Berger, our market share by revenue for short-term self-drive rentals in China was 31.2% as of December 31, 2013, compared to 8.2% for our closest competitor.

We believe that our scale and market leadership position provide us with the following unique competitive advantages:

Cost advantages. We enjoy substantial procurement and operational cost advantages as a result of our scale. We believe we have become one of the largest purchasers of passenger vehicles in China since 2011. We are able to leverage our purchasing power to obtain substantial discounts from our vehicle suppliers. We have also entered into cooperative initiatives with our business partners, including insurance companies and maintenance service providers, to lower other procurement costs. Furthermore, our economies of scale allow us to achieve significant operational efficiency by lowering our average fixed costs and expenses such as marketing and overhead expenses.

License plate advantages. Regulatory restrictions on license plates create a significant constraint on fleet expansion for car rental companies. Several of China’s largest cities, including Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou and Guiyang, have implemented restrictions on the issuance of new license plates, the transfer of old license plates between different vehicle owners, and entry to downtown areas by cars with non-local license plates. A few other large cities are expected to implement similar restrictions in the near future, according to Roland Berger. Please see “Regulations” for more details. These restrictions make it highly difficult to obtain license plates, which in turn prevents fleet expansion by existing and new participants in China’s car rental market. As an early mover with a large scale, we have, by purchasing a large amount of vehicles, secured sufficient amounts of license plates to accommodate our growth in the next few years in cities with license plate restrictions as well as those expected to implement similar restrictions. For example, in Beijing and Guangzhou we have approximately 13,000 and 8,000 license plates, respectively, as of June 30, 2014. We currently do not need the large number of vehicles in cities with restrictive policies on license plates to meet the market demand in such cities, therefore we deploy excess vehicles to other cities where the local rules or regulations allow rental operations using vehicles with non-local license plates. For example, we deploy a portion of our Beijing-registered vehicles to neighboring cities for rental operations.

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If market demand in cities with restrictive policies on license plates increases, we have the flexibility to re-deploy those vehicles back and capture the growth in these cities. We can acquire additional vehicles in cities without restrictive policies on license plates to continue our rental operations in those cities. In some cities, a maximum six-month period is required between deregistration of the used vehicles and registration of the new vehicle. However, as our market leading operational scale enables us to regularly replenish our fleet, we have not experienced any difficulty in transferring our existing license plates from disposed vehicles to new vehicles within the timeframe permitted by local policies in cities with license plate restrictions. We have not had and do not expect the transfer of existing license plates to new vehicles to have any significant impact on our financial position or results of operation.

Funding advantages. The car rental business requires a significant amount of capital. Our scale and market leading position provide us with unique access to diversified credit sources, including major commercial banks, capital lease companies and automobile manufacturers. We have been able to finance our growth with a diversified and balanced capital structure encompassing both equity and debt financing.

We believe these competitive advantages form a virtuous cycle and will continuously strengthen our market leadership.

We have established the most recognized and trusted brand by providing a superior customer experience.

We provide our customers with an enjoyable and reliable car rental experience through the following:

- *Extensive network coverage.* As of June 30, 2014, we had an extensive network of 717 directly operated service locations in 70 major cities in all provinces in China, supplemented by 202 service locations in 162 small cities operated by our franchisees. Our service locations are deployed at or near airports, train stations and other transportation hubs, business districts, residential communities and tourist destinations. Our customers can pick up a car at a service location and return it at any of our other service locations.
- *Excellent vehicle condition.* We believe we have the youngest rental fleet among major car rental companies in China. As of June 30, 2014, over 64% of our fleet was 18 months old or younger. We also vigilantly check and service all of our vehicles to ensure their safety and reliability.
- *Broadest vehicle selection.* Our large fleet includes sedans, SUVs, and MPVs of over 100 popular models in China to satisfy the diverse needs of our customers. Our top ten models accounted for approximately 75% of our fleet as of June 30, 2014, while we also offer additional car models at a premium to satisfy Chinese drivers' needs to experience different vehicles.
- *Hassle-free rental process.* Customers can easily make reservations through our mobile app, website, call center and walk-in stores. We require only ID card, driver license and credit card information for short-term rental pick-up. For repeat customers, the pick-up and drop-off process is further simplified as our system auto-fills all of the required information from our records. Our mobile app also helps further streamline our rental process by offering advanced check-in, mobile payment and account management services.
- *24/7 customer service.* We offer 24/7 services at all of our airport service locations and in every city where we operate. Our call centers and our outlets on major social media platforms such as Weibo and Wechat operate 24/7 to answer customer enquiries, address complaints and provide membership services. We also offer 24/7 roadside assistance to our customers.

Our dedication to offering the best rental experience is rewarded with a large, loyal and rapidly growing customer base. Our total customer base grew approximately four times from approximately 450,000 as of December 31, 2011 to approximately 1,962,000 as of June 30, 2014. Transactions from repeat customers as a percentage of our total transactions increased from 56.6% in 2011 to 59.8% in 2012 and 68.0% in 2013.

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Our brand has become the most recognized and trusted car rental brand in China. According to Baidu Index and Google Trends, two major keyword search popularity indices, our brand had the highest search volume among car rental companies in China and our total search volume on each of Baidu and Google was approximately three times that of our closest competing brand in China in 2013. According to Baidu Index, we also had the highest search volume in every province in China as of June 30, 2014. Since the Ministry of Industry and Information Technology launched its China Brand Power Index in 2012, our brand was named the most recognized car rental brand among Chinese customers for two consecutive years. Our strong brand allows us to achieve premium pricing and lower our customer acquisition costs.

Our effective, reliable and scalable technology platform enables us to enhance operational efficiency and customer experience.

As a technology-driven company, we have developed an effective, reliable and scalable technology platform. We believe that our early focus on technology provides us with a strong competitive advantage. Our technology platform empowers us to improve our operational efficiency while continuously enhancing our customer experience.

Our technology platform centralizes all aspects of our operational management, including transaction, yield, customer, fleet and financial management. Our technology platform enables us to:

- manage the entire transaction process to ensure smooth execution and effective risk control;
- conduct supply/demand analysis of historical data and anticipate future demand, which provides critical information for our dynamic pricing, fleet deployment as well as long-term strategic decisions;
- implement dynamic pricing based on market demand, inventory level, rental term, location, timing of booking, competitor rates and our target margin to increase yield and optimize fleet deployment based on anticipated customer demand;
- record and analyze customer data to better understand their rental habits and more effectively engage them in our promotional activities;
- track and analyze each vehicle's key data, such as mileage, number of rentals, insurance claims and maintenance record, to more effectively manage our expenditures and future vehicle acquisitions; and
- monitor and analyze our financial performance by store, branch office, region, product type, cost type or time period, enabling our management to make more informed decisions in budgeting, cost control, hiring, vehicle acquisitions and store openings.

We have developed industry-leading website and mobile app, both of which are fully integrated with our technology platform and capable of handling the entire transaction process from booking to payment. Leveraging location-based service feature, our mobile app enables customers to locate the nearest service location and enjoy built-in GPS navigation service. In addition, customers can conduct advanced check-in and make payment on their mobile devices. Reservations from our web and mobile app together accounted for approximately 66.4% of our total short-term rental reservations in the six months ended June 30, 2014. In particular, reservations from our mobile app as a percentage of our total reservations increased rapidly from 6.4% for the three months ended March 31, 2013 to 24.4% for the three months ended March 31, 2014, and further to 30.1% for the three months ended June 30, 2014.

We strive to ensure the reliability and security of our technology platform. We maintain back-up units for our key operational equipment and back up our operational data frequently to ensure our normal operations. We also implement strict and advanced security measures to constantly monitor and reinforce the security of our technology platform.

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Our technology platform is highly scalable. It has supported our rapid expansion in the past few years. We believe that our technology platform is capable of scaling up to accommodate the operation of up to 500,000 rental vehicles. We intend to continue to enhance our technology platform.

Our diversified business mix enables us to capture growth opportunities while managing market fluctuations.

We have a diversified business mix in terms of product offerings, customer composition and geographic coverage.

We have a balanced product portfolio consisting of short-term rental, long-term rental and leasing. We are the only car rental company in China with market leading positions in both short-term and long-term rentals, according to Roland Berger. We had the largest rental fleet in China as of December 31, 2013, according to Roland Berger. In 2013, we generated approximately 77.7% of our total rental revenues from short-term rentals and approximately 21.3% from long-term rentals and leasing.

We have developed a diverse customer base consisted of individuals, small- to medium-sized enterprises, multinational corporations, large SOEs as well as government agencies. As of June 30, 2014, our total customer base consisted of approximately 1,949,000 individual customers and approximately 12,600 institutional customers. We consider that our weekday rentals are primarily for business purposes, while our weekend rentals are primarily for leisure purposes. In 2013, we estimate that around 56% of all our short-term rental transactions are for business purposes and approximately 44% for leisure purposes.

We have an extensive nationwide network with service locations in all provinces in China. In 2013, approximately 43% of our total revenues were from Beijing, Shanghai, Guangzhou and Shenzhen with the remaining 57% from other cities in our directly operated network. In addition, our extensive nationwide network is also supplemented by service locations in smaller cities operated by our franchisees. As of December 31, 2013, we had the largest number of service locations in each of China's top ten largest cities by population, according to Roland Berger.

Our diversified business mix significantly enhances our ability to capture various growth opportunities. It increases our revenue sources and reduces our reliance on any particular product offering or location. In addition, it creates operational synergy among our business units as well as cross-selling opportunities across our customer base. Further, our diversified business mix also enables us to compete aggressively in local markets.

We have an experienced management team and strong shareholder support.

We believe that excelling in the car rental business in China requires in-depth industry expertise, extensive local know-how and strong execution capability. Our management team has accumulated extensive knowledge of China's consumer, automobile and technology sectors. Mr. Charles Zhengyao Lu, our founder, chairman and chief executive officer, has over 10 years of experience in the IT industry and an additional 10 years in automobile-related businesses. Under Mr. Lu's leadership, a majority of the senior members of our management team have worked together for over 10 years and our management team's extensive experience has greatly contributed to our institutional knowledge.

In May 2013, Hertz, a global leader in the car rental industry became our strategic partner and investor. We successfully consolidated the Hertz China operation, which brought us prominent corporate customers such as Apple Inc. and became the exclusive business partner of Hertz in China. In addition, we have entered into a co-branding agreement with Hertz as well as started inbound and outbound mutual customer referral cooperation. Through the strategic collaboration, Hertz has shared with us a significant amount of operational know-how with respect to fleet management and operational modules. We have also benefited from Hertz's advanced operational training programs as well as our field visits to Hertz's operations in the U.S. We believe that our collaboration with Hertz will continue to bring us valuable support in industry know-how, technology and business development opportunities.

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Our Strategies

While we further strengthen our leadership position in China's car rental market, we aspire to become China's leading auto mobility provider. To achieve this goal, we intend to:

Increase fleet utilization rate and operational efficiency

As part of our growth strategy, we set our target fleet utilization rate at around 60% in the past few years, which reflected a deliberate balance between our fleet expansion for building scale and securing license plates and our financial resources. As we have solidified a market leadership position in fleet size, revenue, network coverage, brand awareness as well as license plate reserve, we intend to gradually shift our strategic focus to increasing our fleet utilization rate, which can be achieved primarily through a combination of enhanced operational efficiency, which enables us to better anticipate market demand, allocate our fleet resources and utilize our existing fleet, which in turn increase the aggregate days that our vehicles are rented out for short-term rentals, and moderate fleet expansion. We intend to continuously improve our operational efficiency through utilization of technology, including advanced data analysis and enhanced use of mobile technologies.

Grow our rental fleet and expand our network coverage

Our large fleet and broad network coverage are critical components to our significant scale advantage relative to our competitors. We plan to further expand our rental fleet and optimize our fleet composition based on our technology-aided analysis of market demand and customer needs. We also intend to enhance our nationwide network by adding service locations to increase penetration in our existing cities. In addition, we have been expanding into new smaller cities through our franchise arrangements, which help satisfy our customers' needs for quality car rental services in a broader network, increase our brand recognition throughout China, and facilitate our future expansion.

Continuously enhance our customer experience and strengthen our brand

We intend to continuously provide greater convenience and value to our customers by further simplifying the rental process, adding more service locations, offering new car models and reducing our vehicle holding period. We also plan on using technology, such as mobile service and big data analysis, to enhance all aspects of our services. In addition, we intend to further enhance our customer service by proactively soliciting customer feedback through a variety of channels. We believe that our continuous efforts in enhancing customer experience will help increase our customer loyalty, strengthen our brand, and further add to our brand equity.

Continue our product innovation and further expand along our value chain

We intend to closely monitor developments in customer needs, technology, and regulatory landscape that may present significant growth opportunities. Leveraging our brand name, customer base, network and execution capabilities, we intend to capture such growth opportunities by developing and offering new products and services. For example, we have launched and will continue to enhance our "Enterprise Cloud" solution that offers cost-efficient car use for institutional customers. In addition, we may consider extending into emerging business areas in China such as mobile app-based car sharing services. We also intend to further enhance our mobile app by offering more location-based services, such as introductions to local restaurants, attractions and other facilities.

We believe that our clear leadership position in China's car rental industry offers us substantial advantages in expanding along our value chain. We plan to further develop our leasing and used car disposition business. We also intend to selectively expand into other car-related business areas, such as fleet management, where we are able to leverage our industry expertise and business resources.

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Our Products and Services

Our products include short-term rentals, long-term rentals and leasing. In addition, we offer various value-added services such as accident coverage packages, GPS navigation systems, 24/7 roadside assistance, vehicle delivery and one-way rentals. We also offer our “Enterprise Cloud” car rental solution, which encompasses all of our products and services, to help institutional customers optimize their car use management.

Short-term rentals

We categorize rentals of less than 90 days as short-term rentals. As it is illegal for car rental companies in China to offer chauffeured car rentals under 90 days, we offer only self-drive short-term rentals. Our short-term rentals meet individual and institutional customers’ local and inter-city travel needs, as well as replacement rental and other special needs, for both business and leisure purposes.

As of June 30, 2014, we offered short-term rentals in 717 directly operated service locations in 70 major cities and through 202 franchise service locations in 162 small cities in China. According to Roland Berger, we had the broadest network in China’s short-term car rental market as of December 31, 2013. With our geographically extensive and easily accessible network of service locations, we believe we are well positioned to capture growth opportunities in both the business and the leisure segments for short-term rentals.

Our short-term rental fleet grew from 21,920 vehicles as of December 31, 2011 to 33,986 vehicles as of December 31, 2013 and 37,195 as of June 30, 2014, constituting the largest short-term rental fleet in China, according to Roland Berger. As of June 30, 2014, our short-term rental fleet comprised approximately 78.1% of our total rental fleet. Our short-term rental fleet had over 100 popular models covering most vehicle classes and major brands available in the market as of the Latest Practicable Date. We offer sedans, SUVs and MPVs to meet different rental needs.

There is a growing demand from both individuals and institutions for short-term rentals in China. Chinese consumers increasingly utilize car travel for both business and leisure purposes, which creates a growing demand for short-term rentals. In particular, the large and growing group of Chinese licensed drivers who desire the convenience of car travel but do not own a car represent a strong and sustainable demand for short-term rentals. Chinese institutions of all sizes utilize short-term rentals to meet their needs for occasional business use of cars and ground transportation on business trips. Insurance companies and automobile dealerships in China have a growing demand for short-term rentals as they begin to offer replacement rentals to their customers. Further, the Chinese government has issued policies to encourage car rental as a more environment-friendly means of transportation. In addition, recent reforms to reduce government car ownership in China have led to government agencies utilizing car rental services for business purposes, which represents another growing demand for short-term rentals. Our short-term rentals meet the needs of both individual and institutional customers by offering a cost-effective and convenient alternative to car ownership.

We charge our short-term rental customers basic rental rates, cost of basic insurance coverage, handling fees, and fees for value-added services. We implement dynamic pricing on our short-term rental rates, which vary based on market demand, inventory level, rental terms, location, timing of booking, competitor rates and our target margin. Our customers are responsible for the cost of gasoline consumed during the rental period. We also offer various value-added services such as accident coverage packages, GPS navigation systems, 24/7 roadside assistance, vehicle delivery and one-way rentals.

A first-time customer must register as a member and provide government-issued identification and a valid Chinese driver’s license for our verification. Our members can make reservations for short-term rentals through our website at www.zuche.com, our mobile app for all major operating systems and our 24/7 call centers, or by walk-in at any of our stores, all of which are supported by our fully integrated technology

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platform. For the six months ended June 30, 2014, reservations made through our website and mobile app accounted for approximately 66.4% of our total short-term rental reservations. In the six months ended June 30, 2014, approximately 38.8% and 27.6%, respectively of our reservations were made through our website and mobile app.

Prior to picking up a rental car, short-term rental customers are required to sign our rental agreement and prepay or deposit a required amount on a credit or debit card or through third-party online payment services such as Wechat Payment and Alipay. During the return process, our staff follows standard procedures, including inspection of vehicle condition, mileage and gasoline level, damage assessment, if applicable, and customer confirmation and handover. Payment is typically net of the prepaid or deposited amount. Unless approved by our headquarters, we do not allow cash payment, which helps us maintain strict control over payment collection. We also retain a preset amount through debit deduction or credit preauthorization for up to 30 days as a deposit against liabilities, such as traffic tickets, caused by the customer.

Our short-term rental business has grown significantly. The number of short-term rental transactions increased from approximately 885,000 in 2011 to approximately 1,941,000 in 2013, and from approximately 1,001,000 in the six months ended June 30, 2013 to approximately 1,012,000 in the six months ended June 30, 2014. As a result of the substantial growth in rental volume, our revenues from short-term rentals grew at a CAGR of 65.0% from RMB629.8 million in 2011 to RMB1,714.5 million in 2013, and by 36.3% from RMB793.4 million in the six months ended June 30, 2013 to RMB1,081.1 million in the six months ended June 30, 2014. Revenues from short-term rentals accounted for 81.2%, 77.5%, 77.7% and 78.3% of our rental revenues for 2011, 2012, 2013, and the six months ended June 30, 2014, respectively. For 2013, we commanded the largest market share of 31.2% of China's self-drive short-term rental market in terms of revenue, according to Roland Berger.

Long-term rentals

We categorize rentals of 90 days or longer as long-term rentals. Our long-term rental customers include primarily institutional customers such as multinational corporations, state-owned enterprises, small and medium sized enterprises and government agencies. We also provide long-term rental services to a steadily increasing number of individual customers.

As of June 30, 2014, we offered long-term rentals through our directly operated network and our franchise network. We believe we have the broadest geographic coverage for long-term rentals in China. Our extensive national coverage allows institutional customers with national presence to enter into one umbrella rental service agreement with us to service their operations across China, making us a preferred long-term rental provider.

Our long-term rental fleet increased from 3,621 vehicles as of December 31, 2011 to 6,241 vehicles as of December 31, 2013 and 5,946 vehicles as of June 30, 2014. As of June 30, 2014, our long-term fleet constituted approximately 12.5% of our total rental fleet. We also leverage our short-term rental fleet to provide temporary replacement rentals to institutional customers whose long-term rental vehicles are unavailable due to repair or maintenance. In terms of vehicle selection, we offer a new vehicle of a make and model specified by the customer whose rental term exceeds 24 months, and a new vehicle from the makes and models of our short-term rental fleet for customers whose rental term is between 12 and 24 months. Customers whose rental term is less than 12 months may choose an existing vehicle from our short-term rental fleet.

The demand for long-term rentals is primarily driven by institutional customers' needs to have an alternative to car ownership that can satisfy their business needs for car use while providing cost-savings in capital expenditures and administration resources. In particular, project-based business activities, such as auditing, consulting and real estate development, often resort to long-term rental under 12 months to meet the project team's transportation needs. Long-term rentals are also often included in the benefits provided to expatriate executives by many multinational corporations that operate in China. In addition to meeting their

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transportation needs, long-term rentals provide institutional customers with accounting and tax benefits and help with their cash flow management. For government agencies, the demand for long-term rentals has been and will continue to be driven by policy reforms to reduce car ownership by government agencies. We believe our long-term rentals satisfy the needs of these various types of institutional customers.

We provide long-term rentals under individually negotiated contracts. Terms of long-term rental contracts vary based on rental length, vehicle type, locations and other factors. Long-term rental rates typically include basic rental fees, cost of basic insurance coverage, costs for repair and maintenance and cost of contract drivers, if applicable. We offer optional valued-added services such as accident coverage packages and 24/7 roadside assistance. We generally require our long-term customers to make an upfront deposit and pay rental fees in advance monthly, quarterly or semi-annual installments. Each long-term rental customer's payment plan, such as deposit amount or installment frequency, varies based on our evaluation of their creditworthiness.

In addition to our regular marketing activities, our sales force markets our long-term rentals through on-site visits and direct calling, supported by our online sales channel. Customers may inquire about long-term rental offerings through our website, mobile app, call center, our directly operated service locations as well as our franchise stores. Our sales representatives would work with each customer to tailor the long-term contracts to address the customer's specific needs.

Our revenues from long-term rentals grew at a CAGR of 76.7% from RMB143.7 million in 2011 to RMB448.9 million in 2013, and by 21.7% from RMB201.6 million in the six months ended June 30, 2013 to RMB245.3 million in the six months ended June 30, 2014. Revenues from long-term rentals accounted for 18.5%, 21.1%, 20.3% and 17.8% of our rental revenues for 2011, 2012, 2013, and the six months ended June 30, 2014, respectively. In accordance with IFRS, a portion of revenue from certain long-term rentals is categorized as revenue from finance lease. Please see "Financial Information — Description of Certain Results of Operations Items — Revenue" for more information.

Leasing

We began offering leasing to institutional customers in May 2011. Leasing differs from our long-term rentals in that at the end of the leasing period, customers purchase the leased car with a payment agreed upon at the beginning of the leasing arrangement. Our leasing terms usually range from two to three years. While leasing is a common service offered by automobile manufacturers in more mature markets such as the United States, it is not yet a common offering in the PRC. We believe the addressable leasing market in China is at an early stage of development and has significant growth potential, driven primarily by the various benefits in tax, capital efficiency and financial reporting. Our leasing fleet increased from 304 vehicles as of December 31, 2011 to 4,475 vehicles as of June 30, 2014. We believe we are able to leverage our scale of operations, our large customer base and our diverse services to capitalize on the growth opportunities in the leasing market.

We also started offering leasing to our franchisees in December 2013 when we commenced our franchise arrangements. Please see "— Our Franchise Arrangements" for more information on our franchise arrangements.

Our revenues from leasing grew from RMB2.2 million in 2011 to RMB21.7 million in 2013, and from RMB9.1 million in the six months ended June 30, 2013 to RMB19.4 million in the six months ended June 30, 2014. Revenues from leasing accounted for 0.3%, 0.8%, 1.0% and 1.4% of our rental revenues for 2011, 2012, 2013, and the six months ended June 30, 2014, respectively.

Our Service Network

Our nationwide service network covers all provinces in China. According to Roland Berger, we had the largest service network in China's car rental industry as of December 31, 2013 in terms of cities and service locations. Our service network comprises of directly operated and franchised service locations. As of June 30, 2014, we had 717 directly operated service locations in 70 major cities and 202 franchise service locations in 162 small cities across China. We do not, and will not in the foreseeable future, admit franchisees in cities where we have directly operated service locations.

The following map sets forth the geographic coverage of our entire service network as of June 30, 2014.



Our Directly Operated Service Locations

According to Roland Berger, we had the largest service network of directly operated service locations in China's car rental industry as of December 31, 2013, with operations in all provinces in China. We have rapidly expanded our geographic footprint from 234 stores in 66 cities as of December 31, 2011 to 717 service locations, which included 233 stores and 484 pick-up points, in 70 cities across China as of June 30, 2014. As of December 31, 2013, the number of our service locations was approximately three times as large as that of our closest competitor, according to Roland Berger.

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Our service network of directly operated service locations covers all of the provincial capital cities in China, as well as lower tier cities that we consider to have great demand or high growth potential for car rental services. We directly operate at 57 major Chinese airports, including 47 of the 50 largest airports in China as of June 30, 2014. We have largely completed the strategic build-out of our nationwide service network, and intend to primarily focus on selectively adding new service locations to increase service penetration within our existing coverage.

We have strategically located our service locations to provide customers convenient access to our vehicles. Our service locations are generally located at or near airports, train stations, subway stations and other transportation hubs, major business districts, residential communities and tourist destinations.

Our stores are physical storefronts with parking facilities on leased properties. Stores in the same city share all of our vehicle inventory in that city, thereby improving vehicle availability and selection to our customers. Revenue potential, cost, accessibility and parking availability are the key factors we consider when we select sites for new stores.

Our pick-up points, on the other hand, are parking facilities with a simple service stand as opposed to a full storefront. After placing their rental orders on our website or through our mobile app or call center, customers can pick up their rental car at their selected pick-up point. Our pick-up points are located at easily identifiable and accessible locations, such as well-known buildings, intersections or other landmarks. We establish pick-up points in strategically selected locations where there is a fair amount of customer demand yet the transaction volume is not large enough to justify the opening of a store. Pick-up points supplement our stores and provide a flexible, cost-effective way to extend our network coverage. We monitor the transaction volume of each service point to determine whether we should upgrade it to a store or remove it.

We aim to provide best-in-class service throughout our nationwide network. All of our airport service locations and at least one service location in every city where we operate are open 24/7. Our non-24/7 stores typically stay open until 9 p.m. every day, which is later than general industry practice. Our pick-up points typically open till 6 p.m. We believe no other car rental company in China provides customers with this level of service across such an extensive network.

To optimize our service location deployment, we may close or move service locations from time to time based on their transaction volume and estimated business prospect. In 2011, 2012 and 2013, we closed 3, 18 and 53 service locations, respectively. In the six months ended June 30, 2014, we closed 75 service locations while opening 70 new service locations.

Our Franchise Service Locations

Our franchise service locations are an important supplement to our extensive service network. We commenced our franchising activities in December 2013. As of June 30, 2014, we had 202 franchised service locations in 162 small cities where we do not directly operate any store. Our franchised service network currently comprises of stores only. Please see “— Our Franchise Arrangements” for more information on our franchise arrangements.

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The following table sets forth the numbers of our stores and pick-up points and our franchisees' stores as of June 30, 2014.

Cities or provinces	Directly operated by us			Operated by our franchisees	
	Cities	Stores	Pick-up points	Cities	Stores
Key cities					
Beijing	1	28	45	—	—
Shanghai	1	6	53	—	—
Guangzhou	1	16	38	—	—
Shenzhen	1	14	28	—	—
Provinces⁽¹⁾					
Jiangsu	9	18	30	7	8
Guangdong ⁽²⁾	5	12	33	11	17
Zhejiang	5	13	20	9	10
Shandong	4	11	16	10	10
Fujian	4	7	19	8	11
Yunnan	5	7	11	2	2
Liaoning	3	11	22	11	14
Hunan	3	8	21	7	11
Hebei	2	4	0	8	11
Guangxi	3	4	6	3	13
Henan	2	10	2	13	17
Sichuan	2	6	22	9	12
Hainan	2	3	8	1	1
Hubei	1	12	17	10	13
Chongqing	1	6	14	2	3
Heilongjiang	1	5	7	4	4
Tianjin	1	5	6	—	—
Shaanxi	1	4	20	2	2
Shanxi	1	4	12	12	12
Anhui	2	3	11	11	13
Jiangxi	1	3	5	4	6
Jilin	1	3	3	1	1
Guizhou	1	3	4	3	4
Gansu	1	2	1	1	1
Inner Mongolia	1	2	3	10	13
Ningxia	1	1	2	1	1
Qinghai	1	1	2	—	—
Xinjiang	1	1	2	2	2
Tibet	1	—	1	—	—
Total	70	233	484	162	202

Notes:

- (1) There was no overlap between cities where we had directly operated service locations and cities where our franchisees operated.
(2) Excluding Guangzhou and Shenzhen.

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Our Customers

We have a large, rapidly growing and loyal customer base consisting of individual and institutional customers.

Most of our individual customers are short-term rental customers, while a steadily increasing number of individual customers utilize our long-term rental and leasing service. Our individual customers consist primarily of Chinese urban consumers who have developed new consumption habits and are more receptive to car rental. In particular, some of our individual customers are licensed Chinese drivers who do not own cars. Please see “Industry Overview — Overview of China’s Car Rental Market — China’s Short-term Car Rental Market” for more information on licensed Chinese drivers who do not own cars. The aggregate number of our individual customers grew over four times from approximately 447,000 as of December 31, 2011 to approximately 1,949,000 as of June 30, 2014.

Our institutional customers utilize our short-term rentals, long-term rentals and leasing. Our institutional customers consist of corporations of all sizes and government agencies. Our institutional customers cover a wide variety of industries, including telecommunications, IT and consumer goods, and includes many Fortune 500 companies such as Siemens and Hyundai. We work with an increasing number of insurance companies, automobile manufacturers and dealerships to provide replacement rentals and extended test-drive services. As China’s reform of government car ownership intensifies, a growing number of government agencies have become our customers. Our institutional customer base grew from approximately 3,500 as of December 31, 2011 to approximately 12,600 as of June 30, 2014.

We believe our high quality products and services, superior customer service and targeted marketing initiatives have enabled the rapid growth of our customer base and strong customer loyalty. In particular, we believe our competitive prices, vehicle condition and network coverage are especially appealing to individual customers while our brand recognition, network coverage and high quality products and services are the key factors attracting and retaining institutional customers. The transactions by our repeat customers as a percentage of the total number of our rental transactions had increased from 56.6% in 2011 to 59.8% in 2012 and 68.0% in 2013, indicating growing customer loyalty and increasing customer engagement.

In each of 2011, 2012, 2013 and the six months ended June 30, 2014, our top five customers collectively accounted for 4.3%, 3.3%, 5.5% and 21.2%, respectively, of our total revenue. During the same periods, our top five rental customers collectively accounted for 4.5%, 3.5%, 2.7% and 4.2%, respectively, of our total rental revenue. The aggregate revenue contribution by our top five customers reached 21.2% of our total revenue in the six months ended June 30, 2014 primarily because we entered into a strategic cooperative relationship with Youxinpai in May 2014 in an effort to consolidate and enhance our used car disposition, and we sold a significant number of used cars to Youxinpai shortly after establishing the cooperative relationship. Please also see “Business — Vehicle disposition.” Our business focus is on the rental business, where the aggregate revenue contribution of the top five rental customers have stayed around 5% during the Track Record Period. We expect the aggregate revenue contribution by our top five customers as a percentage of our total revenue to return to its historical level in the near future. The length of our relationships with our top five customers ranged from approximately two months to three years.

None of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of our share capital as of the Latest Practicable Date, has any interest in any of our five largest customers.

Our Customer Service

Our “4 Any” service philosophy of “anyone, anytime, any car and anywhere” demonstrates our commitment to delivering superior customer service, which we believe is critical to our business.

We offer 24/7 service in at least one service location in every city where we operate and at all of our airport service locations in 57 major Chinese airports, including 47 of the largest 50 airports in China, as of June 30, 2014. Our customer service team maintains regular communication with our customers to address complaints and answer inquiries through emails, text messages and various social media platforms. We also


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provide nationwide 24/7 roadside assistance to our customers. In particular, we have a dynamic and popular corporate account on each of Weibo and Wechat, two highly popular social media platforms in China. We also operate a powerful mobile app that features a wide range of functions. Our customers can complete the entire reservation process for short-term rentals, from car selection to order confirmation and payment, on our mobile app. Our mobile app also features location-based services that list out service locations nearest to the customer's location, enabling them to pick up or return cars to a location most convenient to them. In addition, our mobile app offers built-in GPS navigation and long-term rental request submission.

Brand, Sales and Marketing

Brand

We have successfully established our brand in China's car rental market through a combination of targeted marketing campaigns, direct sales and customer recommendations. Our strategy is to have our brand represent enjoyable and reliable car rental services to customers. We also strive to associate our brand with a keen awareness of corporate social responsibility. Our strong brand allows us to achieve premium pricing and lower our customer acquisition costs.

Our brand “ 神州租车,” or “China Auto Rental,” is the most recognized and trusted car rental brand in China, according to a consumer survey conducted by Roland Berger in 2014. According to Baidu Index and Google Trends, two major keyword search popularity indices, our brand consistently had the highest search volume among car rental companies in China since 2011. Our total search volume on each of Baidu and Google was approximately three times that of our closest competing brand in China in 2013. According to additional data available on Baidu Index, we also had the highest search volume in every Chinese province where we operate as of June 30, 2014. Since the Ministry of Industry and Information Technology launched its China Brand Power Index in 2012, our brand was named the most recognized car rental brand among Chinese customers for two consecutive years.

Our active engagement in charitable causes demonstrates our commitment to corporate social responsibility. For example, in response to the devastating earthquakes in Sichuan in 2008 and 2013, we not only organized donations by us and our employees to several disaster relief organizations, but also promptly dispatched our vehicles to provide transportation service for disaster relief efforts. We also partnered with the Ministry of Public Security and the Ministry of Transportation to initiate and sponsor a program to promote driving safety among our customers in 2012. We believe our brand carries the goodwill generated by our public interest contributions.

We have won numerous awards which underscore our strong brand recognition and reputation. In 2014, we were awarded the Low-Carbon Emission Model Enterprise of China 2014 by *The Economic Observer*. In 2013, we were awarded the No.1 C-BPI Brand Value Award for Auto Rental Franchise in China (中國汽車租賃連鎖店行業C-BPI品牌力第一名) by China Brand Research Center, and in 2012, we were named one of the Companies of Highest Credibility in China's E-commerce industry (中國互聯網電子商務誠信示範企業) by the China Electronic Commerce Association. We also received the Best Practice Golden Award granted by Harvard Business Review in 2011, the 2011 Best Car Rental Company in China by National Geographic Traveler magazine and the Best Service Award in the 2011 China Brand Awards jointly granted by Brand China Industry Union and the China Chamber of International Commerce. We were also included in the Forbes Magazine's 2009 China High-Potential Enterprises List and served as one of the official VIP car service providers for the 2008 Beijing Summer Olympics.

Sales and marketing

Leveraging our clear market leadership position and strong brand, we strategically bypass third-party intermediaries and market directly to our customers. Our highly targeted marketing initiatives include Internet and traditional advertising as well as customer loyalty programs. We believe that by bypassing

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third-party intermediaries in our marketing efforts, we are able to not only channel our cost savings to our customers in the form of more competitive prices, but also strengthen our brand recognition with the customers and enhance our customer loyalty, all of which contributes to a stronger relationship with our customers.

We place Internet advertising primarily on leading search engines such as Google and Baidu to achieve high exposure and click-through rate. Our traditional advertising, consisting of television, billboard and digital media advertisements in homes, airports, subway stations and office buildings, directly targets potential customers such as business and leisure travelers, office workers and licensed drivers who rely on public transportation. Our strategic alliance with Hertz provides us with access to Hertz global sales and marketing activity, travel industry partners and alliances and major global corporations with car rental needs in PRC. In addition, benefiting from our strategic alliance with Hertz, our customers can access Hertz fleet and network worldwide through our referral services, which enables us to benefit from the continued growth in outbound tourism from PRC customers. As part of our strategic alliance with Hertz, we also launched a co-branding initiative featuring “Powered by Hertz” images at some of our major service locations. We also partner with high-profile celebrities to raise our brand recognition. For example, we have engaged former soccer player David Beckham to serve as our spokesperson since July 2013.

We also have comprehensive loyalty programs to retain individual and institutional customers. For individual customers, we offer three tiers of membership — basic, gold and platinum. Members in all three tiers are granted rewards, which can be applied to future rental fees with us. Higher tiers of membership offer more rewards, priority treatment in the rental process, and better vehicle upgrade opportunities. Individual customers can enroll in our basic membership program at no charge. Membership upgrades are based on the total number of a customer’s rental transactions with us and the length of each rental in a given calendar year. Our registered members increased from approximately 921,000 as of December 31, 2011 to approximately 3,853,000 as of June 30, 2014, of whom approximately 51% had rented cars from us as of June 30, 2014. For institutional customers, we offer a prepayment program whereby institutional customers receive rewards for making prepayments to us. These rewards can be applied to their future rental fees. Additionally, institutional customers who participate in our prepayment program enjoy the highest level of priority treatment in the rental process and vehicle upgrade opportunities.

In addition, we have benefited from word-of-mouth recommendations by the large number of customers who were pleased with our services. We intend to continue improving our services to encourage more recommendations and referrals, which we believe is an effective and cost-efficient way to promote our business.

During the Track Record Period, our sales and marketing expenses were RMB106.9 million, RMB140.3 million, RMB152.7 million, and RMB40.6 million, respectively.

Our Fleet Management and Operations

Fleet size and composition

We operate the largest rental car fleet in China. As of June 30, 2014, we had a total fleet of 52,498 vehicles, which excludes vehicles owned by our franchisees. According to Roland Berger, as of December 31, 2013, our fleet was larger than the aggregate fleet size of the next nine largest car rental companies and over four times that of the second largest car rental company in China. Our fleet size does not include those operated by our franchisees.

As of December 31, 2011, 2012 and 2013 and June 30, 2014, we had 21,920, 31,453, 33,986 and 37,195 vehicles for short-term rentals, respectively, and 3,621, 5,201, 6,241 and 5,946 vehicles for long-term rentals, and 304, 470, 1,097 and 4,475 vehicles for leasing, respectively. As of June 30, 2014, the average age of our operating fleets was 17 months. We had the largest rental fleet in China as of December 31, 2013, according to Roland Berger. Our vehicles are of various classes, such as economy, standard and luxury, and body types,

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such as sedans, SUVs and MPVs. As of June 30, 2014, the average per vehicle purchase price was approximately RMB98,151 for our short-term rental fleet and approximately RMB160,062 for our long-term rental fleet. As of June 30, 2014, our fleet had a total of 122 models from 29 makes, among which the top ten models by vehicle number represented approximately 75% of our fleet.

From time to time, there may be a difference in the number of vehicles between our total fleet and operating fleet, and such difference can be attributed to: (i) operating fleet suspended from operation as a result of their failure to pass the mandatory biennial inspection due to customer violation of traffic rules, (ii) retired vehicles awaiting sale, and (iii) retired vehicles that have been sold but subject to completion of title transfer.

As of December 31, 2011, there was no difference in the number of vehicles between our total fleet and operating fleet because we did not have vehicles that fell into the three categories described above. As of December 31, 2012 and 2013 and June 30, 2014, the difference in the number of vehicles between the our total fleet and operating fleet was 3,919, 11,698 and 4,882, respectively, the breakdown of which is as follows:

	December 31, 2012	December 31, 2013	June 30, 2014
Operating fleet suspended from operation as a result of their failure to pass the mandatory biennial inspection due to customer violation of traffic rules.	1,378	1,172	429
Retired vehicles awaiting sale ⁽¹⁾	2,112	5,267	2,342
Retired vehicles that have been sold but subject to completion of title transfer	429	5,259	2,111
Total	3,919	11,698	4,882

Note:

⁽¹⁾ Includes 483, 5,267 and 233 retired vehicles awaiting sale but were suspended from disposal as a result of their failure to pass the mandatory biennial inspection due to customer violation of traffic rules, respectively, as of December 31, 2012 and 2013 and June 30, 2014. Vehicles suspended from operation as a result of their failure to pass the mandatory biennial inspection due to customer violation of traffic rules are categorized as retired vehicles awaiting sale after they reach their holding period.

As part of our growth strategy, we have set our target fleet utilization rate at around 60% in the past few years, which is lower than the utilization rate of approximately 70% - 80% of our international peers and reflects a deliberate balance among our strategic goals, including (a) to significantly increased our fleet size in a short period of time to become the clear market leader in the PRC car rental market by fleet size, (b) to secure sufficient amount of license plates to accommodate our growth in the next few years in cities with license plate restrictions as well as those expected to implement similar restrictions, (c) to ensure good customer experience by avoiding any shortage of available rental vehicles for our customers, and (d) to maintain a healthy growth in our financial results. As part of our growth strategy, we do not expect our fleet utilization rate to significantly increase after the Listing. We intend to use approximately 65% of the net proceeds from the Global Offering, or HK\$2,107 million, for procurement of approximately an additional 44,000 to 59,000 vehicles, which would cost approximately RMB4,400 million to RMB5,900 million, to support our growth strategy because we believe that the car rental market, especially the short-term rental segment, in China will continue to expand. As the market leader in China's car rental industry, we intend to expand our fleet size to capture the growth opportunities and maintain our market leading position.

We intend to incur approximately RMB2,600 million vehicle acquisition costs to purchase approximately 26,000 new vehicles in the next 12 months, 13,000 vehicles of which will be used for fleet expansion and 13,000 vehicles of which will be used for replacement. We also intend to incur additional vehicle acquisition costs of approximately RMB1,800 million to RMB3,300 million to purchase

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approximately 18,000 to 33,000 new vehicles in the 12 months after the first 12-month period after the date of this prospectus, half of which will be used for fleet expansion and half for fleet replenishment. We intend to use cash generated from our operation and additional borrowings to fund such vehicle acquisition. However, our vehicle acquisition costs cannot be categorized as capital expenditures according to IFRS. Vehicle acquisitions costs are recognized in the account of rental vehicles in our balance sheet. We generally pay the vehicle suppliers upon signing of the contract or by installments. Prepayment for rental vehicles is recorded when payment is made before the delivery of the purchased vehicles. Upon receipt of the purchased vehicles and the completion of vehicle registration, the purchased vehicles would be transferred out of prepayment and recorded as addition to rental vehicles. Although vehicle acquisitions costs are not presented as capital expenditures under investing activities in the statement of cash flows according to IFRS, their accounting treatment and recognition are similar to general fixed asset capital expenditure. We will procure sufficient license plates for our new vehicles through (i) replacing the to-be-retired vehicles in cities with existing restrictive policies on license plates with our new vehicles and (ii) obtaining new license plates in cities with no restrictive policies on license plates by purchasing a corresponding number of new vehicles based on market demand, customer needs and other strategic considerations. Our PRC legal advisor has advised us that (i) we have legally obtained vehicle licenses and plates in cities with existing restrictive policies on license plates (the “Licenses and Plates”) and (ii) our rental operations in other cities (where local rules and regulations allow rental operations using vehicles with non-local licenses and plates) using the Licenses and Plates do not violate any laws and regulations in the PRC.

Vehicle acquisition

We believe we are one of the largest purchasers of passenger vehicles in China since 2011. Leveraging our large scale and market leadership position, we have established strong relationships with automobile manufacturers of major brands, including General Motors, Kia, Toyota, Honda and Citroën, who represented the top five brands by vehicle number in our fleet. As of June 30, 2014, 40.1%, 15.2%, 10.9%, 9.4% and 7.1% of our fleet vehicles were of these top five brands, respectively. We also purchase vehicles from Hyundai, Chevrolet, Peugeot, Volkswagen and Audi. We determine the variety and mix of makes and models of our fleet based on a broad analysis taking into account vehicle price, customer preference, fleet utilization rates and expected disposition price.

We negotiate our purchasing terms, including price and delivery terms, directly with automobile manufacturers, who then direct us to designated automobile dealerships for purchase and after-sales services. Our large purchase volume allows us to secure favorable terms from these manufacturers for substantially all of our vehicle acquisitions. Our cost savings from favorable purchasing terms enable us to offer customers competitive rental prices, which in turn helps us attract more customers and build a more prominent brand. As our scale grows, we expect to continue to leverage our strong purchasing power and enjoy cost savings.

Vehicle financing

We require a substantial amount of capital to fund our vehicle acquisition and business expansion. We work with major commercial banks and capital lease companies in China for our vehicle financing. We believe our ability to obtain strong credit support is an important competitive advantage and will continue to strengthen our market leadership position.

We have met our financing needs mainly through borrowings from financial institutions, capital lease companies and OEMs, our operating cash flow and equity financings. As of June 30, 2014, bank loans and other borrowings, finance leasing and OEM financing accounted for approximately 94.9%, 3.2% and 1.9%, respectively, of our total outstanding debt. We secured capital leases from a financial institution for approximately 1,500 of our Citroen vehicles in 2010 and 2011. Approximately 15% of our vehicle acquisitions in 2013 were made through financial leasing and OEM financing. We also intend to use 65% of our proceeds to finance our vehicle acquisitions.

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Vehicle maintenance

We repair and maintain our fleet primarily through our own vehicle maintenance facilities located in 18 cities across our network. We believe our own repair and maintenance services help ensure the service quality while reducing our costs. As of June 30, 2014, fleet in cities where we have our own repair and maintenance facilities accounted for approximately 73% of our operating fleet. We also outsource a small portion of our repair and maintenance work to third-party service providers, including automobile dealerships, their designated automotive service providers, and independent automotive service providers. We select automotive service providers based on assessments by our local teams, subject to review and approval by our headquarters. We periodically review the service quality of our automotive service providers to ensure that they have quality diagnostic and repair equipment, experienced mechanics, and good customer service to meet automobile manufacturers' warranty requirements.

Vehicle disposition

We dispose of our used cars to end users, dealers and franchisees primarily through online bidding and auction platforms. Buyers of used cars can inspect the vehicles for sale at our service locations and used car parking lots across our nationwide service network, and then enter their bids for the vehicles in an online bidding and auction system. The competitive bidding systems help maximize the proceeds from our used car dispositions. In April 2014, in an effort to consolidate and enhance our used car disposition, we entered into a strategic cooperative relationship with Youxinpai, an independent third-party that engages in used car inspection, online bidding and auction and other related services, to dispose of our used cars. Under the strategic cooperation agreement, Youxinpai agrees to designate a section of its website to our used car sales and to share its sales data with us, and we agree to use Youxinpai as our preferred online bidding and auction platform for used cars disposition. Youxinpai charges us a service fee for services including but not limited to car inspection and certification, bidding and auction services and data sharing. To incentivize us to enter into the strategic cooperation agreement, Youxinpai agrees to cap its service fee at 3% of the sale price for three years and waive all of its service fees for the first year of the strategic relationship, 50% for the second year, and 25% for the remainder of the term of our strategic cooperation agreement. In addition, through arm's length negotiations, we disposed approximately 4,600 used cars to Youxinpai, which are not subject to any sales return arrangement, as an additional incentive for us to form the strategic cooperative relationship. As of the Latest Practicable Date, we have received a majority of the proceeds from the sale of such 4,600 used cars to Youxinpai and expect to receive the remainder by the end of September 2014 pursuant to the agreed terms. We may terminate the strategic cooperation agreement if Youxinpai no longer holds a market leading position in China by annual sales volume. We may withdraw any of our used cars placed on Youxinpai's platform for sale to the general public if the car is not successfully auctioned off within 15 days of listing or after two auction attempts, and may place it for sale through other used car disposition channels. The term of this strategic cooperation agreement is five years, subject to renewal based on mutual agreement. We believe we benefit from this strategic cooperative relationship with Youxinpai as it helps expand our reach to potential used car buyers, allows us to take advantage of an advanced online bidding and auction system, and provides us with reputable car inspection and certification services.

In addition, we also dispose of our used cars through offline auction companies and other offline sales. In 2011, 2012, 2013 and the six months ended June 30, 2014, we disposed of 742, 899, 9,986 and 11,722 used cars, respectively.

Typically, after a vehicle reaches the end of its holding period, we remove it from operations and enter it into our used car disposition program. Depending on market demand and the sales volume of our used cars, we would slightly adjust the holding period of our operational vehicles. During our Track Record Period, the usual holding period is approximately 30 months for our primary vehicle models and approximately 36 months for other vehicle models. During the Track Record Period, we have not made any significant change to our vehicle holding policy. Our fleet expanded rapidly and significantly in 2010 and 2011, which resulted in a large number of rental cars reaching their holding period and being disposed of in 2013 and the first half of 2014.

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Our Franchise Arrangements

We commenced our franchise arrangements in December 2013. As of June 30, 2014, we had entered into franchise agreements with 159 franchisees who operated 202 franchised service locations in 162 small cities. We admit franchisees only in small cities where we do not have directly operated service locations. As our franchisee network has quickly expanded to cover over 160 small cities within a few months of commencing our franchise arrangements, we intend to significantly limit the expansion of our franchisee network while focus on improving our franchisees' management and services skills and expanding their products and services lines in the near future to ensure effective quality control and good customer experience.

We believe that our franchise arrangements enable us to:

- satisfy our customers' need for high quality car rental services in a broader network;
- enhance our brand recognition throughout the PRC, which helps expand our customer base and in turn increase our revenue and facilitate our further expansion; and
- increase our revenue by receiving franchise fees, commissions and leasing payments from our franchisees.

We believe that our franchisees benefit from the franchise arrangements in the following aspects:

- our strong brand and reputation greatly facilitate their customer acquisition and business growth;
- our franchisees share our reservation system, which makes their service available to all of our customers; and
- vehicle procurement discount and leasing we offer to our franchisees help reduce their capital expenditures and improve their capital efficiency.

We provide our franchisees with various types of operational support, including service training and technical assistance both in person and over the phone and sharing of our IT platform.

All of our franchising arrangements are based on our standard franchise agreement with a term of four years. Each franchise agreement specifies, among other things, geographic region of the exclusive franchise arrangement, number of authorized franchise stores, number of cars the franchisee would acquire from us in order to meet our criteria for fleet size and composition, minimum square footage of each store, use of our logo, representations and warranties of the franchisee, fees and charges, customer service requirements, exclusivity, intellectual property rights, and default provisions. Our franchisees may choose to acquire cars from us either through direct purchase or capital leasing, or they may also acquire or lease cars from their own suppliers. Our franchisees do not compete with each other due to the exclusive geographic coverage provided in the franchise agreement.

We charge our franchisees an upfront franchise fee, a commission fee, and certain other miscellaneous fees. We also receive instalment payments from our franchisees if they decide to acquire cars from us through capital leasing, which typically provides an instalment payment schedule. Our franchisees are authorized to operate under a "China Auto Rental | Business Partner" brand. They are also required to ensure that their fleet consist of car models that are in our short-term fleet, and that they comply with our standards in respect of, among other things, store location, decoration, displays, marketing activities, pricing and daily operations as decided by us from time to time. If a franchisee fails to comply with certain material clauses in the relevant franchise agreement, we have the right to terminate the agreement.

Our customers can make reservations for our franchisees' car rental products through our website, mobile app and call centers. Car rental services provided by our franchisees are clearly identified and distinguished from our directly operated business. In our reservation system, a clear sign/icon appears when our customers make reservations with our franchisees to inform them that they will be receiving the car rental services from our franchisees rather than directly from us. Our franchisees do not share with each other the

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rental vehicles operated by them. As of the Latest Practicable Date, our franchisees had not launched services that would allow our customers to pick up a rental vehicle from one franchisee and drop it off at a service location operated by a different franchisee. We are working with our franchisees to enable such drop-off flexibility for our customers.

We place great importance on quality control with respect to our franchisees. We provide upfront and continuing training to our franchisees. We have a dedicated team to monitor the performance of our franchisees. Each franchisee is subject to our periodic or unscheduled review on vehicle condition, compliance with our procedures and service standards as well as customer satisfaction. Customers can file complaints against our franchisees on our website or mobile app or through our call centers. Pursuant to the franchise agreement, we have the right to terminate the franchise arrangement if the franchisee fails our review and fails to remedy the deficiencies within a specified period of time.

Our Technology Platform

As a technology driven company, we have developed an effective, reliable and scalable technology platform. As our business continues to grow, we intend to continue to invest in our technology platform.

Our technology platform consists of a web-based operating environment connecting our central data center, management systems, and customer interface terminals. It enables us to effectively manage our operations and enhance our customer experience in the following regards:

- *Transaction management* — manages the entire transaction process, including booking, amendment and cancellation of reservations, vehicle pick up and return and payment, to ensure smooth execution and effective risk control.
- *Yield management* — improves our yield management through supply/demand analysis, dynamic pricing and efficient fleet deployment:
 - o we track and analyze each vehicle's rental information, and such analysis enables us to anticipate future demand in a certain market and provides critical information for our dynamic pricing, fleet deployment as well as long-term strategic decisions;
 - o we implement dynamic pricing based on market demand, inventory level, rental term, location, timing of booking, competitor rates and our target margin; and
 - o based on our forecast of market demand, we reallocate our rental vehicles between cities or service locations to meet customer needs and optimize our vehicle utilization.
- *Customer management* — records and analyzes transaction information about each customer, which enables us to better understand the customers' rental habits and more effectively engage them in our promotional activities.
- *Fleet management* — tracks and analyzes key data such as mileage, rental number, insurance coverage and maintenance record about each rental vehicle from acquisition to disposition, and such data and analysis enable us to effectively manage our insurance and maintenance expenditures while providing information for our future vehicle acquisition decisions.
- *Financial management* — centrally and securely processes rental payments to ensure effective risk control; also enables our management to monitor and analyze our financial performance and budget control by store, branch office, region, product type, cost type or time period.

We have four types of customer interface terminals, namely, our website, mobile app, call centers and stores, all of which can handle search, reservation and account management. We have developed industry-leading website and mobile app, both of which are fully integrated with our technology platform and capable of handling the entire transaction process. Leveraging the location-based service feature, our mobile app contributes to a superior customer experience throughout the rental process:

- for reservation, customers can easily locate the nearest service location and make reservations through the mobile app;

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- for vehicle pick-up, the mobile app provides GPS guide from the customer's location to their selected service location, and it also offers customers advance check-in to further shorten the time for pick-up;
- for driving, the mobile app provides built-in GPS navigation service;
- for vehicle return, customers can use the mobile app to easily locate the nearest service location for drop-off;
- for payment, customers can make payment on the mobile app through a credit card or debit card, or a third-party payment service provider, such as Wechat or Alipay;
- for comments and feedback, customers can rate our services or provide feedback through the mobile app after each rental experience; and
- in general, our customers can easily manage information in their membership accounts, including rental orders, reward points and credit card information, through the mobile app.

Our web and mobile app together accounted for approximately 66.4% of our total rental reservations in the six months ended June 30, 2014. In particular, reservations from our mobile app as a percentage of our total reservations have increased from 6.4% for the three months ended March 31, 2013 to 24.4% for the three months ended March 31, 2014, and further to 30.1% for the three months ended June 30, 2014.

We strive to ensure the reliability and security of our technology platform. We maintain back-up units for our key operational equipment and back-up our operational data at least once a day to ensure that our normal operations would not be disrupted. To ensure security, our operational systems are sectioned off and each section is accessible only by designated personnel with the proper authorization. We implement a series of sophisticated anti-hacking measures that provide constant monitoring, real-time alerts and automatic firewall reactions. We also retain third-party Internet security consultants to conduct periodic tests on our technology platform to ensure and reinforce its security.

Our technology platform is highly scalable. It has supported our rapid expansion in the past few years. We believe that our technology platform is capable of scaling up to accommodate our business expansion in the next few years. We intend to continue to enhance our technology platform.

Research and Development

Our engineering and software development team develops and maintains a significant portion of our software and computer systems, and we license some software programs from third-party software providers such as Compass Information Science Co., Ltd., ChinaCache International Holdings Ltd. and Neusoft Corporation. As of June 30, 2014, our engineering and software development team consisted of 111 specialists, 60 of which had a bachelor's degree and four had a master's or higher degree.


We also enter into cooperation agreements with third parties for the development of certain material IT systems like GPS tracking and monitoring platform. Under these cooperation agreements, we are required to make advance payments which accounts for a certain percentage of the service fees to the third-party developers, and pay the remainder of the service fees upon the delivery and acceptance of the software developed. In addition, we also own all the rights and benefits related to the software developed under these cooperation agreements. These cooperation agreements do not provide any cost-, profit- or loss-sharing clauses.

The expenses of our information technology department amounted to approximately 1% of our total revenues during the Track Record Period.

Intellectual Property

Our copyrights, trademarks, trade secrets and similar intellectual property are critical to our success. We rely on copyright and trademark law, trade secret protection, as well as noncompetition and confidentiality and/or license agreements with our employees, suppliers and other business partners, to protect our proprietary rights.

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As of the Latest Practicable Date, we have registered the trademark for our “ 神州租車 ” brand and eight other trademarks in the PRC, five trademarks in Taiwan and two trademarks in Macau. We are also in the process of registering nine other trademarks in the PRC. As of June 30, 2014, we have also registered eight domain names, including www.zuche.com, which contains the phonetic spelling of “rent a car” in Chinese. Our website and mobile app enable our customers to access our rental services and complete the rental reservation online. According to Han Kun Law Offices, our PRC legal advisor, PRC laws and regulations do not prohibit foreign invested enterprises or their subsidiaries from registering and owning domain names and mobile apps. As advised by our PRC legal advisor, our operation of our websites and mobile app does not constitute offering value-added telecommunication services and is in compliance with PRC laws and regulations. Pursuant to our strategic alliance with Hertz, we also have the right to use some of Hertz’s logos and trademarks, including “Powered by Hertz” in Mainland China, Hong Kong, Taiwan and Macau under the brand cooperation agreement we entered into with Hertz. As of the Latest Practicable Date, we are not involved in any material dispute regarding our intellectual property with any third party. For further details of our intellectual property portfolio, please see “B. Further Information about our business — 2. Intellectual Property Rights of our Group” set out in Appendix IV to this prospectus. For more information on the co-branding initiative, see “Connected Transactions — Exempt Continuing Connected Transactions — Brand Cooperation Agreement.”

Our Suppliers

We rely on third-party suppliers for our vehicles and some of our technology-related needs. Vehicle manufacturers and their authorized dealerships are our most important suppliers in terms of both purchase amount and product purchased.

Our major vehicle suppliers include Beijing Jinjiajing Auto Sale Limited (北京金佳景汽車銷售有限公司), Guangzhou Anhua Auto Trade Limited (廣州安驊汽車貿易有限公司), Beijing Dashihang Auto Sale Limited (北京達世行汽車銷售有限公司), Shanghai Xishanghai Baoshan Auto Sale Service Limited (上海西上海寶山汽車銷售服務有限公司) and Beijing Jiajinfului Auto Sale Service Limited (北京嘉金福瑞汽車銷售服務有限公司), which accounted for 14.6%, 14.2%, 12.1%, 8.1% and 6.2%, respectively, of our vehicle purchases in 2013. We typically negotiate our purchase terms, including price and delivery terms, directly with automobile manufacturers, with whom we enter into a framework agreement to memorialize the key terms of the purchase. The automobile manufacturers would then direct us to place individual purchase orders under such framework agreements with their authorized dealerships. Although the purchase terms vary from supplier to supplier, we strive to enter into generally standardized framework agreements and purchase orders with automobile manufacturers and dealerships. The key terms of a typical framework agreement generally include:

- *Designated dealerships.* Automobile manufacturers would designate certain authorized dealerships from which we purchase vehicles by placing individual orders.
- *Purchase targets.* The framework agreement would set out an estimated number of vehicle we would purchase from each of the designated dealerships; however, these purchase targets are not binding and do not require us to make any minimum purchase commitments.
- *Discounts.* Automobile manufacturers offer certain discounts in purchase price at progressive rates as our purchase reaches a series of pre-set thresholds. The automobile manufacturers have the right to adjust the discount rate or to cancel the discounts available to us if we commit a material breach of the agreement.
- *Access to information.* Automobile manufacturers have the right to review invoices and other relevant documentations, and inspect the vehicles purchased under the framework agreement.
- *Termination.* The automobile manufacturers have the right to terminate relevant framework agreements upon our material breach of such agreements.
- *Duration.* The typical term of the framework agreements is one year.

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We place orders with individual vehicle dealerships to implement the framework agreements. A standardized purchase order generally specifies the amount, purchase price and discounts for the purchase, the specifications of the vehicles as well as relevant after-sale warranties and services to be provided by the vehicle dealerships.

We generally place bulk orders for vehicles for our short-term rental fleet. We typically pay 30% of the purchase price when we place the order and 70% when we receive the invoice from the dealerships, which indicates that the vehicles are available for delivery. For non-bulk orders of vehicles, which are usually for our long-term rental customers who specify the model and make of the rental vehicles, we generally pay 100% of the purchase price upon delivery of the vehicles. We generally make our payment online or by wire transfer. For more information on our vehicle suppliers and our vehicle purchases, please see “— Our Fleet Management and Operations — Vehicle acquisition.”

We also utilize a number of third-party suppliers for some of our IT needs, such as maintenance of our call center equipment and development of our GPS fleet tracking system as well as insurance needs and repair and maintenance needs. Major suppliers for our IT needs include Compass Information Science Co., Ltd., ChinaCache International Holdings Ltd. and Neusoft Corporation. We select most of our IT suppliers through a bidding process. Our suppliers also include insurance companies, such as China Taiping Insurance, China Life, Tianan Insurance and PICC, and repair and maintenance service providers in numerous cities where we do not have self-operated repair and maintenance facilities. The terms of our IT, insurance, and repair and maintenance agreements are generally subject to our needs and commercial negotiations.

For the years ended December 31, 2011, 2012 and 2013, our five largest suppliers collectively accounted for approximately 53.6%, 45.6%, and 55.2%, respectively, of our total vehicle purchases in terms of purchase amount, and our single largest supplier accounted for approximately 17.8%, 14.5% and 14.6%, respectively, of our total vehicle purchases in terms of purchase amount. For the years ended December 31, 2011, 2012 and 2013, the length of our relationships with our top five suppliers ranged from approximately three months to 3.7 years.

None of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of our share capital as of the Latest Practicable Date, has any interest in any of our largest suppliers aforementioned.

Our Personnel

As of December 31, 2011, 2012 and 2013, we had 3,384, 4,440 and 4,982 full-time employees, respectively. As of August 30, 2014, we had 4,953 full-time employees and we have entered into labor contracts with all of them. In addition, as of August 30, 2014, we engaged 1,649 dispatched workers through third-party labor agencies. Most of these dispatched workers worked as drivers, vehicle repair and maintenance technicians and call center staff. We make monthly lump-sum payments, which includes service fees and the dispatched workers' social insurance contributions, to the third-party labor agencies. The third-party labor agencies are responsible for making contributions to the social insurance funds, housing funds and other benefits for the dispatched workers to the relevant funds in accordance with applicable laws and regulations. The following table sets forth the numbers of our employees and dispatched workers by function as of August 30, 2014.

	<u>Number of employees</u>	<u>Number of dispatched workers</u>
Stores, call centers and drivers	3,442	1,136
Management and administration	638	0
Vehicle deployment, repair and maintenance	587	513
Sales and marketing.....	<u>286</u>	<u>0</u>
Total.....	<u>4,953</u>	<u>1,649</u>

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As of August 30, 2014, 3,393 employees and dispatched workers were based in Beijing, Shanghai, Guangzhou and Shenzhen, representing approximately 51.4% of our total staff, with the remaining employees and dispatched workers located across the other cities in the PRC. The following table sets forth the numbers of employees and dispatched workers by locations as of August 30, 2014:

	<u>Number of employees and dispatched workers</u>
Beijing	1,608
Shanghai	946
Guangzhou	493
Shenzhen.....	346
Other cities	<u>3,209</u>
Total.....	<u>6,602</u>

Our ability to attract, retain and motivate qualified personnel is critical to our success. We believe that we offer our employees competitive compensation, that we are able to attract and retain qualified personnel and that we have maintained a stable core management team. We have not experienced any significant disputes with our employees. As of August 30, 2014, none of our employees was represented by any labor union that engages in collective bargaining.

We invest significant resources in the training and development of our employees to retain and motivate qualified personnel and to fulfill our commitment to providing the best customer service in the industry. The Shenzhen Institute, our in-house training organization located at our headquarters, is responsible for overseeing the implementation of our multi-tier training system, training internal instructors and improving training programs. Our regional offices and corporate subsidiaries have dedicated human resource specialists and instructors to carry out the training programs. Our training curriculums are tailored to new employees, current employees and management members based on their roles and skill level. In addition to functional development, we aim to instill in our employees a dynamic and open corporate culture. We regularly engage our employees in team-building exercises, and we continuously educate our employees about environmental initiatives and corporate social responsibility through training courses and other activities.

Properties

Self-owned Properties

As of the Latest Practicable Date, our subsidiary Lianhui Langfang owned the following properties located in Langfang, Hebei province in the PRC: (i) the land use right of two parcels of land with a total site area of approximately 24,584 square meters, and (ii) three buildings with a total GFA of approximately 9,098 square meters. These properties were primarily used as call center and office space. As of the Latest Practicable Date, Lianhui Langfang has obtained the land use right certificates and building ownership certificates required under applicable laws and regulations for these properties.

In addition, our subsidiary Tianjin China Auto Rental Co., Ltd. has purchased ten buildings located in Tianjin in the PRC with a total GFA of approximately 15,490 square meters from third parties. As of the Latest Practicable Date, Tianjin China Auto Rental Co., Ltd. has filed such purchases with competent government authorities and was in the process of obtaining relevant certificates for such these properties.

According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, since as of June 30, 2014, each of our properties had a carrying amount of less than 15% of our consolidated total assets.

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Leased Properties

We have also entered into leases, generally with terms between one to six years, with government-owned enterprises, privately owned enterprises and individuals for all of our stores and parking facilities throughout our network in the PRC. These leased properties are primarily used as stores and parking facilities.

Our leased properties can be divided primarily into two types:

- For our offices, stores and some of our parking facilities, the rent is primarily calculated based on the square footage. As of the Latest Practicable Date, we had 209 such lease agreements with a total GFA of approximately 76,606 square meters; and
- For some of our parking facilities, the rent is primarily calculated based on the number of parking spots we actually use on a daily or monthly basis as opposed to square footage. As of the Latest Practicable Date, we had 50 such lease agreements.

As of the Latest Practicable Date, the lessors of some of our leased properties have not provided us with relevant title certificates, the details of which are as follows:

- in respect of our leased properties the rent of which is primarily calculated based on the square footage, the lessors of 69 of them with a total GFA of approximately 34,166 square meters have not provided us with relevant title certificates, representing approximately 44.6% of the total GFA of such leased properties; and
- in respect of our leased properties the rent of which is primarily calculated based on the number of parking spot, the lessors of 22 of them have not provided us with relevant title certificates.

Our Directors believe that the fact we have not received the legal certificates for some of our leases, or the Lease Deficiencies, will not have a material adverse effect on our business, financial condition and results of operations primarily because (i) we can easily lease other properties with valid title certificates in the event that we can no longer use any of the Lease Deficiencies; (ii) as of the Latest Practicable Date, no government authority or third party has made any claims or imposed any penalty against us with respect to the Lease Deficiencies; (iii) the fact that some of our lessors have not provided us with relevant title certificates does not have any adverse impact on the safety conditions of the Lease Deficiencies; (iv) compared with similar buildings and parking facilities in vicinity, we believe that there is no material difference in rental payment in relation to the Lease Deficiencies arising from the fact that some of our lessors have not provided us with relevant title certificates; and (v) we believe in the event that we are required to terminate our leases with Lease Deficiencies: (x) alternative premises for the Lease Deficiencies are readily available, (y) the estimated time and cost for relocation would not be material, and (z) our operations located on the Lease Deficiencies could be relocated to new properties without material interruption to our business operations, and our financial condition would not be materially affected considering their usage. We believe, after consultation with our PRC legal advisor, Han Kun Law Offices, that we would not be subject to penalties for the Lease Deficiencies. We will strive to reduce legal defects in our leased properties by prompting relevant lessors to provide us with proper title certificates and/or complete the registration of our leases, and taking into account the lessors' willingness to provide assistance in registering our leases when renewing our leases or entering into new leases. Please also see "Risk Factors — Risks Relating to Our Business and Industry — If our rights to lease certain properties are challenged, our business operations may be adversely affected." Even if we are required to relocate all of our operations affected by Lease Deficiencies, which we believe is unlikely to happen, we estimate that the aggregate relocation cost for relocating all of our operations affected by Lease Deficiencies to be no more than RMB700,000.

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In addition, as of the Latest Practicable Date, the lessors of some of our leased properties have not registered such leases with competent government authorities, the details of which are as follows:

- in respect of our leased properties the rent of which is primarily calculated based on the square footage, the lessors of 132 of them with a total GFA of approximately 39,060 square meters have not registered such leases with competent government authorities, representing approximately 50.99% of the total GFA of such leased properties; and
- in respect of our leased properties the rent of which is primarily calculated based on the number of parking spots, the lessors of 31 of them have not registered such leases with competent government authorities.

Han Kun Law Offices, our PRC legal advisor, has advised that the non-registration as disclosed above will not affect the validity of the lease agreements. Pursuant to applicable PRC laws and regulations, registration of the lease agreement shall be made, failing which the parties to the lease agreement are subject to a fine ranging from RMB1,000 to RMB10,000 per lease agreement.

Safety and Environment

Safety

Safety is one of our highest priorities. We place significant emphasis on our management of workplace safety, driver safety and customer safety.

- We have various teams dedicated to the safety management of our assets, employees and customers. For example, our Insurance Management Department is responsible for directing the procurement of insurance and developing loss prevention programs, our Asset Management Department is responsible for fleet tracking and emergency response, and our Repair and Maintenance Management Department is responsible for formulating and implementing repair and maintenance procedures to address various safety issues. These departments' primary focus is on the protection of our customers, employees and assets, as well as protecting the us from liability for accidental loss;
- We are dedicated to providing training and development opportunities to our employees. In 2013, our employees enhanced their skills through an aggregate of over 147,200 hours of training; and
- We have also maintained close cooperation relationships with our vehicle suppliers to address safety issues of our rental vehicles, including, among others, manufacturers safety recalls.

As of the Latest Practicable Date, we have not received any notification for any material violation of safety related laws and regulations or claims from any government entities or third parties.

Environment

Our core operations, namely our car rental business, do not involve significant environmental risks. However, our self-operated vehicle repair and maintenance services use and store a small amount of hazardous chemical materials and dispose of solid and hazardous waste and wastewater. We place great emphasis on environmental protection and are dedicated to environmental protection in our operations. Our environmental protection measures include:

- formulating and implementing internal procedures and policies to regulate our repair and maintenance operations and reduce water, atmospheric, solid waste and noise pollution;
- designating specific personnel to oversee our environmental protection efforts;
- continuously assessing and monitoring the environmental impact of our repair and maintenance operations;

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- disposing of pollutants discharged from our repair and maintenance operations in accordance with the national and local environmental protection standards and recycling wastes where possible; and
- choosing equipment and products that comply with national and local environmental protection standards and encouraging the use of natural and clean resources.

We have made, and will continue to make, expenditures to stay in compliance with applicable environmental laws and regulations. As of the Latest Practicable Date, we have not received any administrative penalties for any material violation of environmental protection laws and regulations or claims from any government entities or third parties in the PRC.

Insurance

We are required by applicable Chinese laws to maintain insurance coverage against liabilities for third-party bodily injuries, death and property damage resulting from accidents involving our rental vehicles. We satisfy this statutory requirement by maintaining insurance policies for all of our vehicles in operation at amounts stipulated by law with national carriers such as China Taiping Insurance, China Life, Tianan Insurance and PICC.

We also purchase additional commercial insurance coverage to supplement the mandatory insurance against liabilities to third parties as well as other risks and liabilities arising from our operations.

We do not maintain insurance coverage for our office equipment or premises. Consistent with customary practice in China, we do not maintain business interruption insurance or key employee insurance for our directors and executive officers. See “Risk Factors — Risks Related to Our Business and Industry — We could be negatively impacted if our insurance coverage proves to be limited or inadequate.”

We believe that the amount and nature of our insurance coverage are adequate in light of the risks involved. We consider our insurance coverage to be in line with the commercial practice in China’s car rental industry. Our insurance expenditures amounted to RMB102.5 million, RMB118.2 million, RMB157.3 million and RMB75.1 million, respectively, for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014.

Risk Management and Internal Control

We face operational risks and corporate governance risks in our business. Our operational risks include primarily (i) loss of vehicles due to theft and (ii) personal injuries and property losses due to vehicle malfunction or improper operation of vehicles. We also face risks relating to our suspended fleet that failed to pass their mandatory biennial inspection due to customer violation of traffic rules. Please refer to “Risk Factors — Risks Relating to Our Business and Industry — Customer violation of traffic rules could result in suspension of some of our vehicles from operation” and “Financial Information — Non-IFRS Measures — Costs related to suspended fleet.” We have established risk management and internal control systems consisting of offices, policies, procedures and risk management methods that we consider to be appropriate for our business operations. We intend to continuously improve our risk management systems.

We have implemented various measures throughout our rental process to minimize the risk of theft. Our rental vehicles are outfitted with advanced anti-theft systems. We utilize our customer identification system, which is connected to the national identification database, to verify the legal identity of each individual customer. In addition, we implement rigorous risk management policies, such as limiting each customer to one rental vehicle at any time and requiring credit proof through credit or debit cards. As a result of our effective risk control, we lost only approximately 50 vehicles during the Track Record Period.

As part of our corporate internal control policies, we have established comprehensive policies and procedures to ensure vehicle safety. We only purchase reliable car models from reputable suppliers. We perform regular maintenance checks and service on all of our vehicles more frequently than as required by law to minimize vehicle malfunction. In addition, we conduct safety checks, including tire and engine checks, for each rental vehicle prior to its pickup by our customer to ensure the safety of our rental vehicles and we

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have a designated inspection team to conduct weekly and monthly inspection for our rental vehicles. We also maintain mandatory and additional commercial insurance against liabilities resulting from accidents involving our rental vehicles, some of which were due to our customers' improper operation of the vehicle.

We have implemented and will continue to improve a series of measures to curb customer violations of traffic rules, including increasing the deposit amount, highlighting to customers the default clause in our rental agreement relating to penalties for customer violation of traffic rules at the time of pick-up, and maintaining a blacklist of customers who, based on our records, had frequently committed traffic violations. Our enhanced measures to curb customer violation of traffic rules have helped reduce the number of our suspended vehicles from 11,601 as of September 30, 2013 to 6,439 as of December 31, 2013 and further to 2,107 as of March 31, 2014 and 662 as of June 30, 2014.

In addition, as part of our cash management policy to manage the excess cash generated from operation, we have invested in certain financial products issued by PRC commercial banks to achieve higher interest income. We carefully balance our need for interest income and the risks associated with financial products by investing in simple financial products with principal-protection investment strategies issued by reputable financial institutions. Our senior management, including our CEO, is involved in these investment decisions. When making such investment decisions, our senior management consider various factors, including our cash position, the structure, risks and investment focus of the financial products, and the reputation and track record of the financial institutions issuing the financial products. In addition, our senior management periodically review our investment strategies and investment portfolios to ensure they achieve our investment objective. Our treasury department evaluates the investment strategy and analyze the nature of financial products before they propose an investment plan in financial products for our senior management's consideration, and our legal department is in charge of reviewing and negotiating investment contracts for financial products. The approval of the head of our treasury department is required for any such investment in the amount of less than RMB10 million and the approval of our CEO is required for any such investment in the amount of more than RMB10 million. In addition, after taking into account of cash needs for our operation in the normal course of business, we only use the excess cash generated from our operation for our investment in financial products.

We have established comprehensive corporate internal control policies, which mandate the designation of qualified personnel to monitor and evaluate the effectiveness of our internal control and risk management measures, the accuracy and completeness of our financial information, as well as the efficiency and results of our operational activities. Our internal control personnel implements our internal control policies pursuant to the principles of compliance, independence, objectivity and fairness. We intend to continuously enhance our internal oversight mechanism, strengthen our internal control management and overall improve our operational efficiency. We have an Audit and Compliance Committee, the primary duties of which are to assist our Board by providing an independent view of the effectiveness of our financial reporting process, internal control and risk management systems, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. See "Directors and Senior Management — Board Committees — Audit and Compliance Committee" for details of qualification and experiences of the committee members.

Licenses and Permits

Our Directors, as advised by our PRC legal advisor, confirm that, during the Track Record Period and as of the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects and had obtained all material licenses, approvals and permits from relevant PRC authorities for our operations in China, except as disclosed elsewhere in this prospectus.

The principal licenses and permits required to conduct our business in China primarily include:

- for our car rental business, the Qualification Certificate for Car Rental Operations (汽車租賃經營資格證書), the Filing Certificate for Car Rental Operations (汽車租賃經營備案證), or the Road Transportation License (道路運輸經營許可證);

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- for our vehicle repair and maintenance services, the Road Transportation License (道路運輸經營許可證), and in some cities, the Automobile Repair License (機動車維修經營許可證);
- for our used car disposition business, filing with MOFCOM as a business that disposes of used cars (二手車經營主體備案); and
- for our franchising activities, filing with MOFCOM as a business that operates commercial franchises (特許經營主體備案).

We have a large amount of subsidiaries and branches for which we have obtained the requisite licenses and permits. Some of our material permits and licenses have a fixed term and are subject to periodic renewal, such as the Road Transportation License, which has a fixed term ranging from one year to four years depending on the location. Our legal compliance personnel are responsible for monitoring the validity status of our permits and licenses, and preparing timely applications for renewal of the relevant permits and licenses. As of June 30, 2014, all of our major licenses and permits as disclosed above were in effect.

We currently do not expect any material impediment in timely renewing our material permits and licenses as they expire, if applicable.

For more information about the laws and regulations that we are subject to in the PRC, please see “Regulations.”

Legal Proceedings and Compliance

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. We are not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceeding that, in the opinion of our management, is likely to have a material and adverse effect on our business, financial condition or results of operations, nor have we experienced any incident of non-compliance which, in the opinion of our Directors, is likely to materially and adversely affect our business, financial condition or results of operations.

As of the Latest Practicable Date, none of our Directors or senior management was involved in any material litigation, arbitration or administrative proceeding.

During the Track Record Period and the subsequent period up to the Latest Practicable Date, we had complied with applicable PRC laws and regulations in all material respects and were not subject to any material administrative proceedings or penalties for any non-compliance under PRC law. During the Track Record Period, we had the following non-compliance incidents:

Entity or vehicle registration or filings

Our subsidiaries and branches may be subject to various local regulations and rules that require either the subsidiaries or branches, or the vehicles registered under the subsidiaries’ or branches’ names, to be filed or registered with certain transportation authorities for providing transportation service. These regulations and rules in general precede the emergence of China’s car rental industry, differ from region to region, and in the opinion of our PRC legal advisor, Han Kun Law Offices, are not consistently applied to the car rental industry by transportation authorities in different locations.

We have registered or made filings for, or are in the process of registering or making filings for, our subsidiaries, branches or vehicles, as applicable, where the local transportation authority deems car rental companies subject to such regulations and rules, including in our key markets such as Beijing and Guangzhou. As of the May 31, 2014, we had attempted to register or file with the relevant transportation authorities for 1 of 6 subsidiaries and 38 of 265 branches that engage in car rental business and approximately 4,000 of our over 55,000 vehicles, but were unable to do so because the authorities did not deem such regulations and rules applicable to our subsidiaries, branches or vehicles. However, it remains possible that the relevant transportation authorities in one or more locations may change their views and practice with respect to the applicability of such regulations and rules, in which case we may be deemed to have failed to make the required registrations or filings and such deemed failure may constitute non-compliance. The

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potential legal penalties for such non-compliance incidents generally include administrative warnings and fines typically ranging from RMB1,000 to RMB3,000 in some locations to RMB30,000 to RMB100,000 in other locations. In a number of locations, potential legal penalties also include suspension of operation, confiscation of illegal gains or additional fines calculated based on illegal gains. In certain locations, the local rules and regulations do not specify the amount of penalties. During the Track Record period and as of the Latest Practicable Date, we had not received any administrative or legal penalties for our failure to register or file pursuant to such regulations and rules. The Company estimates, after consultation with its PRC legal advisor, that in the remote scenario where all of the aforementioned subsidiary and branches are found by local authorities to have failed to make the required registration or filings, the Company could be subject to fines ranging from RMB150,000 to RMB400,000.

Given the ambiguity in the applicability of such regulations and rules, the inconsistent interpretation and enforcement by transportation authorities in different locations, the absence of administrative or legal penalties in our experience, and the fact that no single or limited number of locations are material to our operations in light of our significant number of operating locations, our Directors are of the view that the absences of registrations or filings pursuant to such regulations and rules in a limited number of locations do not constitute material non-compliance incidents for us. We intend to continuously monitor, in locations where we operate, the transportation authorities' practice with respect to the applicability of such regulations and rules. We follow up with the relevant local government agencies on a regular basis to obtain updates and additional information on required applications or filings, if any. Once we learn of any development that would provide certainty on the applicability of such regulations and rules on us, we would promptly make the required applications or filings to comply with the registration and filing requirements.

Sale and auction of used cars

One of our subsidiaries, Shanghai China Auto Used Car Dealing Co., Ltd ("Shanghai Shenzhou"), had engaged in used cars bidding and auction business without the requisite approval from or filed registration with competent PRC government authorities. Pursuant to the PRC laws and regulations, entities engaging in bidding and auction activities without requisite license may be subject to (a) confiscation of illegal proceeds and fines that equal to one to five times of the illegal proceeds, or (b) be ordered to cease operations. However, Shanghai Shenzhou did not charge any commission for, nor receive any proceeds from, its bidding and auction services, because all the used cars disposed of through Shanghai Shenzhou were our used rental vehicles. Therefore, as advised by our PRC legal advisor, Han Kun Law Offices, we will not be subject to confiscation of illegal gains or fines for Shanghai Shenzhou's bidding and auction services. Our non-compliance with respect to the license requirement for sale and auction of used cars was mainly due to our interpretation that such license requirement would not be applicable to us as (i) we only sold and auctioned our own used cars instead of third party's used cars and (ii) we did not charge any commission for, nor receive any proceeds from such activities. Shanghai Shenzhou has suspended its auction and bidding activities, and has set up a subsidiary, which has obtained appropriate licenses and qualifications for used cars bidding and auction business.

Competition

The car rental industry in China is competitive and fragmented. We believe the key competitive factors in this industry include, among other things, fleet size, network coverage, operational efficiency, brand recognition, pricing, product variety, and service quality. As a car rental company with national presence, we compete with car rental companies in various markets in China. Please see "Industry Overview" for more detailed discussion on our competition.

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This section summarizes the principal PRC laws and regulations currently in effect that are relevant to our business and operations.

Corporate laws and industry catalogue relating to foreign investment

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC, or the Company Law, effective in 1994 and amended in 1999, 2004, 2005 and 2013. The Company Law is applicable to our PRC subsidiaries unless PRC laws on foreign investment stipulate otherwise.

The establishment, approval, registered capital requirement and day-to-day operational matters of wholly foreign-owned enterprises, such as Lianhui Auto (Langfang) Co., Ltd., Shanghai China Auto Used Car Dealing Co., Ltd., Haike Leasing (Beijing) Limited, Haike Leasing (Fujian) Limited and Haoke Leasing (Shanghai) Limited, are regulated by the Wholly Foreign-Owned Enterprise Law of the PRC, effective in 1986 and amended in 2000, and the Implementation Rules of the Wholly Foreign-owned Enterprise Law of the PRC, effective in 1990 and amended in 2001 and 2014.

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, promulgated and amended from time to time by MOFCOM and the NDRC. The Catalogue divides industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally permitted to receive foreign investment unless specifically restricted by other PRC regulations.

Establishment of wholly foreign-owned enterprises is generally permitted in encouraged and permitted industries. Certain restricted industries are limited to equity or contractual joint ventures, while in some cases PRC partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects may also be subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category.

Foreign investment in car rental and financial leasing business

Foreign investment in the car rental business is permitted since car rental business is not listed on the Catalogue. In addition, the Administration Measures on Foreign Investment in Rental Industry, or the Measures, promulgated by MOFCOM on February 3, 2005 and effective on March 5, 2005, apply to FIEs that operate rental or financial leasing businesses. The rental and financing leasing businesses are primarily regulated by MOFCOM and its local counterparts. Under the Measures, foreign investors that intend to establish FIEs to engage in rental or financial leasing businesses must have total assets of not less than US\$5 million and the foreign-invested rental company must follow the general requirements of the Company Law and obtain an approval from MOFCOM or its relevant local counterparts for incorporation. A foreign-invested rental company must satisfy the following conditions: (i) the registered capital shall satisfy the requirements on the registered capital as provided in the Company Law; (ii) the duration of the operation of a foreign-invested rental company in the form of a limited liability company generally may not exceed 30 years; and (iii) a foreign-invested rental company shall comply with the requirements on the registered capital and total investment amount applied to the foreign-invested company. A foreign-invested financial leasing company must satisfy the following conditions: (i) the registered capital shall not be less than US\$10 million; (ii) the duration of the operation of a foreign-invested financial leasing company in the form of a limited liability company generally may not exceed 30 years; and (iii) a foreign-invested financial leasing company must be staffed by appropriate professionals and its senior management personnel shall possess the appropriate professional qualifications and not less than three years of experience in the business. Under the Measures, the establishment of FIEs operating rental businesses must be approved by the branch of MOFCOM at the provincial level while the establishment of FIEs operating financial leasing businesses must be approved by central MOFCOM. In February 2009, MOFCOM issued a notice to authorize provincial branches of MOFCOM to approve the establishment and changes of the foreign invested financial leasing companies with total investment amount up to US\$50 million. In July 2013, MOFCOM issued a circular to

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set forth certain procedures for the inspection and administration of foreign invested financial leasing companies. In September 2013, MOFCOM issued the Administration Measures of Supervision on Financial Leasing Enterprises, or the Leasing Measures, to further strengthen and administer the business operation of financial leasing companies.

According to the Measures, foreign-invested financial leasing companies may conduct the following businesses: (i) financial leasing; (ii) rental; (iii) asset acquisitions and leasebacks inside or outside China; (iv) maintenance of assets underlying the leases and disposal of the residual value of assets underlying the leases; (v) lease transaction consultancy and security services; and (vi) other businesses approved by MOFCOM. Under the Measures, a “financial leasing business” is defined as a business in which a lessor, based on a lessee’s selection of seller and leased asset, purchases the asset underlying the lease from a seller, makes the leased asset available to the lessee for use and collects rental payments from the lessee. Foreign-invested financial leasing companies may operate their financial leasing business through various means, such as direct leases, sub-leases, sale-leasebacks, leveraged leases, entrusted leases and joint leases.

Pursuant to the Leasing Measures, the amount of total risky assets (total assets less cash, bank deposits, PRC treasury securities and entrusted lease assets) of a foreign-invested financial leasing company shall not exceed ten times the amount of its net assets.

The Measures further require that foreign-invested financial leasing companies shall submit a report on their business operations and audited financial statements of the past year to MOFCOM for filing purposes before March 31 of each year.

Domestic investment of foreign-invested enterprises

The Ministry of Foreign Trade and Economic Cooperation, the predecessor of MOFCOM, and the State Administration of Industry and Commerce, or SAIC, jointly promulgated the Interim Provisions on the Domestic Investment of Foreign-Invested Enterprises, or the Investment Provisions, on July 25, 2000, which became effective from September 1, 2000. The Investment Provisions apply to investments in the PRC by foreign-invested enterprises established in the PRC, or FIEs, including sino-foreign equity joint ventures, sino-foreign cooperative joint ventures and wholly foreign-owned enterprises, by means of establishing an enterprise in China or purchasing the equity interest of an existing enterprise in China. According to the Investment Provisions, investments made by FIEs must comply with PRC laws and regulations, and in particular the Catalogue. Under the Investment Provisions, (i) FIEs may not invest in any prohibited industries, (ii) in the event that an FIE invests in any encouraged or permitted industry to establish a company, the FIE only needs to file an application with the company registration authority of the locale in which the company to be incorporated by the FIE is located; and (iii) in the event an FIE intends to invest in a restricted industry, or any company incorporated by the FIE intends to change its business scope to engage in a restricted industry, the FIE must file an application with and obtain the approval from the relevant branch of MOFCOM at the provincial level at the place where the investee company is located before filing an application with the competent company registration authority.

CAR Beijing is indirectly owned by us through Lianhui Langfang and Beijing China Auto Changtong Used Car Dealing Co., Ltd. is indirectly owned by us through Shanghai China Auto Used Car Dealing Co., Ltd. Both Lianhui Langfang and Shanghai China Auto Used Car Co., Ltd. are wholly foreign-invested enterprises, thus CAR Beijing and Beijing China Auto Changtong Used Car Dealing Co., Ltd. are enterprises invested by FIEs. CAR Beijing has been operating a car rental business, which is a permitted industry, since its establishment, and therefore no approval with respect to the investment by Lianhui Langfang in CAR Beijing from the provincial branch of MOFCOM is required. In addition, CAR Beijing obtained an approval from the Beijing branch of MOFCOM in April 2011 to add financial leasing business into its business scope. The used car business of Beijing China Auto Changtong Used Car Dealing Co., Ltd. falls into the permitted industry, therefore no approval with respect to the investment by Shanghai China Auto Used Car Dealing Co., Ltd. in this company from the provincial branch of MOFCOM is required.

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Regulations relating to enterprises engaging in car rental business

General regulations on automotive vehicles

Regulations applicable to the automotive vehicles generally apply to rental vehicles as well. According to the Road Traffic Safety Law promulgated by the Nation People's Congress Standing Committee in October 2003 and amended in 2007 and 2011, or Road Traffic Safety Law, all automotive vehicles must be registered with relevant local administration authorities. Vehicle registration certificates, vehicle license plates and vehicle licenses must be obtained from the same authorities, and compulsory traffic accident insurance must be purchased for each vehicle. According to the Provisions on the Registration of Motor Vehicles promulgated by the Ministry of Public Security, or MPS, in September 2012, or the Registration Provisions, the owner of a motor vehicle shall register his/her title to such motor vehicle and apply for a driver's license with the motor vehicle authority. In addition, the creation, alteration, transfer or termination of the title of any motor vehicle may not challenge any bona fide third party if it is not registered with the competent governmental authority pursuant to Real Rights Law adopted by National People's Congress in 2007.

Regulations on limitation of use and purchase of automotive vehicles

Governmental authorities in certain cities of China issued local regulations in order to control traffic and reduce the number of automobiles in those cities. For example, Beijing governmental authorities jointly adopted the Interim Provisions on Adjusting and Controlling the Quantity of Cars of Beijing and its implementing rules in December 2010 to limit the total number of license plates issued to new automobile purchases in Beijing each year. The implementing rules were amended in December 2011 and November 2013. Guangzhou governmental authorities also announced similar regulations, which came into effect in July 2012. There are similar policies that restrict the issuance of new passenger car plates in Shanghai, Tianjin, Hangzhou and Guiyang.

In addition, some cities in China such as Beijing, Shanghai, Nanchang, Chengdu, Guiyang, Hangzhou, Changchun, Lanzhou, Guangzhou and Tianjin also implemented traffic control measures banning cars with certain license plate numbers from traveling on road on certain days in these cities from time to time. For instance, according to the Circular on Rotation of Tail Number Plate of No-Driving Vehicles adopted by Beijing Municipal People's Government in March 2014, it is decided to divide all the tail plate numbers of no-driving vehicles in regional rush hours on working days from April 11, 2014 to April 10, 2015, into five groups. It is forbidden to drive the no-driving vehicles with restricted tail plate within five rings road (excluding the fifth ring road) during 7:00 am to 20:00 pm each workday, and the vehicles with the other cities' license plate shall also be subject to such restrictions. There are similar policies relating to traffic control in Shanghai, Nanchang, Chengdu, Guiyang, Hangzhou, Changchun, Lanzhou, Guangzhou and Tianjin.

Regulations on car rental business

As the car rental industry is at an early stage of development in China, regulations governing it continue to evolve. The Ministry of Transport, or MOT, and the National Planning Committee, the predecessor of NDRC, promulgated the Interim Rules on Administration of Car Rental Industry in 1998, which were abolished in 2007. Since then, there have been no national laws and regulations in place to specifically regulate the car rental industry in China until the Circular on Promoting the Health Development of Car Rental Industry promulgated by MOT in April 2011, which sets forth guidelines for the car rental industry, including, among others, encouraging large car rental enterprises to establish a national or regional car rental network.

According to the April 2011 MOT circular, local government authorities are required by the MOT to (i) promulgate local rules and regulations to improve and develop the regulatory environment of the car rental industry, (ii) promptly bring forth local development plans for the car rental industry, (iii) encourage large and reputable car rental companies with sound management to set up branches and establish national or regional networks, and provide simplified branch office registration process and better service for companies with a fleet of more than 1,000 cars, (iv) enhance the administration and management of the car rental

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industry, including requirements to obtain and carry a valid permit or license for each rental car, and prohibitions of car rental companies from engaging in road passenger transportation services without having the requisite business license for these services, (v) encourage car rental companies to develop various types of services through advanced technologies, (vi) create a favorable development environment for car rental companies, and (vii) enhance the administration of the car rental industry.

The car rental industry is primarily regulated by government authorities at local levels, where regulatory requirements on operating entities and vehicles vary from one locale to another.

Set forth below is a summary of local rules and regulatory requirements in different provinces and cities in China regarding the provision of car rental services.

- Some provinces and cities do not have any specific local rules regulating car rental services and we are unaware of the operation of car rental businesses being prohibited or restricted by local rules or regulations in these provinces or cities.
- Some local authorities have promulgated local rules specifically regulating car rental business. For example, the relevant local authority in Beijing has promulgated specific local rules for car rental operations, such as requiring car rental service providers in Beijing to file with the local transportation authority before commencing business and make subsequent filings with the authorities for any changes in the number of vehicles for rental and other related matters; while local authorities in cities such as Shanghai, Dalian and Shijiazhuang require car rental service providers to obtain road transportation permits before registering with local counterpart of SAIC and commencing business. Some of PRC subsidiaries have obtained road transportation permits or completed registration for their car rental business, while other PRC subsidiaries are still in the process of applying for such permits and registration.
- With respect to cars used for rental services, some provinces and cities do not have specific local rules, while others impose additional licensing and filing requirements. In many provinces and cities, the “nature of use” stated in the vehicle license must be registered as rental or commercial. Some provinces and cities require special additional licenses or vehicle license plates for rental vehicles. For instance, in some areas, such as Fujian Province, Hubei Province, Anhui Province, Jiangxi Province, Sichuan Province, Ningxia Autonomous Region, Suzhou, Shanghai, Dalian, Kunming and Changchun, a road transportation license or a rental vehicle operation license is required for each rental car; in some areas, such as Shanghai, Shenyang, Anshan and Wuxi, special vehicle license plates must be obtained for rental cars, and in some areas, such as Beijing, Guangzhou, Shijiazhuang and Chongqing, each rental car shall be filed with relevant local authority. Our PRC subsidiaries are in the process of applying for the aforementioned licenses and fulfilling the required filing procedures for our rental vehicles. However, since we own and operate a massive number of rental vehicles and some of the local requirements are not well implemented by the local administration authorities, we may not be able to obtain license and complete filing for each of our rental vehicles in a timely manner.
- Some local authorities, such as those in Shanghai and Nanchang, have promulgated local rules requiring that, if a rental vehicle does not carry a local license plate, it may not be used for rental services where the pick-up place and drop-off place are both within that city. The failure to comply with this requirement may result in being subject to fines ranging from RMB5,000 to RMB10,000.
- Further, some local authorities have promulgated rules or practical guidelines, such as those in Beijing, Chongqing, Xi’an, Kunming, Xiamen, Guangdong Province and Hubei Province, requiring that the owner of a rental car and the entity engaged in car rental services must be the same entity. If we were found to violate these local rules or practical guidelines, we may be subject to fines ranging from RMB500 to five times of illegal income generated from such activities, and our road transportation licenses may even be revoked if our noncompliance activities are found to be “serious.” Since we provide nationwide car rental services with car fleet

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deployed and moved across our nationwide network across China, and we offer one-way rentals to our customers, whereby a customer may rent a car from one city and return it to a service hub located in another city, certain local governments may find our car rental services in violation of these or the above local rules and regulations from time to time.

Local practices differ and the implementation of the local rules and regulations are still under development by local government agencies. Some of the above requirements are not strictly enforced or may be modified or suspended by the local administration authorities, for example, local government authorities of certain cities do not issue permits or process registration for our car rental business or our rental vehicles although there exist local regulations requiring such permits or registration. As a result, we have from time to time failed to comply with all of the above requirements, which may subject us to fines and other penalties. See “Risk factors — Risks Related to Our Business and Industry — Our PRC subsidiaries may have engaged in business activities without the necessary approvals from or registration with local authorities. This could subject us to fines or other penalties that may negatively impact our results of operations or interfere with our ability to operate our business.”

Regulations on chauffeured services

A large number of provinces and cities, such as Beijing, Shanghai, Chongqing, Shijiazhuang, Kunming, Shenyang, Dalian, Anshan, Harbin, Xiamen, Nanchang, Jiangsu Province, Zhejiang Province, Shaanxi Province, Shanxi Province, Shandong Province, Sichuan Province, Guizhou Province, Jilin Province, Hubei Province and Hunan Province, have promulgated local road transportation regulations, which generally provide that the business scope of car rental services shall not include chauffeured services. Moreover, certain of these regulations explicitly restrict a car rental company from directly providing chauffeured services concurrently with short-term car rental services.

Given the above restrictions, we connected our short-term rental customers who request chauffeured services with Yongche, an independent third party providing chauffeured services during our cooperation relationship with Yongche from May 2013 to August 2014. For our long-term rental customers requesting chauffeured services, we provide them with chauffeured service through Shanghai Taichang Auto Driving Service Co., Ltd., our PRC subsidiary who possesses the license to provide chauffeured service. See “Risk factors — Risks Related to Our Business and Industry — Our PRC subsidiaries may have engaged in business activities without the necessary approvals from or registration with local authorities. This could subject us to fines or other penalties that may negatively impact our results of operations or interfere with our ability to operate our business.”

Regulations on penalties for violation of traffic laws and regulations

According to the Road Traffic Safety Law and its implementing rules, the driver of the vehicle shall be subject to legal penalties and demerits, on cumulative basis, imposed by the competent traffic administrative department in connection with his/her conviction of traffic offenses, and in case that the driver of the vehicle cannot be identified or the driver refuses to accept the penalties and demerits, the competent traffic administrative department may impose the penalties on the owner of the vehicle. Further, according to the Registration Provisions, every vehicle shall be subject to periodic inspection, and such inspection can only be passed after the traffic accidents on such vehicle have been settled, the related fines have been paid up and penalty points have been deducted on the driver’s license in relation to any violation of traffic laws and regulations.

Regulations on operating parking facilities

On October 3, 1988, the MPS and Ministry of Construction jointly promulgated an Interim Rules on the Construction and Administration of Parking Facilities, which provides several general principles on the construction and operation of the parking facilities. Currently, operation of parking facilities is mainly subject to local regulations that impose various requirements on entities engaged in operating parking facilities, and

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such regulatory requirements vary across locales. For example, the Beijing Municipal People's Government promulgated the Rules on the Administration of Public Parking facilities of Automobiles on March 28, 2001, under which a company that operates public parking facilities must file with the appropriate local authority and comply with the requirements for the operation of public parking facilities.

Laws and regulations on sales and auction of used cars

In March 2006, MOFCOM issued the Used Cars Trading Standards, which sets forth detailed criteria and requirements for the purchase, sale, dealing, auction, evaluation, trading and post-sale services in respect of used cars. The Used Cars Trading Standards requires that each operator of used cars must carry out business within its business scope. Pursuant to the Administrative Measures on the Trading of Used Cars, or the Used Cars Measures, jointly issued by MOFCOM, SAIC, the State Administration of Taxation, or SAT, and MPS, and became effective on October 1, 2005, the distribution of used cars refers to the purchase and sale of used cars by qualified distributors, and the dealership of used cars refers to the brokering and dealing activities by qualified dealers with the aim to procure successful trading of used cars between other parties and collecting commissions. A distributor or dealer of used cars shall first be registered with the local counterpart of SAIC and obtain a business license with the business scope of used cars distribution or dealing, and file with MOFCOM's local counterpart at provincial level for record within two months after obtaining such business license. In case of used car distributors or dealers with foreign investment, such distributors or dealers shall first be approved by MOFCOM or its local counterparts at provincial level, and be registered with local counterparts of SAIC. The Used Cars Measures set forth various requirements for the sales of used cars, in particular, the sellers and distributors shall own the title to, or otherwise have the right to dispose of, the used cars sold by them, and when selling used cars, the distributors are required to make public their quality warranty and after-sales covenants to the buyers.

Pursuant to the Used Cars Measures and the Auction Law of the PRC, an enterprise engaging in the bidding and auction of used cars shall satisfy various criteria, such as having registered capital of at least RMB1 million and having appropriate professionals among whom at least one should be the auction master. The auction activities shall be carried out by the auction master with qualification certificate. To engage in the bidding and auction business, domestic auctioneers shall first be verified and authorized by the auction administration department of the people's government at provincial level, and subsequently registered with the local counterparts of SAIC, while the auctioneers with foreign investment shall directly obtain approval from MOFCOM and register with the local counterparts of SAIC. The Used Cars Trading Standards further provide that online auction refers to the activities of posting auction information, specifications and pictures of the used cars via the Internet, and transferring the title of the used cars, through online public bidding and off-line transaction, to the bidders who offer the highest price. The Used Cars Trading Standards require the online auctioneers to post the colored pictures and required auction information on the Internet for not less than 7 days. Entities engaging in auction business without approval and registration may be ordered to cease business and face monetary penalties.

We dispose of our rental vehicles of certain age to end users, dealers and franchisees primarily through online bidding and auction platforms, with offline auction companies and other offline sales as supplemental channels. Our PRC subsidiaries have obtained appropriate licenses to provide bidding and auction services, as well as used car dealing and sale activities.

Regulations on the filing of lease agreements

The Ministry of Housing and Urban-Rural Development issued the Administrative Measures for Commodity Housing Tenancy on December 1, 2010, which took effect from February 1, 2011. Pursuant to such administrative measures, the parties to a lease agreement shall file such lease agreement with the local housing authority within 30 days after the signing of such lease agreement. Failure to file a lease agreement with the local housing authority may subject the lessor and the lessee to fines of up to RMB10,000 each. For information on legal deficiencies in our leases, please see "Business — Properties — Leased Properties."

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Regulations on automobile repair and maintenance services

Our automobile repair and maintenance business is generally subject to the Regulations on the Administration of Automobile Maintenance and Repair, or Automobile Repair Regulations, promulgated by the MOT on June 24, 2005, which became effective on August 1, 2005, and the Regulations of the People's Republic of China on Road Transport, or Road Transportation Regulations, promulgated by the State Council on April 30, 2004, which became effective on July 1, 2004 and as amended on November 9, 2012.

Under the Automobile Repair Regulations, an operator is required to have suitable facilities, equipment and technical personnel in order to operate an automobile repair and maintenance business. In addition, an operator shall implement quality management systems and safety procedures, provide training to its technical personnel, maintain proper automobile repair and maintenance records and archives, and ensure that there are sufficient safeguards for environmental protection.

Under the Road Transportation Regulations, an operator shall file an application with the local counterpart of the MOT and obtain a road transport license, or Road Transport License, prior to providing automobile repair and maintenance services. Violation of the Road Transportation Regulations may result in fines and suspension of business operations against the operator, and criminal liability may be imposed upon a person who is held directly responsible for the violation. To successfully renew the Road Transport License, an applicant shall: (i) have the necessary site to repair automobiles; (ii) possess necessary equipment, facilities and employees; (iii) have adopted sound administrative rules on repairing automobiles; and (iv) have adopted necessary environmental protection measures.

Further, our automobile repair and maintenance business is also regulated by local government authorities of the provinces and cities where such business is operated. Various local regulations set forth the qualifications for the operating companies and detailed requirements for the repair and maintenance business, which may vary from one locale to another.

Regulations on registration of branch companies

According to the Company Law and the amended Administration Regulations of Company Registration, which became effective on March 1, 2014, a company may establish branch companies, which are entities without legal person status, to conduct business outside the domicile of such company. Branch companies must be registered at the competent government authorities and obtain a business license. The amended Administration Regulations of Company Registration set forth detailed procedures for the registration of branch companies.

As of the Latest Practicable Date, our PRC subsidiaries have registered a total of 265 branch companies and obtained a business license for each of them. As of June 30, 2014, we had 233 service stores and 484 car pick-up points. We have registered all of our stores and service hubs that have active business operation and met all other regulatory requirements for subsidiaries and branch companies as our subsidiaries or branch companies with competent local authorities. As we quickly expand our operations, we may need to register additional branch companies from time to time. However, whether a service store or pick-up point will be deemed as having business nature or otherwise be required for branch company registration is subject to the sole discretion of the government authorities. Because of the discretionary nature of regulatory enforcement in the PRC, we cannot assure you that the governmental authorities will take the same view with us on whether a service store or pick up point is required or qualified to be registered as a branch company, for example, government authorities may deem that some of our pick-up points are of business nature and shall be required to be registered as a branch company, while some other of our stores or pick up points do not satisfy the regulatory requirements for branch companies, and thus can neither be registered as a branch office nor continue the current operation. If the government authorities find that we fail to complete branch company registration for any of our service stores and pick-up points or otherwise violate the regulations on branch companies, we may be subject to penalties, including fines, confiscation of income, or being ordered to cease business, which may substantially inhibit our ability to operate our business. See "Risk factors —

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Risks related to our business and industry — Our PRC subsidiaries may have engaged in business activities without the necessary approvals from or registration with local authorities. This could subject us to fines or other penalties that may negatively impact our results of operations or interfere with our ability to operate our business.”

Regulations on financial leasing

On October 22, 2004, MOFCOM and SAT, jointly issued the Notice on Issues Concerning the Operation of Financial Leasing Business, or the Leasing Notice. Pursuant to the Leasing Notice, financial leasing companies may not engage in the following activities: (i) accepting savings or irregular savings; (ii) providing the lessee working capital loans or other loans under the lease; (iii) investing in the securities of financial institutions; (iv) interbank lending business and (v) other financial business without the approval of the China Banking Regulatory Commission. On September 18, 2013, MOFCOM issued the Leasing Measures, pursuant to which, financial leasing companies may carry out financial leasing businesses in such forms as direct lease, sublease, sale-and-lease-back, leveraged lease, entrusted lease and joint lease, and the risk assets of a financial leasing companies shall not exceed ten times of its total net assets. A financial leasing company shall not engage in: (i) such financial businesses as deposit taking, loan issuing, and loan issuing on commission, (ii) illegal fund-raising activities in the name of financial leasing, and (iii) inter-bank borrowing and other businesses without the approval from relevant authorities. Further, under the Leasing Measures, financial leasing companies shall (i) prepare and report the numerical statements and brief descriptions about the business conditions of last quarter within 15 business days after the end of each quarter (ii) prepare and report the numerical statements and descriptions about the business conditions of last year, and submit and report the financial statements of the last fiscal year (including the notes) audited by an accounting firm by April 30 of each year.

In addition, the PRC Contract Law promulgated on March 15, 1999 sets mandatory rules about financial leasing contracts. Under the PRC Contract Law, financial leasing contracts must be in writing and include terms such as the name of the parties, quantity, specifications, technical performance and inspection method of the leased asset, the lease term, the composition of the rental, payment term, payment method and rental currency and specify ownership of the leased asset upon expiration of the lease. Under financial leasing contracts, the lessor will enter into and conclude a purchase and sale contract with the seller of the leased assets designated by the lessee based on the lessee’s selection of the seller and the leased asset, and the seller will deliver the leased asset to the lessee as agreed. The lessee has the rights of a buyer when taking delivery of the leased asset. Without the consent of the lessee, the lessor may not modify relevant particulars related to the lessee of the purchase contract which has been entered into based on the lessee’s selection of the seller and the leased asset. The lessee must take due care of the leased asset and use it properly and must maintain and repair the leased asset while it is in his or her possession. The lessor is not liable for bodily injury or damage to the property of a third party caused by the leased asset while it is in the possession of the lessee. However, the lessor retains ownership of the leased asset. If the lessee becomes bankrupt, the leased asset does not become part of the property available for distribution in the bankruptcy. If the leased asset fails to meet the requirements stipulated by the parties or is not fit for the purpose for which it is to be used, the lessor is not liable unless the lessee selected the leased asset in reliance on the technical ability of the lessor or the lessor interfered in the selection of the leased asset. The lessor and the lessee may stipulate which party will own the leased asset upon expiration of the lease. If no stipulation is made or such stipulation is unclear, or if ownership cannot be determined in accordance with the PRC Contract Law, the lessor will retain ownership of the leased asset. If the parties have stipulated that the lessee will own the leased asset upon expiration of the lease and the lessee has already paid most of the lease payment but is unable to pay the balance, then in the event of the lessor terminating the contract and repossessing the leased asset on those grounds, the lessee may demand a partial refund if the value of the leased asset repossessed exceeds the rent and any other expenses owed by the lessee.

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Regulations on commercial franchising

Pursuant to the Regulations on the Administration of Commercial Franchising, or the Franchising Regulations, which took effect on May 1, 2007, commercial franchising refers to the business activities where a franchisor, being an enterprise possessing registered trademarks, corporate logos, patents, proprietary technology or other business resources, licenses its business resources to the franchisees, being other business operators, through contracts, and the franchisees carry out business operation under the uniform business model and pay franchising fees to the franchisor pursuant to the contracts. The Franchising Regulations set forth a number of prerequisite requirements for the franchisors, including the possession of a mature business model, the capability to provide business guidance, technical support and business training to the franchisees, and the ownership of at least two director stores all of which shall have been in operation for at least one year in China. The Franchising Regulations also set forth a number of requirements governing the franchise agreements, for example, the franchisors and franchisees are required to enter into franchising agreements containing certain required terms, and the franchise term thereunder shall not be less than three years unless agreed by the franchisee.

Pursuant to the Administrative Measures on the Filing of the Commercial Franchise, which took effect on February 1, 2012, and the Franchising Regulations, within 15 days after executing the first franchise agreement, the franchisors shall file with the MOFCOM or its local counterparts for record, and if there occurs any change to the franchisee network and franchisee stores throughout China, the franchisor shall file such change to MOFCOM for the record within 30 days after the occurrence of the change. Further, within the first quarter of each year, the franchisors shall report the execution, renewal, termination and revocation of the franchise agreements occurred in the last year to MOFCOM or its local counterparts. Further, the franchisors are required to implement information disclosure system. The Administrative Measures on the Information Disclosure of Commercial Franchising, which took effect on April 1, 2012, provides a list of information that the franchisors shall disclose to the franchisees in writing at least 30 days before execution of the franchising agreements, and if there is any material change to the disclosed information, the franchisor shall notify the franchisees in a timely manner. Any failure to comply with the aforementioned requirement may result in fines ranging from RMB10,000 to RMB500,000.

We started to employ franchise arrangement in December 31, 2013. As of June 30, 2013, Our franchise network covers a total of 162 small cities and we have entered into franchise agreements with a total of 159 franchisees to provide rental services through 202 franchised service locations in these cities. We recently completed initial filing with MOFCOM with respect to a franchise agreement in a number of provinces. We are in the process of filing with MOFCOM for the remainder of our franchise arrangements throughout China. Thereafter, within the first quarter of each year, we will be obligated to report the execution, renewal, termination and revocation of the franchise agreements occurred in the last year throughout China to MOFCOM or its local counterparts. If MOFCOM finds any of our franchising activities in violation of PRC laws and regulations, it may impose administrative penalties against us.

Tort law

The PRC Tort Law was promulgated by the NPC Standing Committee and became effective on July 1, 2010. The PRC Tort Law provides that, in the event of death or serious personal injuries caused by a defective product, the entity that manufactured and distributed the defective product may be subject to punitive damages if it was clearly aware of the defect. Further, according to the PRC Tort Law, when the driver of a rental car who is not the owner of the vehicle is held liable for a traffic accident, liability will first be covered by the insurance company providing the compulsory traffic accident insurance of the vehicle, and the driver shall be responsible for the portion not covered by the compulsory traffic accident insurance. The vehicle owner is not liable unless the owner has fault in such accident. However, if a company provides chauffeured services and the chauffeur is an employee or contracted driver of the company who is held liable for traffic accident while providing chauffeured services, liability will first be covered by the compulsory traffic accident insurance on the vehicle, and then by the company providing chauffeured services if the insurance coverage is not sufficient. See “Risk factors — Risks Related to Our Business and Industry — We face risks related to liabilities resulting from the use of our vehicles by our customers.”

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Regulations on labor matters

We are subject to laws and regulations governing our relationship with our employees, including wage and hour requirements, working and safety conditions, and social insurance, housing funds and other welfare. The compliance with these laws and regulations may require substantial resources.

The PRC Labor Law which became effective on January 1, 1995 and amended on August 27, 2009, the Labor Contract Law of the People's Republic of China, which became effective on January 1, 2008 and was amended on December 28, 2012, and its Implementing Regulation, which became effective on September 18, 2008, permit workers in both state owned and private enterprises in the PRC to bargain collectively. The PRC Labor Law and the PRC Labor Contract Law provide for collective contracts to be developed through collaboration between the labor union (or worker representatives in the absence of a union) and management that specify such matters as working conditions, wage scales, and hours of work. The laws also permit workers and employers in all types of enterprises to sign individual contracts, which are to be drawn up in accordance with the collective contract. The PRC Labor Contract Law and its Implementing Regulation impose certain requirements with respect to human resources management, including, among other things, signing labor contracts with employees, terminating labor contracts, paying remuneration and compensation and making social insurance contributions. In addition, the PRC Labor Contract Law requires employers to provide remuneration packages that meet the relevant local minimum standards. The PRC Labor Contract Law has enhanced rights for the nation's workers, including permitting open-ended labor contracts and severance payments. The legislation requires employers to provide written contracts to their workers, restricts the use of temporary labor and makes it harder for employers to lay off employees. It also requires that employees with fixed-term contracts be entitled to an indefinite-term contract after a fixed-term contract is renewed twice or the employee has worked for the employer for a consecutive ten-year period.

Under applicable PRC laws, rules and regulations, including the Social Insurance Law promulgated by the Standing Committee of the National People's Congress and effective as of July 1, 2011, the Rules on Implementing the Social Insurance Law issued by Ministry of Human Resource and Social Security and effective as of July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds promulgated by the State Council and effective as of January 22, 1999, the Interim Measures Concerning Maternity Insurance promulgated by the Ministry of Labor and effective as of January 1, 1995, the Regulations on Occupational Injury Insurance promulgated by the State Council and effective as of January 1, 2004 and amended on December 20, 2010, and the Regulations on the Administration of Housing Funds promulgated by the State Council and effective as of April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to remediate on payments within a stipulated time period.

We did not make adequate employee benefit payments as required under applicable PRC labor laws until December 31, 2011, and as of such date, accruals for the underpaid amounts as recorded were RMB9.2 million. Our failure to make contributions to various employee benefit plans and comply with applicable PRC labor related laws may subject us to late payment penalties or fines. We may also be ordered to pay up the cumulative amount of the under-contributed social insurance, housing fund and other employee benefits. See "Risk factors — Risks Related to Our Business and Industry — Our failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties."

The Ministry of Human Resources and Social Security promulgated the Interim Provisions on Labor Dispatch on January 26, 2014. The Interim Provisions on Labor Dispatch, which became effective on March 1, 2014, sets forth that labor dispatch should only be applicable to temporary, auxiliary or substitute positions, or the Three-Nature Requirements. Temporary positions shall mean positions subsisting for no more than six months, auxiliary positions shall mean positions of non-major business that serve positions of major businesses, and substitute positions shall mean positions that can be held by substitute employees for a certain period of time during which the employees who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. The Interim Provisions further provides that,

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(i) the number of the dispatched workers of an employer shall not exceed 10% of its total workforce, and the total workforce of an employer shall refer to the sum of the number of the workers who have executed labor contracts with the employer and the number of workers who are dispatched to the employer, (ii) if the staffing company has not established any branch in the region where the employer is located, the employer shall, on behalf of the staffing company, handle the formalities to effect social insurance for the dispatched workers and contribute social insurance premiums. As of June 30, 2014, approximately 25.2% of our staff were dispatched workers employed and dispatched to us by third party staffing companies. Most of these dispatched workers work as contract drivers for our long-term rental customers or customer service clerk of call center or vehicle repair workers, the nature of which are not temporary, auxiliary or substitute as required by Interim Provisions. Our failure to comply with the Three-Nature Requirements of Interim Provisions may subject us to warning and result in us being ordered to correct our noncompliance activities by competent department of human resources within a prescribed time limit, and if we fail to do so, we may be subject to a fine ranging from RMB5,000 to RMB10,000 per dispatched worker. Furthermore, we may even be held jointly and severally liable with the staffing company for compensation if such violation has caused damage to dispatched laborers. However, the Interim Provisions allow employers which already had dispatched workers exceeding 10% of its workforce before the implementation of the Interim Provisions, a two-year period for correction and adjustment of employment arrangements. Therefore, we are in the process of adjusting our employment arrangements to comply with the Interim Provisions. In addition, under the current labor dispatch service agreements between us and third party staffing companies, we, as the entity receiving labor dispatch services, shall make a monthly lump-sum payment in an amount that reflects the dispatched workers' salaries, social insurance contributions and our service fees to relevant third party staffing companies. Under the labor dispatch service agreement between us and Qiancheng Network Information Technology (Shanghai) Co., Ltd., or 51 Job, if 51 Job has provided welfare benefits such as social insurance to dispatched workers according to our requirements, we shall be responsible for solving disputes with dispatched workers regarding the same, and 51 Job shall provide assistance to us.

Regulations on auto insurance

Compulsory auto liability insurance

According to the Road Traffic Safety Law, traffic accident insurance must be purchased for each vehicle. Pursuant to relevant provisions of the Regulation on Compulsory Auto Liability Insurance, or the Insurance Regulation, effective as of July 1, 2006 and amended on December 17, 2012, the owner or manager of a motor vehicle operating on the roads within the PRC must apply for the compulsory traffic accident liability insurance for motor vehicles in accordance with the provisions of the Road Traffic Safety Law, and the insurance company must make indemnity payments within liability limit to all victims, other than persons in the insured vehicle, for death, personal injury or property losses suffered in a road traffic accident involving the insured motor vehicle.

The limits of liability for compulsory traffic accident insurance for motor vehicles are standardized throughout the PRC and are classified into the limit of indemnity for death, injury or disability, the limit of indemnity for medical expenses, the limit of indemnity for property losses and the limit of no-fault indemnity of the insured in a road traffic accident.

Regulations on intellectual property rights

China has adopted legislation governing intellectual property rights, including trademarks, copyrights and domain names. China is a signatory to the major international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

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Copyrights

Under the Copyright Law of the People's Republic of China, adopted in 1990 and revised in 2001 and 2010, or the Copyright Law, and its related Implementing Regulations adopted in 2002 and amended in 2011 and 2013, creators of protected works enjoy personal and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation and related activities. The term of a copyright, other than the rights of authorship, alteration and integrity of an author, which is unlimited in time, is life plus 50 years for individual authors and 50 years for corporations. In consideration of the social benefits and costs of copyrights, China balances copyright protections with limitations that permit certain uses, such as for private study, research, personal entertainment and teaching, without compensation to the author or prior authorization.

According to the Copyright Law, an infringer will be subject to various civil liabilities, which include cessation of the infringement and apologizing to and compensating the actual loss suffered by the copyright owner. If the actual loss of the copyright owner is difficult to calculate, the income received by the infringer as a result of the infringement will be deemed as the actual loss or if such illegal income is also difficult to calculate, the court can decide the amount of the actual loss up to RMB500,000.

Trademarks

The PRC Trademark Law, adopted in 1982 and revised in 1993, 2001 and 2013, protects registered trademarks. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark that has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark must not prejudice the existing right of others obtained by priority, nor may any person register in advance a trademark that has already been used by another person and has already gained a "sufficient degree of reputation" through that person's use. After receiving an application, the PRC Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. During the three months after this public announcement, any person entitled to prior rights and any interested party may file an objection against the trademark. The PRC Trademark Office's decisions on rejection, objection or cancellation of an application may be appealed to the PRC Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings. If no objection is filed within three months after the public announcement or if the objection has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, at which point the trademark is deemed to be registered and will be effective for a renewable ten-year period, unless otherwise revoked.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Implementing Rules on Registration of Domain Names issued by CNNIC on May 28, 2012, which became effective on May 29, 2012, the Measures on Administration of Domain Names for the Chinese Internet, issued by the MIIT on November 5, 2004 and effective as of December 20, 2004, and the Measures on Domain Name Disputes Resolution for the Chinese Internet issued by CNNIC on May 28, 2012 and effective as of June 28, 2012. Domain Name registrations are handled through domain name service agencies established under the relevant regulations, and the applications become domain name holders upon successful registration.

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Regulations on foreign exchange

Pursuant to the Regulations on the Administration of Foreign Exchange issued by the State Council, effective from 1996 and amended in January 1997 and August 2008, Renminbi is freely convertible for current account items, such as sale or purchase of goods, which are generally not subject to PRC governmental control or restrictions. Certain organizations in the PRC, including foreign-invested enterprises, may purchase, sell and/or remit foreign currencies at certain banks authorized to conduct foreign exchange business upon providing valid commercial documents. However, for capital account items, such as direct investments, loans, repatriation of investments and investment in securities outside of PRC, the prior approval of the State Administration of Foreign Exchange, or SAFE, or its local counterparts, is required. In May 2013, SAFE promulgated Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors, or Circular 21, which provides for and simplifies the operational steps and regulations on foreign exchange matters related to direct investment by foreign investors, including foreign exchange registration, account opening and use, receipt and payment of funds, and settlement and sales of foreign exchange. Though there are restrictions on the convertibility of Renminbi for capital account items, which principally include investments and loans, we generally follow the regulations and apply to obtain the approval of SAFE and other relevant PRC government authorities. However, we may not be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to provide loans or capital contributions to our PRC subsidiaries and our PRC affiliated entity may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Pursuant to the Interim Provisions on the Administration on Foreign Debts jointly promulgated by NDRC, the Ministry of Finance and SAFE on January 8, 2003 and other relevant rules and regulations issued by SAFE, loans by foreign entities or individuals to any FIE to finance its activities cannot exceed statutory limits, being the difference between the registered capital and the investment amount of the FIE as approved by MOFCOM, and must be registered with SAFE or its local counterparts.

On August 29, 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 142. Circular 142 requires that the registered capital of a FIE converted into RMB from foreign currencies be only utilized for purposes within its business scope. For example, such converted amounts may not be used for investments in or acquisitions of other companies, which can inhibit the ability of companies to consummate such transactions. In addition, SAFE strengthened its oversight of the flow and use of the registered capital of FIEs settled in RMB converted from foreign currencies. The use of such RMB capital may not be changed without SAFE's approval, and may not in any case be used to repay RMB loans if the proceeds of such loans have not been utilized. Violations may result in severe penalties, such as heavy fines. Furthermore, SAFE promulgated a circular on November 9, 2010, or Circular 59, which tightens the regulation over settlement of net proceeds from overseas offerings, such as this offering, and requires that the settlement of net proceeds must be consistent with the description in this prospectus for the offering. SAFE further promulgated the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses, or Circular 45, on November 9, 2011, which expressly prohibits foreign-invested enterprises from using the registered capital settled in Renminbi converted from foreign currencies to grant loans through entrustment arrangements with a bank, repay inter-company loans or repay bank loans that have been transferred to a third party. Circular 142, Circular 59 and Circular 45 may limit our ability to transfer the net proceeds from this offering to our PRC subsidiary and convert the net proceeds into RMB, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Regulations on dividend distribution

The principal regulations governing the distribution of dividends by wholly foreign-owned enterprises include: the Company Law, the Wholly Foreign-Owned Enterprise Law of the PRC, the Implementation Rules of the Wholly Foreign-Owned Enterprise Law of the PRC, and the New EIT Law and its implementation rules, both effective in 2008.

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Under these regulations, wholly foreign-owned enterprises in China may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise in China is required to set aside at least 10% of its after-tax profit, as calculated using PRC accounting standards, each year to its general reserves until its cumulative total reserve funds reaches 50% of its registered capital. The board of directors of a wholly foreign-owned enterprise has the discretion to allocate a portion of its after-tax profits to its employee welfare and bonus funds. These reserve funds, however, may not be distributed as cash dividends. Under the New EIT Law and its implementation rules, dividends payable by a foreign-invested enterprise in the PRC to its foreign investor who is a non-PRC resident enterprise will be subject to a 10% PRC withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a lower PRC income tax rate.

Regulations on foreign exchange registration of offshore investment by PRC residents

SAFE issued a public notice named Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (including its appendixes), or Circular 37, effective on July 4, 2014, which replaced the previous Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or Circular 75. Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. Such offshore entity being referred to as a offshore special purpose vehicle. In addition, such PRC residents must update their foreign exchange registrations with SAFE when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Regulations on employee stock option plans

On December 25, 2006, PBOC promulgated the Administrative Measures for Individual Foreign Exchange. On January 5, 2007, SAFE issued the Implementation Rules of the Administrative Measures for Individual Foreign Exchange, or the Individual Foreign Exchange Rules, which, among other things, specify registration requirements for a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. On February 15, 2012, SAFE promulgated Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in the Share Incentive Schemes of Overseas-Listed Companies, or Circular 7, which terminated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plan or Stock Option Plan of Overseas Publicly-Listed Company issued by SAFE in March 2007.

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Under the SAFE regulations, in particular, Circular 7, all PRC residents who participate in an employee stock incentive plan or stock option plan of an overseas publicly-listed company are required, through the PRC subsidiary of the overseas publicly-listed company, to jointly entrust a PRC agent to handle foreign exchange registration with SAFE or its local counterpart and complete certain procedures relating to the share incentive schemes such as opening account and capital transfer. PRC residents include PRC nationals or foreign citizens having been consecutively residing in PRC for not less than one year, acting as directors, supervisors, senior management personnel or other employees of PRC companies affiliated with such offshore listed company. A PRC agent could be a PRC subsidiary of such overseas publicly-listed company participating in the share incentive scheme or another PRC institution qualified for asset trusteeship as designated by the PRC subsidiary and in accordance with PRC laws. The PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The foreign exchange proceeds received by the PRC residents from sale of shares under share incentive plans granted by the overseas publicly-listed company must be remitted to bank accounts in China opened by the PRC agents.

Further, a Notice Concerning Individual Income Tax on Earnings from Employee Stock Options, jointly issued by the Ministry of Finance and SAT, provides that domestic companies that implement employee share option programs must file the employee share option plans and other relevant documents with local tax authorities having jurisdiction over the companies before implementing such plans, and must file share option exercise notices and other relevant documents with local tax authorities before exercise by their employees of any share options.

Regulations on overseas listing

On August 8, 2006, six PRC regulatory agencies, including MOFCOM, SASAC, SAT, SAIC, CSRC, and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006, and were amended on June 22, 2009 by MOFCOM. The M&A Rules, among other things, purport to require offshore special purpose vehicles that are controlled directly or indirectly by PRC companies or individuals and that have been formed for the purpose of seeking a public listing of their interest in PRC companies on an overseas stock exchange through acquisitions to obtain CSRC approval prior to publicly list their securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles. The interpretation and application of the regulations remain unclear, and this offering may ultimately require approval from CSRC, and if it does, it is uncertain how long it will take us to obtain the approval. If CSRC approval is required for this offering, our failure to obtain or delay in obtaining CSRC approval for this offering would subject us to sanctions imposed by CSRC and other PRC regulatory agencies, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, results of operations and financial condition.

Our PRC legal advisor, Han Kun Law Offices, has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to CSRC for the approval of the listing and trading of our Offer Shares on the HKSE Main Board because, (i) CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation, and (ii) our wholly-owned PRC subsidiaries were established by means of foreign direct investment, rather than through a merger or acquisition of the equity interests or assets of a domestic company as defined under the M&A Rules, and it is not aware of any public record indicating that any of the issuers having offshore and onshore corporate structures similar to ours and already listed on an offshore stock exchange has been required by CSRC to procure the approval of CSRC prior to their listings. However, the relevant PRC government agencies, including CSRC, may not reach the same conclusion as that of our PRC legal advisor.

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PRC enterprise income tax law and individual income tax law

On March 16, 2007, the National People's Congress, the PRC legislature, enacted the PRC Enterprise Income Tax Law, or the New EIT Law, and its implementing rules, both of which became effective on January 1, 2008. Under the New EIT Law, enterprises are classified as either resident enterprises or non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25%. An enterprise established outside of the PRC with a "de facto management body" located within the PRC is considered a "PRC resident enterprise," meaning that it can be treated in a manner similar to a Chinese domestic enterprise for PRC enterprise income tax purposes. The implementing rules of the New EIT Law define de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. The Notice regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the basis of De facto Management Bodies issued by SAT on April 22, 2009, or Circular 82, provides that a foreign enterprise controlled by a PRC enterprise or a PRC enterprise group will be classified as a "PRC resident enterprise" with a "de facto management body" located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC.

Due to the lack of applicable legal precedents, it remains unclear how the PRC tax authorities will determine the PRC tax resident treatment of a foreign company like us because we are currently not controlled by PRC enterprise or PRC enterprise groups and therefore Circular 82 does not apply to us directly. However, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. We currently do not believe that we or our Hong Kong subsidiaries are a PRC resident enterprise because we do not believe that we or our Hong Kong subsidiary meet all of the conditions above but there is no assurance in this regard. If the PRC tax authorities determine that we are a "PRC resident enterprise" for PRC enterprise income tax purposes, a number of PRC tax consequences could follow. We would be subject to the PRC enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations.

The New EIT Law and its implementation rules provide that an income tax rate of 10% will normally be withheld from dividends payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC and unless an applicable tax treaty provides otherwise. Such investors are also subject to 10% income tax on PRC-source gains, subject to the provisions of any applicable tax treaty. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors are subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. The State Council of the PRC or a tax treaty between the PRC and the jurisdictions in which the non-PRC investors reside may reduce such income tax. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, dividends paid by a foreign-invested PRC enterprise to its direct holding company, which is considered a Hong Kong tax resident and is determined by competent PRC tax authority to have satisfied relevant requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws, will be subject to withholding tax at the rate of 5%. Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC government and governments of other countries or regions is subject to approval of the relevant tax authority. Based on the Notice on Certain Issues with respect to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009 by SAT, or Circular 81, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to

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a structure or arrangement without business substance, such PRC tax authorities may adjust or deny the tax treaty benefits. Further, based on the Circular on How to Interpret and Recognize the “Beneficial Owners” in Tax Treaties, or Circular 601, issued on October 27, 2009 by SAT, “conduit companies,” which are established for the purpose of avoiding or reducing tax or transferring or accumulating profits, may not be recognized as “beneficial owners” and thus may not be entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

On January 9, 2009, SAT promulgated the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises, or the Measures, pursuant to which, the entities which have the direct obligation to make certain payments to a non-PRC resident enterprise are responsible to withhold the tax. Such payments include income from equity investments (including dividends and other returns on investment), interest, rents, royalties, and income from the assignment of property as well as other income subject to enterprise income tax received by non-PRC resident enterprise in China. Further, the Measures provides that in the case of an equity transfer between two non-PRC resident enterprises which occurs outside China, the non-PRC resident enterprise which receives the equity transfer payment must, by itself or through an agent, file a tax declaration with the PRC tax authority located at place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred must assist the tax authorities in collecting taxes from the relevant non-PRC resident enterprise. On April 30, 2009, the Ministry of Finance and SAT jointly issued the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. On December 10, 2009, SAT issued the Notice on Strengthening the Management on the Enterprise Income Tax for Non-Resident Enterprises Equity Transfers, or Circular 698. Both Circular 59 and Circular 698 became effective retroactively on January 1, 2008. By promulgating and implementing these two circulars, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-PRC resident enterprise. Under Circular 698, if a non-resident enterprise indirectly transfers the equity interests of a PRC resident enterprise by transferring the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the transferring nonresident enterprise shall report this Indirect Transfer to the competent PRC tax authority of the PRC resident enterprise. The PRC tax authority will apply the “substance over form” principle, and as a result may disregard the existence of the overseas holding company if such overseas holding company lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such an Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. Circular 698 also provides that where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. In addition, SAT released the SAT Public Notice (2011) No. 24, or SAT Public Notice 24, which took effect on April 1, 2011, to clarify several issues related to Circular 698. Under SAT Public Notice 24, the term “effective tax” refers to the effective tax on the gain derived from a disposition of any equity interests of an overseas holding company. There is uncertainty as to the application of Circular 698. While the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have broad jurisdiction over requests for information regarding foreign companies having remote contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal interpretation as to the procedures or format for reporting an Indirect Transfer. In addition, there have not been any formal declarations concerning how to determine whether a foreign investor has adopted an arrangement for the purpose of reducing, avoiding or deferring PRC tax.

Although it appears that Circular 698 was not intended to apply the purchase and sale of shares of publicly traded companies in the open market, the PRC tax authorities may determine that Circular 698 is applicable to our non-resident shareholders who acquired our shares outside of the open market and subsequently sell our shares in our private financing transactions or in the open market if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-resident investors or non-resident enterprise shareholders may be at risk of being taxed under

REGULATIONS

Circular 698 and may be required to expend valuable resources to comply with Circular 698 or to establish that we and our non-resident enterprise investors or non-resident enterprise shareholders should not be taxed under Circular 698, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' or such non-resident enterprise shareholders' investments in us.

Regulation on PRC business tax and VAT

Prior to January 1, 2012, pursuant to Provisional Regulation of China on Business Tax and its implementing rules, any entity or individual rendering services in the territory of PRC is generally subject to a business tax at the rate of 5% on the revenues generated from provision of such services. Since January 1, 2012, the PRC Ministry of Finance and the SAT have been implementing the VAT Pilot Program, which imposes VAT in lieu of business tax for certain industries in Shanghai, and since August 1, 2012, such Pilot Program has been expanded to and completed in other regions, including Beijing, Tianjin, Jiangsu, Zhejiang, Anhui, Fujian, Hubei, Guangdong, Xiamen and Shenzhen. On May 24, 2013, the Ministry of Finance and the SAT jointly issued the Circular on Tax Policies on the Nationwide Expansion of the Pilot Program for the Collection of Value Added Tax in Lieu of Business Tax in the Transportation Industry and Certain Modern Services Industries, or Circular 37, which expanded the Pilot Program nationwide as of August 1, 2013.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our History

Our Development

Our founder, Mr. Lu, founded CAR Beijing, through which we commenced our car rental business operations in September 2007. For further details of the background and relevant experience of our founder, who is also our chairman and chief executive officer, please refer to the section headed “Directors and Senior Management” in this prospectus. The source of funding used to finance our business when we were first established was primarily from our founder’s cash savings.

Since our establishment in 2007, we have rapidly become the market leader in China’s car rental industry in terms of fleet size, revenue, network coverage and brand awareness. We offer comprehensive car rental services including short-term rental, long-term rental and leasing.

The following table summarizes various key milestones in our development:

Year	Milestone
September 2007	CAR Beijing was founded.
August 2010	LC Fund III, L.P., through its indirect subsidiary Lianhui Langfang, invested approximately RMB14.5 million in CAR Beijing.
January and June 2011	Legend Holdings, through its indirect wholly-owned subsidiary Huaxia Auto Network, made a strategic investment in the amount of approximately RMB207.8 million in CAR Beijing.
January 2012	Grand Union became the largest shareholder of CARH upon acquiring 2,538 and 5,548 shares of CARH from LC Fund III, L.P. and Right Lane Limited, respectively. ⁽¹⁾
July and September 2012	Warburg Pincus XI, through Amber Gem, made an aggregate investment of US\$200 million in CARH in exchange for 86,094,268 Series A Preferred Shares.
May 2013	Hertz invested US\$100 million in CARH and contributed all of the equity interests in the Hertz Transferred Subsidiaries to CARH, in exchange for the US\$100 Million Convertible Note and the US\$36 Million Convertible Note, respectively.

(1) Legend Holdings holds interests in certain limited partners of Grand Union. Grand Union is controlled by a general partner, Grand Union Management Limited. Legend Holdings holds a 20% non-controlling interest in Grand Union Management Limited.

Corporate Developments Prior to the Corporate Reorganization

Prior to the Corporate Reorganization, we conducted our business through CAR Beijing, which directly or indirectly held all the equity interests of our Subsidiaries.

(1) *CAR Beijing*

CAR Beijing was established in September 2007 with a registered capital of RMB10 million. In August 2010, LC Fund III, L.P., through its indirect subsidiary Lianhui Langfang, invested approximately RMB14.5 million in CAR Beijing. In January and June 2011, Legend Holdings, through its wholly-owned subsidiary Huaxia Auto Network, made a strategic investment in the amount of approximately RMB207.8 million in CAR Beijing. Upon completion of such investment, Huaxia Auto Network held approximately 45.3% of the equity interests of CAR Beijing.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Through capital injection by the then existing and new shareholders, the registered share capital of CAR Beijing was increased to approximately RMB196.68 million in November 2010 and further increased to RMB215.29 million in June 2011.

(2) *Acquisition of Operating Subsidiaries*

Since the establishment of CAR Beijing and prior to the Corporate Reorganization, we acquired two companies in China from independent third parties through CAR Beijing as summarized below.

- In September 2010, we acquired 100% of the equity interests in Shanghai Shenzhou Huadong Auto Rental Co., Ltd for the consideration of RMB25.5 million, to expand our business in Shanghai and surrounding areas. Shanghai Shenzhou Huadong Auto Rental Co., Ltd primarily engages in the car rental business. The consideration was determined with reference to the valuation of the shares by a PRC asset appraisal firm. The acquisition was duly completed in September 2010.
- In April 2011, we acquired 100% of the equity interests in Beijing Beichen Auto Rental Co., Ltd for the consideration of approximately RMB54.73 million to strengthen our long-term rental business. Beijing Beichen Auto Rental Co., Ltd primarily engages in the car rental business. The consideration was determined with reference to the valuation of shares by a PRC asset appraisal firm. The acquisition was duly completed in April, 2011.

Each of the above acquisition has been properly and legally completed and settled and approvals from the relevant authorities have been obtained.

(3) *Establishment of Operating Subsidiaries*

Since the establishment of CAR Beijing and prior to the Corporate Reorganization, we established three wholly-owned operating subsidiaries in China through CAR Beijing. The table below summarizes the establishment of our principal subsidiaries:

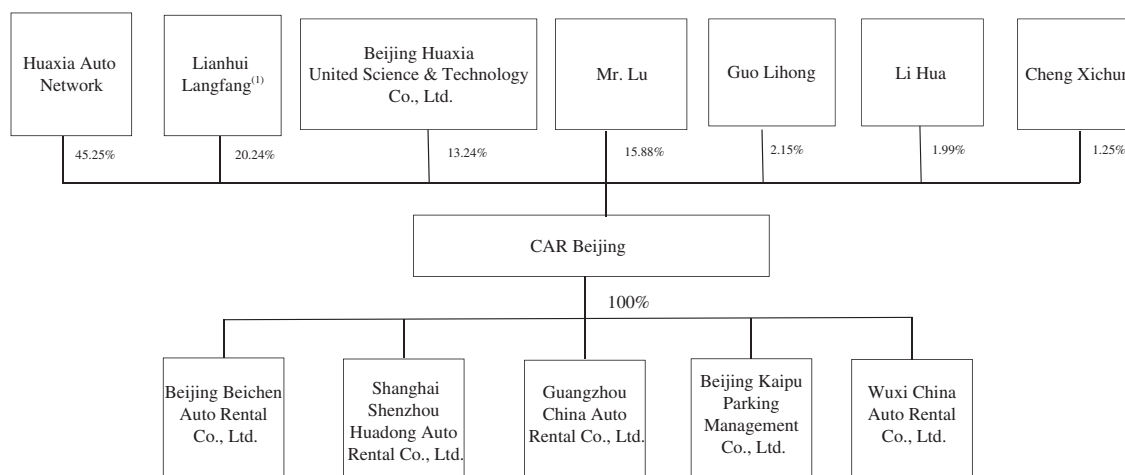
<u>Company Name</u>	<u>Date of Establishment</u>	<u>Registered Share Capital</u> (RMB)	<u>Principal Business</u>
Wuxi China Auto Rental Co., Ltd.....	October 2010	2,010,000	Auto rental
Beijing Kaipu Parking Management Co., Ltd....	October 2010	5,000,000	Parking facilities management
Guangzhou China Auto Rental Co., Ltd	April 2011	1,000,000	Auto rental

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Corporate Reorganization

Group Structure Immediately Prior to the Corporate Reorganization

The following chart sets forth our Group structure immediately prior to the Corporate Reorganization:



- (1) Prior to the Corporate Reorganization, Lianhui Langfang was a wholly-owned subsidiary of CAR Hong Kong which, in turn, is a wholly-owned subsidiary of LC Fund III, L.P.

Corporate Reorganization

In preparation for the Global Offering to avail ourselves of international capital markets and to maintain effective control over all our operations in PRC, we underwent a series of corporate reorganization transactions inside and outside China.

(1) Incorporation of CARH and Change of Name

On July 13, 2011, CARH was incorporated under the name of China Auto Rental Inc. as an exempted limited liability company under the laws of the Cayman Islands. As of the date of incorporation, CARH issued and allotted one ordinary share to the initial subscriber, which was transferred to Ms. Guo, the spouse of Mr. Lu on the same day. On the same day, CARH further issued and allotted 99 ordinary shares to Ms. Guo.

On January 13, 2012, CARH was renamed China Auto Rental Holdings Inc.

(2) Transfer of equity interests in CAR Beijing to Lianhui Langfang

In November 2011, all the shareholders of CAR Beijing other than Lianhui Langfang transferred all of their respective equity interests in CAR Beijing to Lianhui Langfang for a total cash consideration of RMB295 million. The consideration was determined with reference to the valuation of the shares by a PRC asset appraisal firm. Immediately following this transaction, Lianhui Langfang became the sole shareholder of CAR Beijing.

(3) Subscription of Shares of CARH

On December 14, 2011, Right Lane Limited, a wholly-owned subsidiary of Legend Holdings subscribed for 5,673 ordinary shares of CARH for a cash consideration of US\$5,673 at the par value of US\$1 per ordinary share.

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On the same day, Haode Group and Sky Sleek subscribed for 3,028 and 623 ordinary shares of CARH for a cash consideration of US\$3,028 and US\$623, respectively, at the par value of US\$1 per ordinary share. Haode Group, a BVI company, is wholly-owned by Lucky Milestone Limited, a Bahamas company, which in turn is ultimately wholly-owned by Cititrust Private Trust (Cayman) Limited, trustee of The Lu's Family Trust. The Lu's Family Trust is an irrevocable trust constituted under the laws of the Cayman Islands with Ms. Guo as the settler and certain family members of Mr. Lu as the beneficiaries. Sky Sleek is a BVI company wholly-owned by Ms. Guo.

In addition, on the same day, Mr. Boon Tiong Kum, Mr. Marc Chan and Mr. Hak Kan Pau subscribed for 157, 248 and 271 ordinary shares of CARH through Grand Joy, Amplewood and Qun Cheng Limited for a cash consideration of US\$157, US\$248 and US\$271, respectively, at the par value of US\$1 per ordinary share. Grand Joy, Amplewood and Qun Cheng Limited were all incorporated in the BVI and wholly-owned by Mr. Boon Tiong Kum, Mr. Marc Chan and Mr. Hak Kan Pau, respectively.

(4) *Repurchase of Shares of CARH*

On December 14, 2011, CARH repurchased 100 ordinary shares held by Ms. Guo for a cash consideration of US\$100.

(5) *Acquisition of CAR Hong Kong*

On December 15, 2011, LC Fund III, L.P. exchanged all of its shares in CAR Hong Kong for 2,538 ordinary shares in CARH. As a result, CARH became the sole shareholder of CAR Hong Kong which in turn holds 100% of the equity interests in Lianhui Langfang, which in turn holds 100% of the equity interests in CAR Beijing.

(6) *Transfer of Shares of CARH*

In January 2012, LC Fund III, L.P. transferred all of the 2,538 ordinary shares in CARH it held to Grand Union at nil consideration.

During the same period, Right Lane Limited transferred 5,548 ordinary shares in CARH to Grand Union at nil consideration, and 125 shares in CARH to Grandsun, a company wholly-owned by Ms. Yip Chi Yu, for a cash consideration of US\$467,023. The consideration was determined with reference to the valuation of the shares by a PRC asset appraisal firm.

Grand Union is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of Grand Union is Grand Union Management Limited, an exempted company incorporated under the laws of Cayman Islands. Grand Union Management Limited is a wholly owned subsidiary of LC Fund III GP Limited ("LC Fund III GP"). LC Fund III GP has 10 shareholders, none of whom holds 30% or more of its equity interest. LC Fund III GP was incorporated by its shareholders under the laws of the Cayman Islands in February 2006. It focuses on equity and equity-linked investment and manages several funds. LC Fund III, L.P., an investment fund set up by LC Fund III GP, has invested in a number of companies, some of which are already listed. Grand Union is one of the several funds that LC Fund III GP set up. In December 2011, LC Fund III GP incorporated Grand Union Management Limited under the laws of the Cayman Islands. In January 2012, Grand Union was established with Grand Union Management Limited as its general partner. As detailed above, in January 2012, Grand Union acquired 2,538 and 5,548 shares of CARH from LC Fund III, L.P. and Right Lane Limited, respectively and as such, became the largest shareholder of CARH.

The largest shareholder of LC Fund III GP is Mr. Zhu Linan ("Mr. Zhu"). Mr. Zhu directly holds 15% of the equity interest in LC Fund III GP and indirectly holds 10% of the equity interest in LC Fund III GP through his wholly owned subsidiary, Best Vessel Limited. Mr. Liu Erhai ("Mr. Liu") directly holds 5% equity interest in LC Fund III GP. For the background of Mr. Zhu and Mr. Liu, please refer to the section headed "Directors and Senior Management" in this prospectus. Other than Mr. Zhu and Mr. Liu, none of the shareholders of LC Fund III GP is also a Director, senior management or employee of the Group. The

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Company has confirmed that to the best of its information, knowledge and belief, (i) the shareholders of LC Fund III GP exercise their voting rights based on their respective equity interests in LC Fund III GP and have not entered into any voting rights arrangements; and (ii) save as disclosed in this prospectus, the shareholders of LC Fund III GP exercise their respective voting rights independently and do not act in concert.

(7) *CARH share split*

On February 24, 2012, CARH effected a share split, pursuant to which each ordinary share was subdivided into 20,000 ordinary shares, and the par value of the shares was changed from US\$1.0 per share to US\$0.00005 per share. Immediately after the share split, the authorized share capital of CARH became US\$260,000 divided into 5,000,000,000 ordinary shares of par value US\$0.00005 each and 200,000,000 Series A Preferred Shares of a par value US\$0.00005 each and the issued share capital became 250,760,000 ordinary shares of par value US\$0.00005 each.

(8) *Pre-IPO Investment by Amber Gem*

On July 18, 2012, CARH issued and allotted 43,047,134 Series A preferred Shares to Amber Gem for a cash consideration of US\$100 million. On September 26, 2012, CARH further issued and allotted 43,047,134 Series A preferred Shares to Amber Gem for a cash consideration of US\$100 million. Immediately prior to the completion of the Global Offering, the Series A Preferred Shares will be automatically converted into ordinary shares of CARH without the payment of any additional consideration. For further details on the terms of the investment by Amber Gem, see “Pre-IPO Investments — Pre-IPO Investment by Amber Gem.”

(9) *Pre-IPO Investment by Hertz*

On May 1, 2013, Hertz Holdings acquired a total number of 34,437,707 ordinary shares of CARH from Haode Group, Sky Sleek, Grand Joy, Qun Cheng Limited and Grand Union for a total cash consideration of US\$100 million. On the same day, CARH issued and delivered to Hertz Holdings the US\$100 Million Convertible Note against the payment of US\$100 million in cash by Hertz to CARH and the US\$36 Million Convertible Note in exchange for all of the equity interests in the Hertz Transferred Subsidiaries. On December 13, 2013, Hertz Holdings assigned and transferred the Convertible Notes and the benefit of the Shareholders’ Agreement to HNLH, an affiliate of Hertz Holdings, acting in its capacity as (i) the sole general partner of, and for the account and risk of Stuurgroep Holding C.V. and (ii) the holder of a power of attorney granted by Hertz International Ltd., with effect from November 30, 2013. For further details on the terms of the investment by Hertz, see “Pre-IPO Investments — Pre-IPO Investment by Hertz.”

(10) *Conversion of Convertible Notes and transfer of Ordinary Shares by HNLH*

On April 24, 2014, HNLH converted all the Convertible Notes into 36,589,746 ordinary shares of CARH.

Immediately after conversion of the Convertible Notes, HNLH transferred all 36,589,746 ordinary shares of CARH to Hertz Holdings. Upon completion of the transfer on April 24, 2014, Hertz Holdings held 71,027,453 ordinary shares of CARH.

(11) *Incorporation of our Company*

On April 25, 2014, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorized share capital of our Company is US\$260,000 divided into 5,200,000,000 ordinary shares of par value of US\$0.00005 each. As of the date of our incorporation, we issued one ordinary share to CARH as sole member of our Company.

On June 17, 2014, our Company changed its name from China Auto Rental Inc. to CAR Inc., which is its present name.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(12) *Incorporation of CAR Investment*

On April 30, 2014, our Company incorporated CAR Investment as a wholly-owned subsidiary.

(13) *Acquisition of the subsidiaries of CARH by CAR Investment*

On May 15, 2014, CAR Investment acquired 100% of issued share capital of CAR Hong Kong and other subsidiaries directly owned by CARH through the issue of new shares of CAR Hong Kong and such other subsidiaries to CAR Investment and repurchase by CAR Hong Kong and such other subsidiaries of all the shares held by CARH.

(14) *Issue of Shares of the Company*

On June 12, 2014, our Company further issued and allotted 373,444,013 Shares to CARH.

(15) *Pre-IPO Share Option Scheme*

On June 15, 2014, the Company adopted the 2014 Pre-IPO Share Option Scheme I and the 2014 Pre-IPO Share Option Scheme II. The 2014 Pre-IPO Share Option Scheme I was subsequently amended on July 30, 2014. 98,623,555 options have been granted to certain senior management and employees of the Company under the Pre-IPO Share Option Schemes and none of the share options granted under the Pre-IPO Share Option Schemes has been exercised by any grantee.

See “Statutory and General Information — D. Pre-IPO Share Option Schemes” in Appendix IV to this prospectus for details of the Pre-IPO Share Option Schemes.

(16) *Share Split*

On July 3, 2014, the Company effected a share split, pursuant to which each Ordinary Share was subdivided into 5 ordinary shares, and the par value of the Shares was changed from US\$0.00005 per Share to US\$0.00001 per Share. Immediately after the share split, the authorized share capital of the Company became US\$260,000 divided into 26,000,000,000 Ordinary Shares of par value of US\$0.00001 each and the issued share capital became 1,867,220,070 Shares of par value of US\$0.00001 each.

PRE-IPO Investments

Pre-IPO Investment by Amber Gem

(1) *Overview*

On July 1, 2012, CARH and our founder, among others, entered into the Series A Preferred Share Purchase Agreement with Amber Gem. Pursuant to the Series A Preferred Share Purchase Agreement, Amber Gem, subject to certain conditions, agreed to subscribe for a total of 86,094,268 Series A Preferred Shares in two tranches for an aggregate purchase price of US\$200 million. As a closing condition to the Series A Preferred Share Purchase Agreement, CARH and Amber Gem, among others, entered into the Shareholders’ Agreement on July 18, 2012, which was amended on August 29, 2012 and further amended and restated on May 1, 2013 in light of the Pre-IPO Investment by Hertz as detailed below.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(2) *Principal terms of the Pre-IPO Investment by Amber Gem*

The below table summarizes the principal terms of the Pre-IPO Investment by Amber Gem.

Name of Pre-IPO Investor	Amber Gem Holdings Limited
Date of closing of the investment..	Tranche 1 Series A Preferred Shares: July 18, 2012 Tranche 2 Series A Preferred Shares: September 26, 2012
Number of Series A Preferred Shares purchased	Tranche 1 Series A Preferred Shares: 43,047,134 Tranche 2 Series A Preferred Shares: 43,047,134
Amount of consideration paid.....	Tranche 1 Series A Preferred Shares: US\$100 million, which was paid on July 18, 2012. Tranche 2 Series A Preferred Shares: US\$100 million, which was paid on September 26, 2012.
Cost per Series A Preferred Share paid by Amber Gem	US\$2.3230, which, after adjustment as a result of the share split conducted by the Company, represents a discount of approximately 55.0% to the mid-point of the indicative Offer Price range of HK\$7.50 to HK\$8.50.
Basis of determination of the consideration	Based on arm's length negotiations between Amber Gem, CARH and our founder after taking into consideration the timing of the subscription and the illiquidity of the shares as a private company when the Series A Preferred Share Purchase Agreement was entered into.
Use of Proceeds	We utilized the proceeds for working capital, business expansion and other corporate purposes. As of the Latest Practicable Date, the net proceeds from the Pre-IPO Investment by Amber Gem had been fully utilized.
Shareholding in the Company held by Amber Gem upon Listing (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options).....	18.8%

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Conversion The Series A Preferred Shares are convertible at the then effective “Series A Conversion Price”, which shall initially be the issue price of the Series A Preferred Share, resulting in an initial conversion ratio for the Series A Preferred Shares of 1:1, and shall be subject to adjustment and readjustment from time to time as provided in the memorandum and articles of association of CARH. The Series A Preferred Shareholders shall have the rights described below with respect to the conversion of Series A Preferred Shares to ordinary shares of CARH:

- *Optional conversion.* Any Series A Preferred Share may, at the option of the holder thereof, be converted at any time into fully-paid and nonassessable ordinary shares of CARH based on the then effective Series A Conversion Price.
- *Automatic conversion.* Each Series A Preferred Share shall automatically be converted into ordinary shares upon (i) the closing of a Qualified IPO, or (ii) the written request to CARH made by the holders of a majority of the then issued and outstanding Series A Preferred Shares. The Global Offering is expected to be a Qualified IPO.

The conversion price of the Series A Preferred Shares is subject to customary adjustment events such as share splits and combinations, dividends and distribution, reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions and dilutive issuance, including, in the event of an issuance of new securities (other than certain excepted issuance, such as new securities issuance under employee share incentive schemes and global offering, etc) without consideration or for a consideration per share less than the Series A Conversion Price in effect immediately prior to such issuance, then the Series A Conversion Price shall be reduced, concurrently with such issuance, to a price determined by multiplying such Series A Conversion Price by a fraction, the numerator of which shall be the number of ordinary shares outstanding immediately prior to such issuance plus the number of ordinary shares which the aggregate consideration received by CARH for the total number of new securities so issued would purchase at such Series A Conversion Price in effect immediately prior to such issuance, and the denominator of which shall be the number of ordinary shares outstanding immediately prior to such issuance plus the number of such new securities so issued. For the purposes of the above calculation, the number of ordinary shares outstanding immediately prior to such issuance shall be calculated on an as-converted and issued and outstanding, as if all Series A Preferred Shares are converted (but excluding any options unexercised, restricted shares not vest and ungranted ordinary shares reserved for issuance under the CARH’s equity incentive plan).

Lock-up If required by the managing underwriters, the ordinary shares held by Amber Gem will be subject to lock-up for a maximum period of 180 days commencing on the date of this prospectus.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Special rights..... Series A Preferred Shares will be converted into ordinary shares of CARH immediately before the completion of the Global Offering. Together with such conversion, the following special rights, which have been granted to the holder of Series A Preferred Shares, will be terminated.

- *Right of first refusal.* If any holder of ordinary shares (the “Transferor”) proposes to sell any of its equity securities of CARH (the “Offered Shares”), other than in connection with and as part of a Qualified IPO or a drag-along sale, the Series A Preferred Shareholder, subject to the right of first offer of Hertz Holdings, has an option to purchase all or any portion of its respective pro rata share of the Offered Shares set out in the transfer notice given by the Transferor.
- *Right of co-sale.* If the Series A Preferred Shareholder does not exercise its right of first refusal as to the Offered Shares, it has the right to participate in such sale of equity securities on the same terms and conditions as specified in the transfer notice given by the Transferor.
- *Preemptive right.* The Series A Preferred Shareholder has a preemptive right to purchase up to its pro rata share of any new securities (other than certain excepted issuance, such as new securities issuance under employee share incentive schemes and global offering, etc) CARH may, from time to time, propose to sell or issue.
- *Information and inspection rights.* The Series A Preferred Shareholder has the right to receive the financial information, annual budgets, business plan and other information reasonably requested by it, as well as the right to visit CARH or our subsidiaries, examine our books and records and discuss affairs with the employees.
- *Board appointment right.* The Series A Preferred Shareholder is entitled to designate one director to the board of CARH. Upon the request of any member of the board of CARH, the board composition of the material subsidiaries shall be constituted in the same manner as the board of CARH.
- *Veto rights.*

Certain corporate actions of CARH require the approval of the holder of at least a majority of the Series A Preferred Shares. Other than certain exceptions, such actions include, among others:

- increase in the authorized share capital;
- authorization of new class of shares;

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- any change to the powers or restrictions of the ordinary shares or their equivalents;
- any reduction, subdivision, recapitalization, reorganization, reclassification, spin-off or other change to any of the securities of CARH or its subsidiaries or any of their share capital;
- issue of new securities;
- any change in the size of the board; and
- material acquisition, purchase, merger, amalgamation, consolidation, joint venture or other business combination acquisition.

Certain corporate actions of CARH require the unanimous prior written consents of all of the directors of the board. These matters include, among others:

- a trade sale;
 - material change in the nature or scope of the business of the group;
 - any liquidation, winding up, receivership or commencement of bankruptcy or similar proceeding with respect to CARH or its subsidiaries;
 - any (i) acquisition or purchase of any person or any capital stock or assets of any member of the group, (ii) sale of any member of the group or any capital stock or assets of any member of the group, or (iii) any merger, amalgamation, consolidation, joint venture investment or business combination outside of the PRC, Hong Kong and Taiwan involving a competitor; and
 - any material amendment of the memorandum, articles of association, the Shareholders Agreement and other constitutional documents or joint venture agreements or any other organizational documents of CARH or its subsidiaries.
- *Dividends preference.* No dividends will be declared or paid on any ordinary shares, unless and until a dividend in like amount is declared and paid on each outstanding Series A Preferred Share.

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- *Liquidation preference.* In the event of any liquidation, dissolution or winding up of CARH, after distribution in full of liquidation preference to the holder of Convertible Bonds (“First Liquidation Preference”) and before any distribution is made to the holders of any ordinary shares, the Series A Preferred Shareholder will be entitled to receive a liquidation preference (“Second Liquidation Preference”) equal to the sum of (a) one hundred percent (100%) of the original issue price of the Series A Preferred Shares, (b) an amount equal to interest on the original issue price of the Series A Preferred Shares for the period between the issuance dates for the relevant tranche of Series A Preferred Shares and the date when the Second Liquidation Preference for such a Series A Preferred Shareholder is actually paid to and received by its holder at a net internal rate of return of eight percent (8%) per annum, and (c) all declared but unpaid dividends thereon up until the date when the Second Liquidation Preference for such a Series A Preferred Shareholder is actually paid to and received by its holder, in each case above, proportionally adjusted for any share split, share dividends, combinations, recapitalizations or similar transactions.
- *Redemption rights.* The Series A Preferred Shareholder has the option to require CARH to redeem all or any part of the Series A Preferred Shares held thereby (i) upon the five (5) year anniversary of the original issuance date of the relevant tranche of the Series A Preferred Shares and if no Qualified IPO has occurred; or (ii) at such time as CARH reaches a pre-money market valuation of at least US\$1.5 billion, or meets the listing requirements of a qualified exchange, and the director designated by the Series A Preferred Shareholder votes in support of a public offering of the ordinary shares and the board or other ordinary shareholder vetoes such a potential Qualified IPO. The redemption price shall be equal to the sum of the issuance price, a net internal rate of return of eight percent per annum and all declared but unpaid dividends.

The Pre-IPO Investment by Amber Gem has no impact on the consolidated financial statements of the Group as Amber Gem invested in CARH instead of the Company.

(3) *Information regarding Amber Gem*

Amber Gem is a limited company established under the laws of the BVI and an affiliate of Warburg Pincus LLC. Warburg Pincus LLC is a global private equity firm. Prior to the Pre-IPO Investment, Amber Gem was an independent third party. The investment of Warburg Pincus LLP provided additional capital for our business expansion.

As Amber Gem will hold more than 10% of the total issued share capital of our Company immediately following the Global Offering, it will be a substantial shareholder of our Company upon Listing and hence a connected person of our Company. Accordingly, all shares held by Amber Gem shall not be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pre-IPO Investment by Hertz

(1) *Overview*

On April 15, 2013, CARH, Haode Group, Sky Sleek, Grand Joy, Qun Cheng Limited and Grand Union entered into the Investment Agreement with, amongst others, Hertz in connection with (i) the purchase by Hertz of 1,715,245, 1,715,246, 1,480,821, 5,420,000 and 24,106,395 ordinary shares of CARH from Haode Group, Sky Sleek, Grand Joy, Qun Cheng Limited and Grand Union, respectively, for a total consideration of US\$100 million; (ii) Hertz's investment of US\$100 million in CARH in exchange for the US\$100 Million Convertible Note; and (iii) Hertz's contribution of all of its equity interests in the Hertz Transferred Subsidiaries to CARH in exchange for the issuance by CARH of the US\$36 Million Convertible Note. Our PRC legal advisor has advised that a filing with MOFCOM pursuant to the PRC Anti-Monopoly Law was not required for the Pre-IPO Investment by Hertz.

The transfer of 34,437,707 ordinary shares of CARH to Hertz Holdings was completed on May 1, 2013. On the same day, CARH issued and delivered to Hertz Holdings (i) the US\$100 Million Convertible Note against the payment of US\$100 million in cash by Hertz to CARH and (ii) the US\$36 Million Convertible Note in exchange for all of the equity interests in the Hertz Transferred Subsidiaries.

On December 13, 2013, Hertz Holdings assigned and transferred the Convertible Notes and the benefit of the Shareholders' Agreement to HNLH, an affiliate of Hertz Holdings, acting in its capacity as (i) sole general partner of, and for the account and risk of Stuurgroep Holding C.V. and (ii) the holder of a power of attorney granted by Hertz International Ltd., with effect from November 30, 2013.

On April 24, 2014, HNLH converted all the Convertible Notes into 36,589,746 ordinary shares of CARH.

Immediately after conversion of the Convertible Notes, HNLH transferred all 36,589,746 ordinary shares of CARH to Hertz Holdings. Upon completion of the transfer on April 24, 2014, Hertz Holdings held 71,027,453 ordinary shares of CARH.

(2) *Principal terms of the Pre-IPO Investment by Hertz*

The following table summarizes the principal terms of the Pre-IPO Investment by Hertz.

Name of Pre-IPO Investor.....	Hertz Holdings
Date of closing of the investment	May 1, 2013
Principal terms of the purchase of the ordinary shares of CARH.....	<p>The following summarizes the principal terms of purchase of the ordinary shares of CARH by Hertz.</p> <ul style="list-style-type: none">• <i>Total number of ordinary shares purchased.</i> 34,437,707• <i>Amount of consideration.</i> US\$100 million, which was paid on May 1, 2013.• <i>Cost per ordinary share.</i> US\$2.9038, which, after adjustment as a result of the share split conducted by the company, represents a discount of approximately 43.7% to the mid-point of the indicative offer price range of HK\$7.50 to HK\$8.50.• <i>Lock-up.</i> If required by the managing underwriters, the ordinary shares purchased by Hertz will be subject to lock-up for a maximum period of 180 days commencing on the date of this prospectus.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Principal terms of the Convertible
Notes.....

The Convertible Notes contain the following principal terms.

- *Convertible Notes issued.* US\$100 Million Convertible Note and US\$36 Million Convertible Note

- *Consideration.*

US\$100 Million Convertible Note: US\$100 million

US\$36 Million Convertible Note: all of the equity interests in the Hertz Transferred Subsidiaries

- *Maturity Date.* The Convertible Notes shall mature on the eighteen-month anniversary of the Conversion Expiration Date.

Conversion Expiration Date means the earlier of (i) December 31, 2014 and (ii) ten calendar days after delivery of an IPO notice by CARH in accordance with the terms of the Convertible Notes.

- *Interest.* The interest payable on the Convertible Notes shall be (A) 2% per annum from the date of the note until the earlier of (i) the date of conversion of all of the outstanding principal amount of the note pursuant to the terms of the note or (ii) the close of business on the Conversion Expiration Date and (B) 8% per annum commencing on the day following the Conversion Expiration Date until the maturity date.

- *Mandatory Conversion.* On the Conversion Expiration Date, if any portion of the US\$36 Million Convertible Note shall be outstanding, all such outstanding principal amount shall convert into ordinary shares of CARH without further action or notice. The US\$100 Million Convertible Note does not contain such term.

- *Optional Conversion.* At any time from the date of the Convertible Notes until the close of business on the Conversion Expiration Date, the holder of the Convertible Notes may, in its sole discretion, convert all or a portion of the principal amount outstanding under the Convertible Notes into ordinary shares of CARH.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- *Conversion Price.* The conversion price is US\$3.7169 per share, which, after adjustment as a result of the share split conducted by the Company, represents a discount of approximately 28.0% to the mid-point of the indicative offer price range of HK\$7.50 to HK\$8.50. The conversion price is subject to customary adjustment events including share subdivision, combination, reclassification, recapitalization or other distribution payable in securities.

Shares issued pursuant to any conversion are subject to lock-up for a period of six months commencing on the date of this prospectus.

- *Voting rights.* Prior to the Conversion Expiration Date, for so long as any amount remains outstanding under the Convertible Notes, the holder shall be entitled to vote together with the holders of CARH's ordinary shares as a single class, on the basis of one vote per share of ordinary share into which the Convertible Notes are convertible as of the record date for such vote. On and after the Conversion Expiration Date, the holder shall not have any voting rights for any amount remaining outstanding under the Convertible Notes.

Basis of determination of
the consideration.....

The consideration was determined based on arm's length negotiations between CARH, Haode Group, Sky Sleek, Grand Joy, Qun Cheng Limited, Grand Union and Hertz after taking into consideration the timing of the subscription and the illiquidity of the shares as a private company when the agreement was entered into.

Use of Proceeds.....

We utilized the proceeds for working capital, business expansion and other corporate purposes. As of the Latest Practicable Date, the net proceeds from the Pre-IPO Investment by Hertz had been fully utilized.

Qualified IPO Commitment.....

To the extent permissible under the Hong Kong Listing Rules (or other relevant rules of any qualified exchange), Hertz agreed to invest an amount in the Qualified IPO at least equal to the lower of (a) US\$30 million or (b) 20% of the shares to be offered by CARH in the Qualified IPO.

The Global Offering is expected to be a Qualified IPO. Hertz Holdings has advised us that it intends to exercise its pre-existing contractual rights to subscribe in connection with the Global Offering at the Offer Price, for an additional number of Shares with an aggregate subscription amount up to US\$30 million, provided that such subscription amount shall not result in the shareholding percentage of Hertz Holdings in the Company to increase above its percentage interest immediately prior to the Global Offering. See "Subscription by Hertz Holdings" for details.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholding in the Company held by Hertz Holdings upon Listing (assuming the Hertz Subscription Amount of US\$30 million, an Offer Price of HK\$7.50, the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)

16.8%

Special rights.....

Hertz Holdings has been granted the following special rights, which will be terminated upon the completion of the Global Offering.

- *Right of first offer.* If any ordinary shareholder or Series A Preferred Shareholder (the “Transferor”) proposes to sell any of its equity securities of CARH (the “Offered Shares”), other than in connection with and as part of a Qualified IPO or a drag-along sale, Hertz Holdings has an option to purchase all or any portion of the Offered Shares.
- *Right of co-sale.* If the non-selling principal shareholders do not exercise its respective right of first refusal as to the Offered Shares, Hertz Holdings (only if it is not a party purchasing the Offered Shares) has the right to participate in such sale of equity securities on the same terms and conditions as specified in the transfer notice given by the Transferor.
- *Preemptive right.* Hertz Holdings has a preemptive right to purchase up to its pro rata share of any new securities (other than certain excepted issuance, such as new securities issuance under employee share incentive schemes and global offering, etc) CARH may, from time to time, propose to sell or issue.
- *Information and inspection rights.* Hertz Holdings has the right to receive the financial information, annual budgets, business plan and other information of CARH reasonably requested by it, as well as the right to visit CARH or its subsidiaries, examine the books and records and discuss affairs with the employees.
- *Board appointment right.* Hertz Holdings is entitled to designate one director to the board of CARH. Upon the request of any member of the board of CARH, the board composition of the material subsidiaries shall be constituted in the same manner as the board of CARH.
- *Veto rights.*

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Certain corporate actions of CARH require the approval of the holders of at least 77.5% of the outstanding ordinary shares (including any ordinary shares issuable upon conversion by Hertz Holdings in whole or in part of the Convertible Notes prior to the conversion expiration date). Other than certain exceptions, such actions include, among others:

- increase in the authorized share capital;
- authorization of new class of shares;
- any change to the powers or restrictions of the ordinary shares or their equivalents;
- any reduction, subdivision, recapitalization, reorganization, reclassification, spin-off or other change to any of the securities of CARH or its subsidiaries or any of their share capital;
- issue of new securities;
- any change in the size of the board; and
- material acquisition, purchase, merger, amalgamation, consolidation, joint venture or other business combination acquisition.

Certain corporate actions of CARH require the unanimous prior written consents of all of the directors of the board of CARH. These matters include, among others:

- a trade sale;
- material change in the nature or scope of the business of the group;
- any liquidation, winding up, receivership or commencement of bankruptcy or similar proceeding with respect to CARH or its subsidiaries;
- any (i) acquisition or purchase of any person or any capital stock or assets of any member of the group, (ii) sale of any member of the group or any capital stock or assets of any member of the group, or (iii) any merger, amalgamation, consolidation, joint venture investment or business combination outside of the PRC, Hong Kong and Taiwan involving a competitor; and
- any material amendment of the memorandum, articles of association, the Shareholders Agreement and other constitutional documents or joint venture agreements or any other organization documents of CARH or its subsidiaries.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The Pre-IPO Investment by Hertz has no impact on the consolidated financial statements of the Group as Amber Gem invested in CARH instead of the Company.

(3) *Information regarding Hertz Holdings*

Hertz Holdings is a wholly-owned subsidiary of Hertz Global Holdings, Inc., a company listed on the New York Stock Exchange. Hertz operates its car rental business through multiple brands in international locations such as North America, Europe, Latin America, Asia, Australia, Africa, the Middle East and New Zealand. Our Directors are of the view that we could benefit from the additional capital provided by Hertz and Hertz's technology and industry know-how.

As Hertz Holdings will hold more than 10% of the total issued share capital of our Company immediately following the Global Offering, it will be a substantial shareholder of our Company upon Listing and hence a connected person of our Company. Accordingly, all shares held by Hertz Holdings shall not be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

(4) *Information regarding the Hertz Transferred Subsidiaries*

Premium Auto Rental was incorporated in Hong Kong on April 24, 2013. It is a holding company holding interests in RAC HK, RAC SH, RAC GZ and Shanghai Hertz.

RAC HK was incorporated in Hong Kong on September 7, 2007. It is a holding company holding interests in RAC BJ.

RAC SH was incorporated in the PRC on January 13, 2009. It primarily engages in the car rental business in Shanghai.

RAC BJ was incorporated in the PRC on December 17, 2008. It primarily engages in the car rental business in Beijing.

RAC GZ was incorporated in the PRC on March 11, 2013. It primarily engages in the car rental business in Guangzhou.

Shanghai Hertz was incorporated in the PRC on July 28, 2005. It primarily engages in the car rental consulting business in Shanghai.

The 100% of the equity interest in Premium Auto Rental, RAC HK, RAC SH, RAC BJ, RAC GZ and Shanghai Hertz was duly transferred to our Company on September 17, 2013.

Joint Sponsors' Confirmation

The Joint Sponsors have determined that the terms of the Pre-IPO Investment are under normal commercial terms and confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investment issued by the Stock Exchange on October 13, 2010, Guidance Letters HKEx-GL44-12 (issued in October 2012) and HKEx-GL43-12 (issued in October 2012 and updated in July 2013), based on the review of the relevant documentation.

Recent Acquisition and Establishment of Subsidiaries

Since Corporate Reorganization, in addition to Hertz Transferred Subsidiaries, we continued to expand our business by acquiring 18 subsidiaries and establishing 22 subsidiaries in China.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The table below summarizes the principal subsidiaries we acquired from independent third parties since Corporate Reorganization:

Name of Subsidiary	Date of Completion	Consideration	Principal Business
Beijing Dashihang Huawei Labor Services Co., Ltd.....	December 2011	RMB6.3 million	Auto Rental
Guangzhou Shenzhou Auto Rental Co., Ltd	November 2012	RMB7 million ⁽¹⁾	Auto Rental
Xiamen Junzhou Auto Repair Services Co., Ltd.....	December 2012	RMB0.6 million	Auto repair service
Beijing Huawei Auto Repair Co., Ltd.....	May 2013	RMB1.3 million	Auto repair service

(1) We paid the transferors RMB1 million and all the equity interest of Guangzhou Shenzhou Auto Rental Co., Ltd was transferred to us in 2012. The remaining consideration in the amount of RMB6 million was withheld by us as the transferors failed to perform their obligations under the equity transfer agreement.

The consideration for the above acquisitions was determined based on the negotiation between the Company and the transferors. Save as disclosed in the prospectus, each of the above acquisition has been properly and legally completed and settled and approvals from the relevant authorities have been obtained.

The table below summarizes the principal subsidiaries we established since Corporate Reorganization:

Name of Subsidiary	Date of Establishment	Registered Capital	Principal Business
Haike Leasing (Beijing) Limited	August 2012	US\$199 million	Car rental
Haike Leasing (Fujian) Limited	August 2012	US\$49 million	Car rental
Haoke Leasing (Shanghai) Limited.....	September 2012	US\$49 million	Car rental
Shanghai China Auto Used Car Dealing Co., Ltd.....	January 2013	US\$2 million	Sales of used cars
Beijing Shenzhou Changda Auto Service Co., Ltd.....	August 2013	RMB3 million	Auto repair service
Tianjin Youpin Auto Rental Co., Ltd.	December 2013	RMB50 million	Car rental
Tianjin China Auto Rental Co., Ltd.	December 2013	RMB50 million	Car rental
China Auto Rental (Tianjin) Co., Limited...	January 2014	US\$100 million	Auto Rental
Chongqing Zhoukai Auto Sales Consulting	February 2014	RMB3 million	Sales of used cars & consulting
Haike (Pingtan) Information Technology Co., Ltd.....	April 2014	RMB100 million	Car rental system development & service
Lhasa China Auto Rental Co., Ltd	April 2014	RMB100 million	Car rental consulting & system development
Suzhou China Auto Rental Co., Ltd	July 2014	RMB1 million	Car rental
Shaanxi Dikaer Auto Rental Co., Ltd.	July 2014	RMB3 million	Car rental & sales of used cars
Beijing Shenzhou Jinyou Auction Co., Ltd.	July 2014	RMB1 million	Auction

Our PRC legal advisor has advised that our PRC subsidiaries have obtained all necessary approvals from the competent regulatory authorities in the PRC under the applicable PRC laws and regulations for their incorporation.

US Listing Application

In 2012, CARH sought an initial public offering in the United States. In connection with this contemplated listing, CARH publicly filed its registration statement on Form F-1, as amended (the “**Registration Statement**”), with the SEC.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

During its review process, the SEC staff commented on the disclosure of various issues in the preliminary prospectus contained in the draft Form F-1. The issues identified by the SEC staff included, primarily, remittance of RMB from PRC subsidiaries to the offshore parent company, presentation of CARH's capitalization table, CARH's credit facilities, policy reforms in PRC's car rental industry, CARH's strategic expansion plans, CARH's competitive landscape in the PRC, risks relating to regulatory uncertainties in the car rental industry in China, as well as the sale-leaseback transactions. CARH resolved the SEC staff's comments by (a) adding content to meet the disclosure requirements under the U.S. Securities Act and the SEC rules promulgated thereunder, (b) deleting certain marketing oriented languages as requested by the SEC, (c) adding disclosure to substantiate CARH's beliefs and statements on market position, (d) reconciling inconsistent data in CARH's disclosure, and (e) revising or restructuring certain disclosure for clearer presentation. CARH also addressed the SEC staff's comments on the notes to the financial statements by adding disclosure and providing explanations as the SEC staff requested. CARH also revised and added documents as exhibits to the draft Form F-1 pursuant to the SEC staff's comments.

The SEC informed CARH that it had no further comments on the Registration Statement as of April 24, 2012. The last version of the Registration Statement is accessible on the SEC's website through EDGAR at <http://www.sec.gov/Archives/edgar/data/1538908/000104746912004652/a2207419zf-1a.htm>. However, you are cautioned not to rely on the Registration Statement or any information contained therein in connection with this Global Offering because the Company's business, financial conditions and market environment have changed significantly since the US listing application.

Due to capital market conditions at the time, CARH did not request that SEC declare the Registration Statement effective, and CARH voluntarily withdrew the Registration Statement on June 1, 2012. No securities of CARH were issued or sold in connection with this Registration Statement.

The Company confirms that all issues in relation to CARH's US listing application were satisfactorily addressed and there is no matter relating to the US listing application which needs to be brought to the attention of the investors.

In preparing this prospectus, the Company has taken into account, to the extent applicable, all of regulatory comments CARH received in its U.S. listing application after giving regard to the significant changes in the Company's business, financial conditions and market environment.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (1) Hertz Holdings is an indirect wholly-owned subsidiary of Hertz Global Holdings, Inc., a company listed on the New York Stock Exchange.
- (2) Grand Joy is wholly-owned by Mr. Yim Mang Po, an independent third party.
- (3) Sky Sleek is wholly-owned by Ms. Guo, the spouse of Mr. Lu.
- (4) Haode Group is wholly-owned by Lucky Milestone Limited, a Bahamas company, which is in turn ultimately wholly owned by Cititrust Private Trust (Cayman) Limited, as trustee of The Lu's Family Trust. The Lu's Family Trust is an irrevocable trust constituted under the laws of the Cayman Islands with Ms. Guo as the settlor and certain family members of Mr. Lu as the beneficiaries.
- (5) Amplewood is wholly-owned by Mr. Marc Chan, an independent third party.
- (6) Grandsun is wholly-owned by Ms. Yip Chi Yu, an independent third party.
- (7) Grand Union is an exempted liability partnership which is controlled by a general partner, Grand Union Management Limited.
- (8) Warburg Pincus Private Equity XI, L.P., a Delaware limited partnership, owns 77.6% of the equity interest in Amber Gem; Warburg Pincus Private Equity XI-B, L.P., a Delaware limited partnership, owns 14.4% of the equity interest in Amber Gem; Warburg Pincus XI Partners, L.P., a Delaware limited partnership, owns 5% of the equity interest in Amber Gem; WP XI Partners, L.P., a Delaware limited partnership, owns 2.7% of the equity interest in Amber Gem; and Warburg Pincus Private Equity XI-C, L.P., a Cayman Islands exempted limited partnership, owns 0.3% of the equity interest in Amber Gem.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pre-IPO Reorganization

In accordance with the Pre-IPO Reorganization Agreement, immediately before the Listing, the Company will conduct the following Pre-IPO Reorganization:

(1) *Conversion of Series A Preferred Shares*

Amber Gem will convert all Series A Preferred Shares into ordinary shares of CARH.

(2) *Issue of New Shares*

The Company will issue 355,137,265, 8,295,895, 53,723,770, 294,223,775, 24,800,000, 12,500,000, 688,068,025, and 430,471,340 Shares to each of Hertz Holdings, Grand Joy, Sky Sleek, Haode Group, Amplewood, Grandsun, Grand Union and Amber Gem at par value.

(3) *Share Repurchase*

Our Company will repurchase all the Shares held by CARH at par value using the proceeds of the new issuance of Shares to the above shareholders.

Subscription by Hertz Holdings

Pursuant to the Shareholders' Agreement, to the extent permissible under the Listing Rules, Hertz Holdings shall invest an amount in the Global Offering at least equal to the lower of (a) US\$30 million or (b) 20% of the Shares to be offered in the Global Offering. Such arrangement is similar to a typical anti-dilution right as it would allow Hertz Holdings to subscribe for additional Shares to the extent permissible by the Listing Rules, in order to reduce the dilutive effect of the Global Offering on its percentage interest in the Company. Pursuant to such pre-existing contractual arrangement, Hertz Holdings has advised us that it intends to subscribe in connection with the Global Offering at the Offer Price, for an additional number of Shares with an aggregate subscription amount up to US\$30 million, provided that such subscription amount shall not result in the shareholding percentage of Hertz Holdings in the Company to increase above its percentage interest immediately prior to the Global Offering. If Hertz Holdings subscribes for additional Shares for any purpose other than reducing the dilutive effect of the Global Offering on its percentage interest in the Company, the subscription arrangement will cease to be available. Any Shares so subscribed by Hertz Holdings will be subscribed under the same terms as those generally offered to other investors under the Global Offering. Immediately after the Pre-IPO Reorganization but prior to the Global Offering, Hertz Holdings will hold approximately 19.0% of the Shares of our Company. Immediately after the Global Offering, Hertz Holdings will hold approximately 16.8% of the Shares of our Company (assuming the Hertz Subscription Amount of US\$30 million, an Offer Price of HK\$7.50 and the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the Pre-IPO Share Options).

We have applied for and the Stock Exchange has granted a waiver from strict compliance with Rules 9.09(b) and 10.04 of the Listing Rules and consent pursuant to paragraph 5(2) of Appendix 6 to the Listing Rules for the proposed subscription by Hertz Holdings. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Consent in respect of Subscription by Hertz Holdings" for details. As part of the Global Offering, the Company will allocate to Hertz Holdings, on an assured basis, additional number of Shares with an aggregate subscription amount of up to US\$30 million, provided that such subscription amount shall not result in the shareholding percentage of Hertz Holdings in the Company to increase above its percentage interest immediately prior to the Global Offering.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (1) Hertz Holdings is an indirect wholly-owned subsidiary of Hertz Global Holdings, Inc., a company listed on the New York Stock Exchange.
- (2) Grand Joy is wholly-owned by Mr. Yim Mang Po, an independent third party.
- (3) Sky Sleek is wholly-owned by Ms. Guo, the spouse of Mr. Lu.
- (4) Haode Group is wholly-owned by Lucky Milestone Limited, a Bahamas company, which is in turn ultimately wholly owned by Cititrust Private Trust (Cayman) Limited, as trustee of The Lu's Family Trust. The Lu's Family Trust is an irrevocable trust constituted under the laws of the Cayman Islands with Ms. Guo as the settlor and certain family members of Mr. Lu as the beneficiaries.
- (5) Amplewood is wholly-owned by Mr. Marc Chan, an independent third party.
- (6) Grandsun is wholly-owned by Ms. Yip Chi Yu, an independent third party.
- (7) Grand Union is an exempted liability partnership which is controlled by a general partner, Grand Union Management Limited.
- (8) Warburg Pincus Private Equity XI, L.P., a Delaware limited partnership, owns 77.6% of the equity interest in Amber Gem; Warburg Pincus Private Equity XI-B, L.P., a Delaware limited partnership, owns 14.4% of the equity interest in Amber Gem; Warburg Pincus XI Partners, L.P., a Delaware limited partnership, owns 5% of the equity interest in Amber Gem; WP XI Partners, L.P., a Delaware limited partnership, owns 2.7% of the equity interest in Amber Gem; and Warburg Pincus Private Equity XI-C, L.P., a Cayman Islands exempted limited partnership, owns 0.3% of the equity interest in Amber Gem.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (1) Hertz Holdings is an indirect wholly-owned subsidiary of Hertz Global Holdings, Inc., a company listed on the New York Stock Exchange.
- (2) Grand Joy is wholly-owned by Mr. Yim Mang Po, an independent third party.
- (3) Sky Sleek is wholly-owned by Ms. Guo, the spouse of Mr. Lu.
- (4) Haode Group is wholly-owned by Lucky Milestone Limited, a Bahamas company, which is in turn ultimately wholly owned by Cititrust Private Trust (Cayman) Limited, as trustee of The Lu's Family Trust. The Lu's Family Trust is an irrevocable trust constituted under the laws of the Cayman Islands with Ms. Guo as the settlor and certain family members of Mr. Lu as the beneficiaries.
- (5) Amplewood is wholly-owned by Mr. Marc Chan, an independent third party.
- (6) Grandsun is wholly-owned by Ms. Yip Chi Yu, an independent third party.
- (7) Grand Union is an exempted liability partnership which is controlled by a general partner, Grand Union Management Limited. Immediately following the completion of the Global Offering, Grand Union will hold near 30.0% of the issued Shares (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options) or approximately 29.2% of the issued Shares (assuming the Over-allotment Option is exercised in full but without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options).
- (8) Warburg Pincus Private Equity XI, L.P., a Delaware limited partnership, owns 77.6% of the equity interest in Amber Gem; Warburg Pincus Private Equity XI-B, L.P., a Delaware limited partnership, owns 14.4% of the equity interest in Amber Gem; Warburg Pincus XI Partners, L.P., a Delaware limited partnership, owns 5% of the equity interest in Amber Gem; WP XI Partners, L.P., a Delaware limited partnership, owns 2.7% of the equity interest in Amber Gem; and Warburg Pincus Private Equity XI-C, L.P., a Cayman Islands exempted limited partnership, owns 0.3% of the equity interest in Amber Gem.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Immediately following the completion of the Global Offering, our Controlling Shareholder will hold near 30% of the issued Shares (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options) or approximately 29.2% of the issued Shares (assuming the Over-allotment Option is exercised in full but without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options). Our Controlling Shareholder is a private equity fund incorporated in the Cayman Islands. It focuses on venture capital investment.

Independence from our Controlling Shareholder

The Directors consider that our Group is capable of carrying out its business independently of Controlling Shareholder and its associates for the reasons set out below.

Management Independence

Our Company maintains an independent Board to oversee our Group's business. Our Board is responsible for contemplating and approving business plans and strategies of our Group, monitoring the implementation of business plans and strategies and supervising the management of our Group. Our Board consists of one Executive Director, four Non-executive Directors and four Independent Non-executive Directors. Our Group has an independent management team, which is led by a team of senior management with extensive experience and expertise in our business, to implement our Group's business plans and strategies in the daily operations.

Currently Linan ZHU ("Mr. ZHU") and Erhai LIU ("Mr. LIU") are directors of Grand Union Management Limited, a general partner of Grand Union, our controlling shareholder. Mr. ZHU and Mr. LIU, being Non-executive Directors, are not involved in our day-to-day management. Save as disclosed above, none of the members of the Board and our senior management team holds any board or other executive position in, or are employed by, our Controlling Shareholder.

Our Directors are of the view that our Board and senior management will function independently from our Controlling Shareholder for the following reasons:

- (i) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a director and his personal interests to exist;
- (ii) in the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;
- (iii) our Independent Non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decision of our Board are made only after due consideration of independent and impartial opinions; and
- (iv) our Company has also established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

Based on the above, our Board is satisfied that each Director is able to perform its roles in our Company independently and our Board is able to operate independently from our Controlling Shareholder.

Operational Independence

We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. We do not rely on our Controlling Shareholder or its associates for our operations. We have independent access to suppliers and customers and an independent management team to handle our daily operations. We are also in possession of all relevant licenses necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholder and our Group is able to operate independently from our Controlling Shareholder after the Listing.

Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and our Controlling Shareholder does not intervene with our use of funds.

Historically, we have enjoyed certain financial assistance provided by Legend Holdings. Legend Holdings continues to provide certain financial assistance to our Group as of the Latest Practicable Date, the details of which are presented in the following table:

Date	Lender	Nature and amount of financial assistance	Duration	Key terms	Use of proceeds
July 14, 2011.....	China Zheshang Bank and China Everbright Bank	Guarantee of a loan facility for the sum of RMB500,000,000	3.5 years	Unconditional guarantee of the facility	Car purchase and insurance expenses
November 28, 2011.....	Han Kou Bank	Guarantee of a loan facility for the sum of RMB100,000,000	3 years	Unconditional guarantee of the facility	Car purchase
June 28, 2012.....	The Hongkong and Shanghai Banking Corporation Limited	Guarantee of a loan facility for the sum of RMB200,000,000	no more than 12 months for each drawdown	Unconditional guarantee of the facility	Working capital
September 7, 2012.....	Industrial and Commercial Bank of China	Guarantee of a loan facility for the sum of RMB200,000,000	2 years	Unconditional guarantee of the facility	Car purchase
November 30, 2012.....	Minsheng Financial Leasing Co., Ltd.	Guarantee of a loan facility for the sum of RMB300,000,000	2 years	Unconditional guarantee of the facility	Unrestricted
March 19, 2013.....	China Credit Trust Co., Ltd.	Guarantee of a loan facility for the sum of RMB140,000,000	2 years	Unconditional guarantee of the facility	Working capital
March 20, 2013.....	China Merchants Bank	Guarantee of a loan facility for the sum of RMB150,000,000	2 years	Unconditional guarantee of the facility	Car purchase
March 29, 2013.....	SDIC Trust Co., Ltd.	Guarantee of a loan facility for the sum of RMB200,000,000	2 years	Unconditional guarantee of the facility	Working capital
May 8, 2013.....	Kunlun Trust Co., Ltd.	Guarantee of a loan facility for the sum of RMB150,000,000	2 years	Unconditional guarantee of the facility	Fixed asset purchases and other related expenses
May 16, 2013.....	Industrial and Commercial Bank of China	Guarantee of a loan facility for the sum of RMB110,000,000	2 years	Unconditional guarantee of the facility	General corporate purposes

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Date	Lender	Nature and amount of financial assistance	Duration	Key terms	Use of proceeds
June 3, 2013	China Everbright Bank	Guarantee of a loan facility for the sum of RMB150,000,000	2 years	Unconditional guarantee of the facility	Car purchase
June 14, 2013	Kunlun Trust Co., Ltd.	Guarantee of a loan facility for the sum of RMB200,000,000	2 years	Unconditional guarantee of the facility	Fixed asset purchases and other related expenses
June 27, 2013	Shanghai Pudong Development Bank	Guarantee of a loan facility for the sum of RMB200,000,000	2 years	Unconditional guarantee of the facility	Car purchase
June 28, 2013	Kunlun Trust Co., Ltd.	Guarantee of a loan facility for the sum of RMB200,000,000	2 years	Unconditional guarantee of the facility	Fixed asset purchases and other related expenses
October 15, 2013	Minmetals International Trust Co., Ltd.	Guarantee of a loan facility for the sum of RMB200,000,000	2 years	Unconditional guarantee of the facility	General corporate purposes
November 19, 2013	Bohai International Trust Co., Ltd.	Guarantee of a loan facility for the sum of RMB200,000,000	2 years	Unconditional guarantee of the facility	General corporate purposes
December 5, 2013	Shanghai Pudong Development Bank	Guarantee of a loan facility for the sum of RMB300,000,000	2 years	Unconditional guarantee of the facility	Car purchase or replacement of existing loans
December 6, 2013	Kunlun Trust Co., Ltd.	Guarantee of a loan facility for the sum of RMB150,000,000	2 years	Unconditional guarantee of the facility	Fixed asset purchases and other related expenses
January 10, 2014	Shanghai Pudong Development Bank	Guarantee of a loan facility for the sum of RMB200,000,000	2 years	Unconditional guarantee of the facility	Finance leasing
January 26, 2014	China Zheshang Bank	Guarantee of a loan facility for the sum of RMB100,000,000	2 years	Unconditional guarantee of the facility	Car purchase
February 28, 2014	Hua Neng Gui Cheng Trust Co., Ltd.	Guarantee of a loan facility for the sum of RMB300,000,000	2 years	Unconditional guarantee of the facility	Working capital
April 10, 2014	Postal Savings Bank of China	Guarantee of a loan facility for the sum of RMB200,000,000	1 years	Unconditional guarantee of the facility	Finance leasing
May 7, 2014	Chang'an International Trust Co., Ltd.	Guarantee of a loan facility for the sum of RMB200,000,000	2 years	Unconditional guarantee of the facility	General corporate purposes
May 9, 2014	Pingan Bank	Guarantee of a loan facility for the sum of RMB200,000,000	2 years	Unconditional guarantee of the facility	Car Purchase

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, the total amount of loan facilities of the Group guaranteed by Legend Holdings (the “Guaranteed Loans”), less administration fee, amounted to RMB3,887.5 million. The interest rates of the Guaranteed Loans range from 105% of the PBOC benchmark loan rate to a fixed rate of 9.50%. As certain Guaranteed Loans will become due before the Listing and the Company intends to repay such loans on their respective due dates, upon the Listing the total amount of the Guaranteed Loans will be reduced to approximately RMB3.8 billion. Further, it is expected that the Guaranteed Loans in the sum of approximately RMB500.0 million will be repaid by the Group using a portion of the net proceeds of the Global Offering. See “Future Plans and Use of Proceeds — Use of Proceeds.”

In respect of the remaining Guaranteed Loans in the sum of RMB3.3 billion, we believe that premature release of such guarantees or refinancing the existing loan facilities would be impracticable and not in the best interests of our Company and its Shareholders.

If the Group were to terminate the guarantees prematurely, it would give rise to early termination liabilities. In that case, according to the terms of the facility agreements, the lenders could cancel the unutilized loans and declare all outstanding loans to be immediately due and require the Group to immediately repay all outstanding principal and interest on the loans and other sums payable in order to repay the outstanding loans, the Group would need to refinance the existing loan facilities with loan facilities from other lenders. Considering the amount of the loans involved, it is expected that due diligence and negotiation of new facilities would take considerable time which would, in turn, adversely affect the normal operation of the Group.

If the Group were to repay the outstanding Guaranteed Loans before their due dates, the lenders could request the Group to pay penalties. Further, by entering into new loan facilities the Group would incur additional costs, such as the fees associated with the due diligence exercise and legal fees.

Based on the above, we consider that it is not commercially viable to terminate the guarantees or refinance the existing loan facilities as we would need to spend a considerable amount of time, effort and costs.

Nevertheless, our Group has obtained firm offers from several financial institutions to provide generally equivalent loan facilities which are sufficient to cover the loans for the sum of RMB3.3 billion referred to above, on normal commercial terms without the guarantees or other financial support from Legend Holdings or any third parties. The interest rates of such loan facilities range from 100% of the PBOC benchmark loan rate to 130% of the PBOC benchmark loan rate per annum. The PBOC benchmark loan rate for medium term loans was 6.15% per annum as at the Latest Practicable Date, and therefore the applicable interest rate at the top end of the refinance facilities will be approximately 7.995%. The range of interest rates are generally equivalent to that of the Guaranteed Loans. The detailed terms of the facilities agreements are subject to the negotiation of the parties and the Company expects the covenants contained therein to be generally equivalent to those of the Guaranteed Loans. As such, we believe that we are able to obtain new financings and extend existing financings from commercial banks on normal commercial terms without guarantees and security from our Controlling Shareholder or its associates following the Listing. Therefore, our Directors believe we will not be financially dependent on our Controlling Shareholder or its associates after the Listing.

Competition

Neither our Controlling Shareholder and its associates nor any of our Directors is, as of the Latest Practicable Date, interested in any business, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Corporate Governance

Other than deviation from Code Provision A.2.1 as disclosed in the section headed “Directors and Senior Management — Board of Directors,” our Company will comply with the provisions of the Code, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholder:

- (a) where a Shareholders meeting is to be held for considering proposed transactions in which the Controlling Shareholder or its associates has a material interest, the Controlling Shareholder shall not vote on the resolutions and shall not be counted in the quorum for the voting;
- (b) the Company has established internal control mechanisms to identify connected transactions. Upon Listing, if the Company enters into connected transactions with the Controlling Shareholder or its associates, the Company will comply with the applicable Hong Kong Listing Rules;
- (c) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of Independent Non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our Independent Non-executive Directors, details of whom are set out in the section headed “Directors and Senior Management” individually and together possess the requisite knowledge and experience. All of our Independent Non-executive Directors are experienced. They will review whether there is any conflict of interests between the Group and the Controlling Shareholder annually and provide impartial and professional advice to protect the interest of our minority Shareholders;
- (d) in the event that the Independent Non-executive Directors are requested to review any conflicts of interests circumstances between the Group and the Controlling Shareholder, the Controlling Shareholder and/or the Company shall provide the Independent Non-executive Directors with all necessary information and the Company shall disclose the decisions of the Independent Non-executive Directors (including why business opportunities referred to it by the Controlling Shareholder were not taken up) either in its annual report or by way of announcements;
- (e) where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will be made at our Company’s expenses; and
- (f) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholder, and to protect minority shareholders’ rights after the Listing.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, upon the listing of the Shares on the Hong Kong Stock Exchange, the transactions between us and our connected persons will constitute connected transactions.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Immediately following the Global Offering (assuming the Hertz Subscription Amount of US\$30 million, an Offer Price of HK\$7.50 and the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options), Hertz Holdings will be interested in approximately 16.8% of our enlarged issued share capital. Hertz International, Ltd (“Hertz International”) indirectly holds 100% of the equity interests in Hertz Holdings. Thus, Hertz International, being an associate of Hertz Holdings, constitutes a connected person of the Company. The transactions between Hertz International and our Group will, upon Listing, constitute connected transactions under Chapter 14A of the Listing Rules. Set out below is a summary of these transactions. All these transactions are exempted from reporting, announcement and independent shareholders’ approval requirements.

Brand Cooperation Agreement

On May 1, 2013, Hertz International and CARH entered into a brand cooperation agreement (the “**Brand Cooperation Agreement**”), pursuant to which Hertz International agreed to grant CARH an exclusive and nontransferrable license to use certain Hertz marks and logos for a period of five years. Pursuant to the Brand Cooperation Agreement, for such time as the Hertz International and its affiliates collectively hold 7.5% or more of the outstanding equity securities of CARH on a diluted basis, CARH is not obliged to pay a license fee. If Hertz International and its affiliates cease to collectively hold 7.5% or more of the outstanding equity securities of CARH on a diluted basis, CARH will then be required to pay to Hertz International a license fee of US\$1,500,000 per annum.

On August 4, 2014, the shareholders of CARH, the Company, CARH and Hertz International entered into the Pre-IPO Reorganization Agreement, pursuant to which CARH agreed to assign all its rights and obligations under the Brand Cooperation Agreement to the Company with effect from the date of completion of the Pre-IPO Reorganization as if the Company was a party to the Brand Cooperation Agreement.

The Directors are of the view that the Brand Cooperation Agreement is on normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole. The Company and the Joint Sponsors consider the terms of the Brand Cooperation Agreement to be consistent with normal business practice and is in the interest of the Company.

Given that the Company is not obligated to pay a license fee so long as Hertz International and its affiliates collectively hold 7.5% or more of the outstanding equity securities of the Company on a diluted basis, pursuant to Rule 14A.76 of the Listing Rules, the above transaction will be exempted from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. In the event that Hertz International and its affiliates collectively hold less than 7.5% of the Shares of the Company on a fully diluted basis and Hertz Holdings holds 10% or more of the Shares of the Company, the Company will take necessary steps to comply with applicable Hong Kong Listing Rules.

Referral Agreement

On May 1, 2013, Hertz International and CARH entered into a referral agreement (the “**Referral Agreement**”), pursuant to which CARH will refer its customers seeking vehicle rental services outside the PRC to Hertz International and Hertz International will refer its customers seeking vehicle rental services in the PRC to CARH during the term of the Brand Cooperation Agreement.

CONNECTED TRANSACTIONS

Pursuant to the Referral Agreement, Hertz International shall pay CARH a commission of 5% of the adjusted net revenue received by Hertz affiliates on all CARH referrals resulting in completed rentals under the Referral Agreement which are sourced from CARH websites and CARH call centres within the PRC. CARH shall pay Hertz International a commission ranging from 5% to 15% on (a) adjusted net revenue received by CARH or any CARH licensee or subcontractor on all Hertz referrals resulting in completed rentals under the Referral Agreement which are sourced from Hertz websites, call centres and GDS partners, each of which are outside the PRC; and (b) the incremental difference in revenue between short-term self-drive rentals, short-term chauffeur drive rentals and long term rentals achieved in the actual corporate accounts revenue for any given contract year by comparison to the base revenue attributed to each such rental segment in the corporate accounts revenue base.

For the period from May 1, 2013 to June 30, 2014, the aggregate commission paid by Hertz International to CARH under the Referral Agreement was approximately US\$2,934 and the aggregate commission paid by CARH to Hertz International was approximately US\$661,427.

On August 4, 2014, the shareholders of CARH, the Company, CARH and Hertz International entered into the Pre-IPO Reorganization Agreement, pursuant to which CARH agreed to assign all its rights and obligations under the Referral Agreement to the Company with effect from the date of completion of the Pre-IPO Reorganization as if the Company were a party to the Referral Agreement.

The Directors are of the view that the Referral Agreement is on normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole. The Company and the Joint Sponsors consider the terms of the Referral Agreement to be consistent with normal business practice and can secure long-term cooperation with Hertz International, avoiding unnecessary disruptions to the businesses and operations of the Company.

We expect that the annual aggregate amount of commission to be paid by us to Hertz International or to be paid by Hertz International to us under the Referral Agreement will not exceed the *de minimis* threshold as stipulated under Rule 14A.76 of the Hong Kong Listing Rules. Therefore, the above transaction will be exempted from the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. If the annual aggregate amount of commission to be paid by us to Hertz International or to be paid by Hertz International to us under the Referral Agreement results in the relevant percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules to exceed the *de minimis* threshold, we will take the necessary steps to comply with applicable Hong Kong Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors comprises nine Directors, including one Executive Director, four Non-executive Directors and four Independent Non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon reelection and/or reappointment.

The following table sets out information in respect of the Directors of the Company:

Name	Age	Position	Date of Appointment	Date of joining our Group	Duties
Charles Zhengyao LU (陸正耀)	45	Chairman, Executive Director and Chief Executive Officer	April 25, 2014	September 27, 2007	Responsible for formulating corporate strategy and the daily operations of the Group; and participating in making decisions and advising on issues relating to nomination of Directors
Linan ZHU (朱立南)	51	Non-executive Director	April 29, 2014	November 18, 2010	Participating in formulating the Company's corporate and business strategies
Erhai LIU (劉二海)	45	Non-executive Director	April 29, 2014	December 16, 2009	Participating in formulating the Company's corporate and business strategies; and participating in making decisions and advising on issues relating to audit and remuneration of Directors and senior management
Hui LI (黎輝).....	45	Non-executive Director	April 29, 2014	July 18, 2012	Participating in formulating the Company's corporate and business strategies
Narasimhan Brahmadesam SRINIVASAN.	42	Non-executive Director	April 29, 2014	May 1, 2013	Participating in formulating the Company's corporate and business strategies
Sam Hanhui SUN (孫含暉)	42	Independent Non-executive Director	August 18, 2014	August 18, 2014	Participating in the decision making of the Company's significant events; and participating in making decisions and advising on issues relating to corporate governance and audit

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment	Date of joining our Group	Duties
Wei DING (丁瑋)	54	Independent Non-executive Director	August 18, 2014	August 18, 2014	Participating in the decision making of the Company's significant events; and participating in making decisions and advising on issues relating to corporate governance and remuneration of Directors and senior management
Li ZHANG (張黎)	47	Independent Non-executive Director	August 18, 2014	August 18, 2014	Participating in the decision making of the Company's significant events; and participating in making decisions and advising on issues relating to corporate governance, nomination of Directors and remuneration of Directors and senior management
Lei LIN (林雷)	47	Independent Non-executive Director	August 18, 2014	August 18, 2014	Participating in the decision making of the Company's significant events; and participating in making decisions and advising on issues relating to corporate governance, audit and nomination of Directors

Executive Director

Charles Zhengyao LU (陸正耀), aged 45, was appointed as our executive Director, Chief Executive Officer and chairman of the Board on April 25, 2014. He is responsible for the implementation of board resolutions, making company's strategy plans, making decision of and supervising the major products and programs, management and appointment of senior management and fully responsible for the company's development and business. He has also been appointed as a director, the chief executive officer and chairman of the board for CARH since September 27, 2007. Mr. Lu has over 20 years of industry experience. Mr. Lu served as the president of Beijing Shenzhou Deke Technology Development Co., Ltd. (北京神州迪科科技發展有限公司), a system integration solutions provider, from February 1994 to March 2005. Mr. Lu served as the president of Beijing Huaxia United Science & Technology Co., Ltd. (北京華夏聯合科技有限公司), a prominent provider of Internet protocol long-distance call services for enterprises, from October 2003 to March 2005. In March 2005, Mr. Lu founded Beijing Huaxia United Automobile Association Co. Ltd. (北京華夏聯合汽車俱樂部有限公司), a prominent automobile club in China, and served as its chief executive officer from March 2005 to August 2007. Mr. Lu graduated from the University of Science & Technology of Beijing (北京科技大學) in July 1991 where he obtained his bachelor's degree majored in industrial electric automation. He received an Executive Master of Business Administration degree from Peking University in July 2010.

DIRECTORS AND SENIOR MANAGEMENT

In view of Mr. Lu's experience, personal profile and his roles in our Group as mentioned above and that Mr. Lu has assumed the role of chief executive officer of our Group since September 2007, the Board considers it beneficial to the business prospect and operational efficiency of our Group that upon Listing, Mr. Lu acts as the chairman of the Board and continues to act as the Chief Executive Officer of our Company. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Hong Kong Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises four Independent Non-executive directors out of nine Directors, which is more than the Hong Kong Listing Rules requirement of one-third, and we believe that there is sufficient check and balance in the Board; (ii) Mr. Lu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and Chief Executive Officer is necessary.

Non-executive Directors

Linan ZHU (朱立南), aged 51, was appointed as our Non-executive Director on April 29, 2014. He is responsible for participating in formulating the Company's corporate and business strategies. He has also been appointed as a director for CARH since November 18, 2010. Mr. Zhu has over 17 years of industry experience. From 1997 to 2001, Mr. Zhu held various positions in Lenovo Group Limited, including the head of Corporate Strategic Planning Department and a senior vice president. He has been a director of Legend Holdings since April 2001 and the president of Legend Capital Limited since November 2003. Mr. Zhu is also a director of Grand Union Management Limited since December 30, 2011. For companies listed on the Hong Kong Stock Exchange, Mr. Zhu served on the board of directors for Peak Sport Products Co., Limited (stock code: 1968) from April 2009 to June 2014, and has served on the board for Lenovo Group Limited (stock code: 0992) since April 2005. Mr. Zhu received his master's degree in electronic systems in March 1987 from Shanghai Jiao Tong University (上海交通大學). Mr. Zhu has been a senior engineer certified by the Chinese Academy of Sciences since December 1998.

Erhai LIU (劉二海), aged 45, was appointed as our Non-executive Director on April 29, 2014. He is responsible for participating in formulating the Company's corporate and business strategies; and participating in making decisions and advising on issues relating to audit and remuneration of Directors and senior management. He has also been appointed as a director for CARH since December 16, 2009. Mr. Liu has over 11 years of industry experience. Mr. Liu joined Legend Capital in November 2003 and he is currently a managing director of Legend Capital. Mr. Liu serves on the board of directors for a number of Legend Capital portfolio companies, including, Bitauto Holdings Limited (since March 2006), a company listed on the New York Stock Exchange, Rock Mobile (Cayman) Corporation (since August 2009), Universal Education Holdings (since August 2007) and Coremax Group Limited (since November 2008). Mr. Liu is also a director of Grand Union Management Limited since December 30, 2011. Mr. Liu received his master's degree in telecommunications and information system from Xidian University (西安電子科技大學) in March 1994. Mr. Liu also received a master's degree in business administration from Fordham University in May 2003.

Hui LI (黎輝), aged 45, was appointed as our Non-executive Director on April 29, 2014. He is responsible for participating in formulating the Company's corporate and business strategies. He has also been appointed as a director for CARH since July 18, 2012. Mr. Li has over 20 years of industry experience. From July 1994 to February 2001, Mr. Li was employed by the Morgan Stanley group of companies and was working in the investment banking and global capital markets division based in New York, Singapore and Hong Kong. He was promoted to the position of vice president in December 1998. From March 2001 to

DIRECTORS AND SENIOR MANAGEMENT

February 2002, Mr. Li was working as an executive director in the corporate finance department of Goldman Sachs (Asia) L.L.C. in Hong Kong. In February 2002, Mr. Li joined Warburg Pincus Asia LLC, which is an affiliate of Amber Gem, as an executive director and was promoted to his current position as a managing director in December 2003. Mr. Li has experience in serving as the non-executive director for a number of listed companies. He was a non-executive director for Kasen International Holdings Limited (stock code: 496) from May 2006 to October 2008 and Intime Department Store (Group) Company Limited (stock code: 1833) from September 2008 to June 2011. Mr. Li has also been serving as an independent director for Synutra International, Inc. which is listed on Nasdaq (stock code: SYUT) since February 2010, and China Biologic Products, Inc. which is also listed on Nasdaq (stock code: CBPO) since November 2013. Mr. Li graduated from Renmin University of China in July 1990 with a bachelor's degree in economics and subsequently obtained a master's degree in public and private management from Yale School of Organization and Management in May 1994.

Narasimhan Brahmadesam SRINIVASAN, aged 42, was appointed as our Non-executive Director on April 29, 2014. He is responsible for participating in formulating the Company's corporate and business strategies. He has also been appointed as a director for CARH since May 1, 2013. Mr. Srinivasan has over 20 years of industry experience. From 1994 to 1997, Mr. Srinivasan was working at Dillon Read & Co. Inc., a merger and acquisition advisory firm. From 1997 to 1999, he was working at Evercore Partners Inc., an independent investment banking advisory firm. From 2001 to 2003, Mr. Srinivasan was working at Continuation Investments Group, a privately held company in New York and part of the Rothschild Group. From 2004 to July 2011, Mr. Srinivasan was a vice president of the Corporate Development & Strategy Group of MeadWestvaco Corporation. Since July 2011, Mr. Srinivasan has been the senior vice president of the Global Strategy & Corporate Development Group of The Hertz Corporation which is an affiliate of Hertz Holdings. Mr. Srinivasan graduated from University of Pennsylvania in May 1994 with a bachelor of arts degree in mathematics and bachelor of science degree in economics, and subsequently obtained a master's degree in business administration from Columbia University in May 2001.

Independent Non-executive Directors

Sam Hanhui SUN (孫含暉), aged 42, has served as our Independent Non-executive Director since August 18, 2014. Mr. Sun serves as our Chairman of Audit and Compliance Committee. He is responsible for participating in the decision making of the Company's significant events; and participating in making decisions and advising on issues relating to corporate governance and audit. Mr. Sun has over 19 years of industry experience. Mr. Sun worked in KPMG's auditing practice group from April 1995 to October 2004, including eight years at the Beijing office of KPMG where he was an audit senior manager, and two years at KPMG in Los Angeles, California. From 2004 to 2007, Mr. Sun served in several financial controller positions at SouFun.com which is a company listed on the New York Stock Exchange (stock code: SFUN), Maersk China Co., Ltd. and Microsoft China R&D Group. Mr. Sun was also an independent director and audit committee member of KongZhong Corporation, a NASDAQ-listed company, from July 2005 to January 2007. He was the chief financial officer of KongZhong Corporation from February 2007 to April 2009. Since January 2010, Mr. Sun has served as the chief financial officer of Qunar Cayman Islands Ltd, a Nasdaq-listed company (stock code: QUNR). Since September 2010, Mr. Sun has served as an independent director and the chairman of the audit committee of SouFun.com. In May 1998, Mr. Sun was admitted as a China certified public accountant by the Chinese Institute of Certified Public Accountants. Mr. Sun graduated from the Beijing Institute of Technology in July 1993 with a bachelor's degree in engineering, majoring in business administration.

Wei DING (丁瑋), aged 54, has served as our Independent Non-executive Director since August 18, 2014. Mr. Ding currently is our Chairman of Remuneration Committee. He is responsible for participating in the decision making of the Company's significant events and participating in making decisions and advising on issues relating to corporate governance and remuneration of Directors and senior management. Mr. Ding has nearly 27 years of industry experience in international finance, commercial banking, investment banking, and private equity industry. Mr. Ding worked at the World Bank and the International Monetary Fund in Washington, D.C. from November 1987 to February 1999, serving as an economist, project manager, divisional manager and the chief representative. From March 1999 to September 2002, Mr. Ding served as

DIRECTORS AND SENIOR MANAGEMENT

the chief country officer for China at Deutsche Bank. From October 2002 to February 2011, Mr. Ding worked at China International Capital Corporation as the managing director and later served as the head of investment banking division. From February 2011 to December 2013, Mr. Ding served as the senior managing director and head of Temasek Greater China, where he was responsible for Temasek's China strategy and investments. Since June 2012, Mr. Ding has been serving as a member of the board for Hwa Pao Investment. Mr. Ding received a bachelor's degree majoring in finance from Renmin University of China in July 1982. In January 1998, Mr. Ding completed the executive development program at Harvard Business School, which was tailor-made for the World Bank.

Li ZHANG (張黎), aged 47, has served as our Independent Non-executive Director since August 18, 2014. Mr. Zhang is currently our Chairman of Nomination Committee. He is responsible for participating in the decision making of the Company's significant events and participating in making decisions and advising on issues relating to corporate governance, nomination of Directors and remuneration of Directors and senior management. Mr. Zhang has over 18 years of industry experience. Mr. Zhang has been employed by and teaching at Peking University since January 2002. From January 2002 to August 2003, Mr. Zhang was employed by Peking University to participate in project management and teaching. From September 2003 to August 2008, he was working as an associate professor and assistant dean of Beijing International MBA at Peking University, where he was mainly responsible for teaching and research. From September 2008 to September 2013, he was working as a professor and deputy dean of Beijing International MBA at Peking University, where he was mainly responsible for education in management studies, research and administration of school affairs. Since October 2013, Mr. Zhang has been serving as the deputy dean of the National School of Development at Peking University (China Center for Economic Research) (北京大學國家發展研究院 (中國經濟研究中心)) and the dean of Beijing International MBA at Peking University where he is responsible for education in business administration, research and administration of school affairs. Mr. Zhang received his bachelor's degree in textile engineering from Tianjin Institute of Textile Science & Technology (now known as Tianjin Polytechnic University) in July 1989, his master's degree in commodity sciences from Renmin University of China in July 1995 and a doctor of philosophy degree from the Ohio State University in September 1999.

Lei LIN (林雷), aged 47, has served as our Independent Non-executive Director since August 18, 2014. He is responsible for participating in the decision making of the Company's significant events; and participating in making decisions and advising on issues relating to corporate governance, audit and nomination of Directors. Mr. Lin has over 19 years of industry experience. Mr. Lin worked as a supervisor at Beijing Sinotrust Business Risk Management Co., Ltd. (北京新華信商業風險管理有限責任公司) from June 1995 to September 2002 and Beijing Sinotrust Marketing Information Consulting Co., Ltd. (北京新華信營銷信息諮詢有限公司) from September 2002 to July 2003. From July 2003 to January 2007, Mr. Lin worked at Beijing Sinotrust Marketing Research and Consulting Co., Ltd. (北京新華信市場研究諮詢有限公司), where he was the president of the company. Mr. Lin is currently the president and CEO of Sinotrust International Information and Consulting (Beijing) Co., Ltd. (新華信國際信息諮詢(北京)有限公司) since January 2007. Since October 2007, Mr. Lin has been serving as an independent director for Synutra International Inc. (聖元國際集團), which is listed on Nasdaq (stock code: SYUT). In addition, Mr. Lin has also been serving as an independent non-executive director for two companies listed on the Hong Kong Stock Exchange, namely New Focus Auto Tech Holdings Limited (新焦點汽車技術控股有限公司) (stock code: 360) since August 2013 and Xiezhong International Holdings Limited (協眾國際控股有限公司) (stock code: 3663) since August 2014. In terms of his professional membership and qualifications, Mr. Lin was admitted as a member of the European Society for Opinion and Marketing Research in July 2002, and he was also admitted as a director of Society of Automotive Engineers of China (中國汽車工程學會) in December 2012. Mr. Lin received his bachelor's degree in economic information management from Renmin University of China in July 1990.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed herein, none of our Directors of the Company held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this prospectus. There is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Hong Kong Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company (other than the Executive Director):

Name	Age	Position	Date of Appointment	Date of joining our Group	Duties
Jenny Zhiya QIAN (錢治亞)	37	Executive Vice-President and Chief Operating Officer	May 15, 2014	September 27, 2007	Responsible for general management of operations, and in particular, specifically responsible for, product design and pricing, marketing and public relations, and human resources.
Yaxiao LIU (劉亞霄)	40	Executive Vice-President and Chief Information Officer	July 30, 2014	June 17, 2014	Responsible for development of information technology, technological and operational innovation and implementing the mobile internet technology and new information technology strategies.
Wilson Wei LI (李維)	36	Executive Vice-President and Chief Financial Officer	May 15, 2014	May 1, 2014	Responsible for matters relating to corporate finance and financial management of the Group, including budgeting, disclosure and reporting and overseeing the financial goals of the Company.
Yifan SONG (宋一凡)	38	Executive Vice-President	May 15, 2014	September 27, 2007	Responsible for general management of processes and standardization; in particular, stores, fleet, repair and maintenance facilities and call centers.

DIRECTORS AND SENIOR MANAGEMENT

Charles Zhengyao LU (陸正耀), aged 45, is our Executive Director. Please refer to the section headed “Executive Director — Charles Zhengyao LU” for his biography.

Jenny Zhiya QIAN (錢治亞), aged 37, was appointed as our executive vice-president and chief operating officer on May 15, 2014. She is responsible for general management of operations, and in particular, specifically responsible for, product design and pricing, marketing and public relations, and human resources. She has also been working as an executive vice-president and the chief operating officer for CARH since September 27, 2007, and is also a founding member of the Group. Ms. Qian has over 16 years of industry experience. From August 1998 to August 1999, she was an assistant manager at the Wuhan branch of SembCorp (Tianjin) Construction Engineering Co., Ltd. (勝科(天津)建設工程有限公司武漢分公司). She worked at Cheung Kong (Wuhan) Development Co., Ltd. (長江發展(武漢)有限公司) from August 1999 to February 2004 where she served as a personnel manager and an assistant general manager. Ms. Qian served as the assistant to the president of Beijing Huaxia United Science & Technology Co., Ltd. (北京華夏聯合科技有限公司) from February 2004 to March 2005 and a vice-president of operations for Beijing Huaxia United Automobile Association Co. Ltd. (北京華夏聯合汽車俱樂部有限公司) from March 2005 to August 2007. Ms. Qian graduated from Wuhan Institute of Textile Science (武漢紡織工學院) with a bachelor of business degree in June 1998 where she majored in industry and foreign trade. Ms. Qian also received an Executive Master of Business Administration degree from Peking University in July 2012.

Yaxiao LIU (劉亞霄), aged 40, was appointed as our executive vice-president and the chief information officer on July 30, 2014. He is responsible for development of information technology, technological and operational innovation and implementing the mobile internet technology and new information technology strategies. Mr. Liu has over 15 years of experience in the information technology industry. Prior to joining us, Mr. Liu worked at International Business Machines Corporation, also known as IBM, from July 1999 to June 2014. At IBM, he was initially employed as an information technology specialist trainee and was later promoted to different positions within the company; and later became the Chief Technology Officer of Global Technology Services for IBM Greater China Group, which was the position he took until he left IBM in June 2014. Mr. Liu graduated from Tsinghua University with a bachelor’s and master’s degree in computer science in July 1997 and July 1999 respectively.

Wilson Wei LI (李維), aged 36, was appointed as our executive vice-president and the Chief Financial Officer on May 15, 2014. He is responsible for matters relating to corporate finance and financial management of the Group, including budgeting, disclosure and reporting and overseeing the financial goals of the Company. He has also been appointed as an executive vice-president and the chief financial officer for CARH since May 1, 2014. Mr. Li has over 14 years of experience in corporate finance, risk management, internal audit, treasury and capital market. From August 2002 to January 2004, Mr. Li worked at GE Healthcare as the head of risk and credit management. From January 2004 to January 2007, Mr. Li was part of the General Electric corporate audit staff based in the US, where he had multiple financial or operational assignments in the US and Asia. From January 2007 to July 2010, Mr. Li was the chief financial officer for Global Supply Chain Asia group in GE Healthcare. From July 2010 to April 2014, Mr. Li worked as the chief financial officer of UniTrust Finance & Leasing Corporation, a prominent independent financial leasing company in China. Mr. Li graduated from Fudan University with a bachelor of arts in finance in June 2000. In July 2002, Mr. Li was also a graduate of Financial Management Program, an elite corporate leadership program organized by General Electric.

Yifan SONG (宋一凡), aged 38, was appointed as our executive vice-president on May 15, 2014. She is responsible for general management of processes and standardization; in particular, stores, fleet, repair and maintenance facilities and call centers. She has also been working as an executive vice-president for CARH since September 27, 2007, and is also a founding member of the Group. Ms. Song has over 15 years of industry experience. Before joining us, she was a member of the technical support department at Beijing

DIRECTORS AND SENIOR MANAGEMENT

Ruide Hengchang Computer System Co., Ltd. (北京瑞得恒昌計算機系統集成有限公司) from May 1998 to May 1999. Ms. Song worked at Beijing Youheng Technology Co., Ltd. (北京友恒科技有限公司) as a technical support manager from June 1999 to May 2000, and as the head of customer services at Shouchuang Internet Co., Ltd. (首創網絡有限公司), an Internet service provider company, from May 2000 to December 2002. She served as the head of customer services at Beijing Yingtong Information System Co., Ltd. (北京盈通資訊系統有限公司), another Internet service provider company, from January 2003 to March 2005 and the head of customer services for Beijing Huaxia United Automobile Association Co. Ltd. (北京華夏聯合汽車俱樂部有限公司) from March 2005 to August 2007. Ms. Song graduated from the College of Electric Automation Engineering of Beijing Union University (北京聯合大學電子自動化工程學院) and received her bachelor's degree in communication engineering in July 1998. She obtained a master's degree in business administration from Central University of Finance and Economics of China (中央財經大學) in June 2009.

COMPANY SECRETARY

Ka Man SO (蘇嘉敏), aged 40, was appointed as our company secretary on July 30, 2014. Ms. So has over 15 years of experience in the corporate secretarial field. From August 2000 to December 2003, Ms. So worked at Tengis Limited (currently known as Tricor Tengis Limited). She has been working at Tricor Services Limited since January 2004 and is currently a senior manager at the corporate services division. Ms. So is currently the company secretary of Embry Holdings Limited 安莉芳控股有限公司 (stock code: 1388), a company listed on The Stock Exchange of Hong Kong Limited. Ms. So is a chartered secretary and an associate of both The Hong Kong Institute of Chartered Secretaries (“HKICS”) and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Ms. So obtained a bachelor of arts degree in accountancy from the Hong Kong Polytechnic University in November 1996.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The term of such appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise the Company on the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

BOARD COMMITTEES

We have established the following committees in our Board of Directors: an Audit and Compliance Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

DIRECTORS AND SENIOR MANAGEMENT

Audit and Compliance Committee

We have established an Audit and Compliance Committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs C3 and D3 of the Code and Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Audit and Compliance Committee consists of two Independent Non-executive Directors, namely, Mr. Sam Hanhui SUN (孫含暉) and Mr. Lei LIN (林雷), and one Non-executive Director, namely, Mr. Erhai LIU (劉二海), with Mr. Sam Hanhui SUN (孫含暉) being the chairman of the committee. As required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules, Mr. Sam Hanhui SUN (孫含暉), being the chairman of the committee, holds the appropriate professional qualifications. The primary duties of the Audit and Compliance Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control, corporate governance and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a Remuneration Committee with terms of reference in compliance with paragraph B1 of the Code and Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of two Independent Non-executive Directors, namely, Mr. Wei DING (丁瑋) and Mr. Li ZHANG (張黎), and one Non-executive Director, namely, Mr. Erhai LIU (劉二海), with Mr. Wei DING (丁瑋) being the chairman of the committee. The primary duties of the Remuneration Committee include but not limited to, the following: (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Nomination Committee

We have established a Nomination Committee with terms of reference in compliance with paragraph A5 of the Code and Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of two Independent Non-executive Directors, namely, Mr. Li ZHANG (張黎) and Mr. Lei LIN (林雷), and one Executive Director, namely, Mr. Charles Zhengyao LU (陸正耀), with Mr. Li ZHANG (張黎) being the chairman of the committee. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) incurred by the five highest paid individuals for the years ended December 31, 2011, 2012, 2013 and for the six months ended June 30, 2014 was approximately RMB1.47 million, RMB2.27 million, RMB13.2 million and RMB6.83 million, respectively.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) paid to our Directors and senior management by our Company for the years ended December 31, 2011, 2012, 2013 and for the six months ended June 30, 2014 amounted to RMB0.84 million, RMB1.53 million, RMB8.97 million and RMB5.14 million, respectively. Further, none of our Directors or senior management waived any remuneration during that period.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2011, 2012 and 2013 and for the six months ended June 30, 2014 by the Company to our Directors or senior management.

We expect the annual Directors' fees and other emoluments payable by our Company for the year ended December 31, 2014 to be approximately RMB0.86 million.

We expect the aggregate remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) payable by our Company to our senior management for the year ended December 31, 2014 to be RMB27.20 million.

To incentivize our Directors, senior management and employees, our Company has also adopted Pre-IPO Share Option Schemes. For more details, please refer to the section headed "Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Schemes" of this prospectus.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Remuneration Policy

Our Directors and senior management receive compensation in the form of salaries in relation to the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations. Our Group regularly reviews and determines the remuneration and compensation packages of its Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and senior management and the performance of our Group. After Listing, our Company's Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group.

None of our Controlling Shareholder, executive Director, non-executive Directors and their respective associates are interested in any business which competes or is likely to compete with our business and is required to be disclosed pursuant to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the Company issued 1,867,220,070 Shares, which were held by CARH.

Each of the following persons will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options), have an interest and short position in Shares or underlying shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Capacity/Nature of interest	Number of Shares held upon completion of the Pre-IPO Reorganization	Approximate percentage of shareholding in the total issued share capital of our Company upon completion of the Pre-IPO Reorganization	Number of Shares held after the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)	Approximate percentage of shareholding in the total issued share capital of our Company after the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)
Grand Union ⁽¹⁾	Registered owner	688,068,025	36.8%	688,068,025	30.0%
Grand Union Management Limited ⁽¹⁾	Interest in a controlled corporation	688,068,025	36.8%	688,068,025	30.0%
Amber Gem ⁽²⁾	Registered owner	430,471,340	23.1%	430,471,340	18.8%
Warburg Pincus Private Equity XI, L.P. ⁽²⁾	Interest in a controlled corporation	430,471,340	23.1%	430,471,340	18.8%
Haode Group Inc. ⁽³⁾	Registered owner	294,223,775	15.8%	294,223,775	12.8%
Lucky Milestone Limited ⁽³⁾	Trust holding company	294,223,775	15.8%	294,223,775	12.8%
Cititrust Private Trust (Cayman) Limited ⁽³⁾	Trustee of a trust	294,223,775	15.8%	294,223,775	12.8%
Ms. Guo ^{(3) (4)}	Founder of a trust. Interest in a controlled corporation	347,947,545	18.6%	347,947,545	15.2%
Mr. Lu ^{(3) (4)}	Beneficial Interest	347,947,545	18.6%	347,947,545	15.2%
Hertz Holdings ⁽⁵⁾	Registered owner	355,137,265	19.0%	386,137,665	16.8%
Stuurgroep Holding C.V. ⁽⁵⁾	Interest in a controlled corporation	355,137,265	19.0%	386,137,665	16.8%

SUBSTANTIAL SHAREHOLDERS

Name	Capacity/Nature of interest	Number of Shares held upon completion of the Pre-IPO Reorganization	Approximate percentage of shareholding in the total issued share capital of our Company upon completion of the Pre-IPO Reorganization	Number of Shares held after the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)	Approximate percentage of shareholding in the total issued share capital of our Company after the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)
Hertz International Limited ⁽⁵⁾	Interest in a controlled corporation	355,137,265	19.0%	386,137,665	16.8%
The Hertz Corporation ⁽⁵⁾	Interest in a controlled corporation	355,137,265	19.0%	386,137,665	16.8%
Hertz Investor, Inc. ⁽⁵⁾	Interest in a controlled corporation	355,137,265	19.0%	386,137,665	16.8%
Hertz Global Holdings, Inc. ⁽⁵⁾	Interest in a controlled corporation	355,137,265	19.0%	386,137,665	16.8%

Notes:

- (1) Grand Union is an exempted liability partnership which is controlled by a general partner, Grand Union Management Limited.
- (2) Warburg Pincus Private Equity XI, L.P., a Delaware limited partnership, owns 77.6% of the equity interest in Amber Gem; Warburg Pincus Private Equity XI-B, L.P., a Delaware limited partnership, owns 14.4% of the equity interest in Amber Gem; Warburg Pincus XI Partners, L.P., a Delaware limited partnership, owns 5% of the equity interest in Amber Gem; Warburg Pincus XI Partners, L.P., a Delaware limited partnership, owns 2.7% of the equity interest in Amber Gem; and Warburg Pincus Private Equity XI-C, L.P., a Cayman Islands exempted limited partnership, owns 0.3% of the equity interest in Amber Gem. Each of the above private equity fund is managed by Warburg Pincus LLC, a New York limited liability company.
- (3) Haode Group is wholly-owned by Lucky Milestone Limited, a Bahamas company, which is in turn ultimately wholly owned by Cititrust Private Trust (Cayman) Limited, as trustee of The Lu's Family Trust. The Lu's Family Trust is an irrevocable trust constituted under the laws of the Cayman Islands with Ms. Guo as the settlor and certain family members of Mr. Lu as the beneficiaries. Thus, Lucky Milestone Limited, Cititrust Private Trust (Cayman) Limited, Ms. Guo and Mr. Lu are deemed to be interested in 294,223,775 Shares to be held by Haode Group upon completion of the Pre-IPO Reorganization.
- (4) Ms. Guo is the sole shareholder of Sky Sleek. Thus, Ms. Guo and Mr. Lu are also deemed to be interested in 53,723,770 Shares to be held by Sky Sleek upon completion of the Pre-IPO Reorganization.
- (5) Hertz Holdings is wholly-owned by Stuurgroep Holding C.V., which, in turn, is owned as to 99.9% by Hertz International Limited. Hertz International Limited is a wholly-owned subsidiary of The Hertz Corporation, which, in turn, is wholly-owned by Hertz Investor, Inc., a wholly-owned subsidiary of Hertz Global Holdings, Inc. Thus, Stuurgroep Holding C.V., Hertz International Limited, The Hertz Corporation, Hertz Investor, Inc. and Hertz Global Holdings, Inc are deemed to be interested in 386,137,665 Shares to be held by Hertz Holdings upon Listing (assuming the Hertz Subscription Amount of US\$30 million and an Offer Price of HK\$7.50).

Other than as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

SHARE CAPITAL

Authorized and Issued Share Capital

The following is a description of the authorized and issued share capital of our Company as of the Latest Practicable Date, immediately after completion of the Pre-IPO Reorganization and immediately after completion of the Global Offering:

As of the Latest Practicable Date

	US\$
Authorized Share Capital:	
26,000,000,000 Ordinary Shares of US\$0.00001 each	260,000
Issued Share Capital:	
1,867,220,070 Ordinary Share of US\$0.00001	18,672.2007

Immediately after Completion of the Pre-IPO Reorganization

	US\$
Authorized Share Capital	
26,000,000,000 Ordinary Shares of US\$0.00001 each	260,000
Issued Share Capital	
1,867,220,070 Ordinary Shares of US\$0.00001 each	18,672.2007

Immediately after Completion of the Global Offering

	US\$
Authorized Share Capital	
26,000,000,000 Shares of US\$0.00001 each.....	260,000
Shares to be issued pursuant to the Pre-IPO Reorganization	
1,867,220,070 Ordinary Shares of US\$0.00001 each	18,672.2007
Shares to be issued pursuant to the Global Offering	
426,341,000 Ordinary Shares of US\$0.00001 each	4,263.41
Total Issued Shares on Completion of the Global Offering	
2,293,561,070 Ordinary Shares of US\$0.00001 each	22,935.6107

Assumptions

The above tables assume that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It assumes the Over-allotment Option is not exercised and takes no account of any Shares to be issued upon the exercise of the Pre-IPO Share Options and any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

SHARE CAPITAL

Ranking

The Offer Shares are Ordinary Shares in the share capital of our Company and rank equally with all Ordinary Shares currently in issue or to be issued, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

General Mandate

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the Pre-IPO Share Options); and
- (ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting;
- (ii) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Please refer to the section headed "Appendix IV — Statutory and General Information — A. Further Information about Our Company — 3. Resolutions in Writing of Our Shareholders Passed on August 18, 2014" for details of this general mandate.

General Mandate to Repurchase Shares

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the Pre-IPO Share Options).

This mandate only relates to repurchases made on the Hong Kong Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Appendix IV — Statutory and General Information — A. Further Information about Our Company — 7. Restriction on Share Repurchase."

This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting;
- (ii) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Please refer to the section headed "Appendix IV — Statutory and General Information — A. Further Information about the Company — 3. Resolutions in Writing of Our Shareholders Passed on August 18, 2014" for details of this repurchase mandate.

SHARE CAPITAL

Pre-IPO Share Option Schemes

We have granted options under the Pre-IPO Share Option Schemes. Please refer to the section headed “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Schemes” for details.

Public Float Requirements

Rule 8.08(1)(a) and (b) of the Listing Rules require that there shall be an open market in the securities for which listing is sought and for which a sufficient public float of an issuer’s listed securities shall be maintained. This normally means that (i) at least 25% of the issuer’s total issued share capital must at all times be held by public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by public (listed on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer’s total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer’s total issued share capital and must have an expected market capitalization at the time of listing of not less than HK\$50 million.

Our Company has applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange has exercised, its discretion under Rule 8.08(1)(d) of the Listing Rules to allow a reduced public float as described in the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance”.

Our Company will confirm sufficiency of public float in successive annual reports after the Listing.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into five cornerstone investment agreements (altogether, the “**Cornerstone Investment Agreements**”) with the investors set out below in the subsection “Cornerstone Investors” (the “**Cornerstone Investors**”, each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of US\$130 million (or approximately HK\$1,007.5 million) (the “**Cornerstone Placing**”). Based on the Offer Price of HK\$8.00 (being the mid-point of the stated range of the Offer Price of between HK\$7.50 and HK\$8.50 per Share), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be approximately 125,936,000 Offer Shares, representing approximately (i) 32.8% of the total number of International Offering Shares issued under the International Offering, assuming that the Over-allotment Option is not exercised; (ii) 29.5% of the Offer Shares in issue upon the completion of the Global Offering and 5.5% of our entire issued share capital immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Each of the Cornerstone Investors is an independent third party, is not a connected person (as defined under the Hong Kong Listing Rules) of our Company, and is not an existing shareholder of our Company. In addition, each of the Cornerstone Investors is independent of each other, and make independent investment decisions. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around September 18, 2014.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the Offer Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Hong Kong Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering”.

CORNERSTONE INVESTORS

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

Cornerstone Investor	Investment Amount (US\$)	Based on the Offer Price of HK\$8.00	
		Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)
Waddell & Reed	30,000,000	1.3%	1.2%
Hillhouse	30,000,000	1.3%	1.2%
Falcon Edge	30,000,000	1.3%	1.2%
Davis Selected Advisers	20,000,000	0.8%	0.8%
China Chengtong	20,000,000	0.8%	0.8%

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Waddell & Reed

Ivy Emerging Markets Equity Fund, Ivy International Growth Fund, Waddell & Reed Advisors International Growth Fund and Ivy Funds Variable Insurance Portfolio International Growth (collectively, the “**Waddell & Reed Funds**”) have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Offer Shares) which may be purchased with an aggregate amount of US\$30 million at the Offer Price. Assuming an Offer Price of HK\$8.00, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Waddell & Reed Funds would subscribe for would be 29,062,000, representing (i) approximately 1.3% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options, or, (ii) approximately 1.2% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options.

CORNERSTONE INVESTORS

Each of the Waddell & Reed Funds is established or formed in the State of Delaware. The investment manager of each of these funds is either Ivy Investment Management Company or Waddell & Reed Investment Management Company, which are both wholly-owned subsidiaries of Waddell & Reed Financial, Inc. (“**Waddell & Reed**”).

Founded in 1937, Waddell & Reed, whose common stock is listed and traded on the New York Stock Exchange (New York Stock Exchange Symbol: WDR), is one of the oldest mutual fund complexes in the United States. Through its subsidiaries, Waddell & Reed provides investment management and financial planning services to clients throughout the United States. As of June 30, 2014, the total assets under management by Waddell & Reed reached US\$135.6 billion.

Hillhouse

Gaoling Fund, L.P. and YHG Investment, L.P. (collectively, the “**Hillhouse Funds**”) have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Offer Shares) which may be purchased with an aggregate amount of US\$30 million at the Offer Price. Assuming an Offer Price of HK\$8.00, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Hillhouse Funds would subscribe for would be 29,062,000, representing (i) approximately 1.3% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options, or, (ii) approximately 1.2% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options.

The Hillhouse Funds are both incorporated in the Cayman Islands. They are each Asia-focused funds managed by the same investment manager, Hillhouse Capital Management, Ltd. (“**Hillhouse**”). Hillhouse manages capital for world-class institutional investors, concentrating on making equity investments over a long-term investment horizon. Hillhouse takes a research intensive, bottom-up approach to investing that is highly focused on business fundamentals.

Falcon Edge

Falcon Edge Global Master Fund, LP (“**Falcon Edge Fund**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Offer Shares) which may be purchased with an aggregate amount of US\$30 million at the Offer Price. Assuming an Offer Price of HK\$8.00, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Falcon Edge Fund would subscribe for would be 29,062,000, representing (i) approximately 1.3% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options, or, (ii) approximately 1.2% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options.

Falcon Edge Fund is an investment fund organized as an exempted limited partnership under the laws of the Cayman Islands. Falcon Edge Capital, LP (“**Falcon Edge**”) serves as the investment manager of Falcon Edge Fund. Falcon Edge is a global investment firm dedicated to exploiting asymmetrical risk-reward opportunities on both the long and short side through a fundamental investment approach.

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Davis Selected Advisers

Davis Selected Advisers, L.P. (“**Davis Selected Advisers**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Offer Shares) which may be purchased with an aggregate amount of US\$20 million at the Offer Price. Assuming an Offer Price of HK\$8.00, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Davis Selected Advisers would subscribe for would be 19,375,000, representing (i) approximately 0.8% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options, or, (ii) approximately 0.8% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options.

Formed in Colorado, the United States, Davis Selected Advisers serves as investment adviser to registered investment companies in the United States. It also provides advisory or sub-advisory services to other parties including other registered investment companies, private accounts, offshore funds, and managed money/wrap accounts. Davis Investments, LLC is Davis Selected Advisers’ sole general partner.

China Chengtong

China Chengtong Holdings Group Ltd. (“**China Chengtong**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Offer Shares) which may be purchased with an aggregate amount of US\$20 million at the Offer Price. Assuming an Offer Price of HK\$8.00, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that China Chengtong would subscribe for would be 19,375,000, representing (i) approximately 0.8% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options, or, (ii) approximately 0.8% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options.

China Chengtong is a large enterprise group under the supervision of the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council. China Chengtong serves as a significant operating platform, contributing to structural and distributional adjustments and strategic recombination of central enterprises. The main businesses of China Chengtong are assets management, integrated logistic service, capital goods trade, production and exploitation of forestry-pulp papers.

As of the date of this prospectus, China Chengtong owns more than a hundred subsidiary companies in China, which includes: (i) three companies listed in the Shanghai Stock Exchange, namely CMST Development Co., Ltd. (600787), Guangdong Guanhao High-Tech Co., Ltd. (600433) and Yueyang Forest & Paper Co., Ltd. (600963); (ii) one company listed in the Main board of Hong Kong Stock Exchange, namely China Chengtong Development Group Co., Ltd. (00217); and (iii) one company listed in the Shenzhen Stock Exchange, namely Foshan Huaxin Packaging Co., Ltd. (200986).

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

1. the Hong Kong Underwriting Agreement and the International Purchase Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified or as subsequently waived or varied by agreement of the parties thereto in such agreements;
2. the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares and that such approval or permission have not been revoked;

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3. neither the Hong Kong Underwriting Agreement nor the International Purchase Agreement having been terminated; and
4. no laws shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant cornerstone investment agreement) which prohibit the consummation of the transactions contemplated in the Global Offering or under the relevant cornerstone investment agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions contemplated under the Global Offering or under the relevant cornerstone investment agreement.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the Joint Bookrunners, it will not, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the shares subscribed by it under the relevant cornerstone investment agreement and any shares or securities of our Company derived therefrom (the “**Relevant Shares**”) or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares, or enter into any transactions, directly or indirectly, with the same economic effect as any transaction for such disposal of Relevant Shares or interest, or agree or contract to, or publicly announce any intention to enter into, any transaction for such disposal of the Relevant Shares or interest or any transactions with the same economic effect.

FINANCIAL INFORMATION

The following discussion should be read in conjunction with our audited consolidated financial information, together with the accompanying notes, as set forth in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which may differ in material aspects from generally accepted principles in other jurisdiction, including the United States.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Factors that could cause or contribute to such differences include those disclosed in "Risk Factors."

OVERVIEW

We are the largest car rental company in China, offering comprehensive car rental services including short-term rental, long-term rental and leasing services. As the clear market leader in terms of fleet size, revenue, network coverage and brand awareness, according to Roland Berger, we have been continuously strengthening our leadership.

Our total fleet, which excludes vehicles owned by our franchisees, comprised of 52,498 vehicles as of June 30, 2014. According to Roland Berger, as of December 31, 2013, we had the largest fleet among all car rental companies in China, and our total fleet was larger than the aggregate fleet size of the next nine largest car rental companies and over four times that of the second largest car rental company.

As of June 30, 2014, we had an extensive network of 717 directly operated service locations in 70 major cities in all provinces in China. Our network was further supplemented by 202 service locations in 162 small cities operated by our franchisees as of June 30, 2014. According to Roland Berger, the number of our directly operated service locations was approximately three times of that of our closest competitor as of December 31, 2013.

During the Track Record Period, we have experienced substantial growth while improving our operational efficiency. Our fleet size increased from 25,845 vehicles to 52,498 vehicles from December 31, 2011 to June 30, 2014. Our revenue increased at a CAGR of 81.6% from RMB819.2 million in 2011 to RMB2,702.7 million in 2013, and by 61.9% from RMB1,150.1 million for the six months ended June 30, 2013 to RMB1,862.0 million for the six months ended June 30, 2014. We recorded a loss of RMB151.2 million in 2011 and a loss of RMB223.4 million in 2013, and our profit increased from RMB1.7 million for the six months ended June 30, 2013 to RMB218.3 million for the six months ended June 30, 2014. Our adjusted net profit/(loss), which is our profit or loss excluding share-based compensation, foreign exchange gain or loss related to Corporate Reorganization, and IPO and reorganization related expenses was a loss of RMB145.1 million in 2011 and a loss of RMB155.2 million in 2013, and our adjusted net profit/(loss) increased from a loss of RMB14.2 million for the six months ended June 30, 2013 to a profit of RMB277.2 million in the six months ended June 30, 2014. Our adjusted EBITDA, which is our profit or loss before income taxes, net finance income/costs, depreciation, amortization and impairment, excluding share-based compensation, foreign exchange gain or loss related to Corporate Reorganization and IPO and reorganization related expenses increased from RMB265.5 million in 2011 to RMB918.1 million in 2013, and our adjusted EBITDA increased from RMB463.8 million in the six months ended June 30, 2013 to RMB796.3 million in the six months ended June 30, 2014.

BASIS OF PRESENTATION

Pursuant to the Corporate Reorganization as more fully explained in "Our History, Reorganization and Corporate Structure" to this prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the Track Record Period on May 15, 2014. The Corporate

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Reorganization has no substance and did not form a business combination and accordingly, the consolidated Financial Information and the Interim Comparative Information have been prepared on a consolidated basis by applying the principles of merger accounting as if the Corporate Reorganization had been completed at the beginning of the Track Record Period for the purpose of this report.

The consolidated statements of profit or loss, the consolidated statements of comprehensive (loss)/income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the ultimate holding company, where this is a shorter period. The consolidated statements of financial position of the Group as of December 31, 2011, 2012 and 2013 and June 30, 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the ultimate holding company's perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Pre-IPO Reorganization.

All inter-group transaction and balances have been eliminated on consolidation.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by many factors, ranging from macroeconomic conditions that affect China's economy and China's car rental industry to company-specific factors.

China's economic growth has resulted in higher per capita disposable income, increased business and leisure travel, an increasing number of drivers and expanding roadway infrastructure, all of which have contributed to the fast growth of China's car rental industry. The PRC government's policies and regulations relating to vehicle purchase, ownership and usage, which have resulted in a growing gap between the numbers of licensed drivers and private cars and government car ownership reforms, also have a significant impact on the car rental industry. Please see "Industry Overview" for more information relating to macro-economic and industry factors affecting our results of operations.

We primarily focus on the short-term rental business in China, and our results of operations are directly affected by a number of company-specific factors including the following:

Scale of our business

The scale of our business, including our fleet size, network coverage and our customer base, has a significant impact on our revenue and cost structures. Our fleet size increased from 25,845 vehicles as of December 31, 2011 to 52,498 vehicles as of June 30, 2014. We expanded our geographic coverage from 234 stores in 66 cities as of December 31, 2011 to 717 directly operated service locations, which included 233 stores and 484 pick-up points, in 70 cities across China as of June 30, 2014. Our total customer base grew approximately four times from approximately 450,000 as of December 31, 2011 to approximately 1,962,000 as of June 30, 2014. Our large scale in terms of fleet size, network coverage and customer base has enabled us to increase our revenue as well as enjoy substantial cost advantages by lowering our procurement costs and average fixed costs and expenses such as marketing and overhead expenses. Our scale has also allowed us to expand our business rapidly, provide more products and services, and offer competitive prices to our customers, which we believe form a virtuous cycle and will continuously strengthen our market leadership.

Operational efficiency

Our ability to achieve higher operational efficiency is key to our business growth and results of operations. We have developed an effective, reliable and scalable technology platform, which centralizes all aspects of our operational management, including transaction, yield, customer, fleet and financial management. Our technology platform empowers us to improve our operational efficiency in various aspects, including analyzing future demand, implementing dynamic pricing, and monitoring and analyzing

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operational and financial performance, which in turn enhances our revenue and lowers our costs. Our costs and expenses as a percentage of our rental revenue have decreased as we achieved higher operational efficiency. As our business further grows, we believe we will be able to continuously take advantage of our technology platform to further improve our operational efficiency.

Pricing

Our short-term rental charges include basic rental rates, cost of basic insurance coverage, handling fees and fees for optional value-added services, if applicable. Our pricing is based on, among other things, our market demand, target margin and competition.

Our large scale and operational efficiency enable us to offer competitive rental rates, while our high brand recognition, extensive network, broad vehicle selection and excellent vehicle condition enable us to achieve premium pricing. In addition, we have implemented a dynamic pricing system, which enables us to adjust our short-term rental rates based on market demand, inventory level, rental term, location, timing of booking, competitor rates and our target margin. We believe our dynamic pricing system enables us to more efficiently price our products and services to satisfy different customer needs and maximize our revenue.

Our average daily rental rate reflects our pricing. Average daily rental rate is calculated by dividing short-term rental revenue in a given period by the total rental days of the fleet in that period. Our average daily rental rate increased from RMB197 in 2011 to RMB212 in 2012, RMB246 in 2013 and further to RMB277 for the six months ended June 30, 2014. Our average daily rental rate was lower in the past, primarily because we implemented discount pricing strategies to rapidly grow our scale and cultivate customer acceptance at the early stage of China's car rental industry. As we gradually solidified our market leading position in terms of customer base and brand recognition, we raised our average daily rental rate over time to increase our revenue.

Fleet utilization rate

Fleet utilization rate is a key operating metric for our short-term rental business as it directly impacts our short-term rental revenue. Long-term rental revenue is not included in the calculation of our fleet utilization rate.

Fleet utilization rate is calculated by dividing the aggregate days that our short-term vehicles are rented by the aggregate days that our short-term vehicles are in operation. When calculating fleet utilization rate, "short-term vehicles in operation" refers to our entire short-term fleet, including those temporarily unavailable for customer use due to repair or maintenance and those that are being transported, and excluding those suspended from rental operations because they failed to pass the mandatory biennial inspection due to customer violation of traffic rules. For further details about suspended vehicles, please see "— Selected Results of Operations and Financial Position — Non-IFRS Measures." Factors generally affecting our fleet utilization rate include, among other things, market demand, fleet management and pricing.

As part of our growth strategy, we set our target fleet utilization rate at around 60% in the past few years, which reflected a deliberate balance between our fleet expansion for building scale and securing license plates and our financial results. As a result, our fleet utilization rate was 56.7% in 2011, 59.0% in 2012, 57.9% in 2013 and 61.7% for the six months ended June 30, 2014. As we have achieved a market leading position in terms of fleet size, revenue, network coverage, brand awareness as well as license plate reserve, we intend to gradually increase our fleet utilization rate while expanding our fleet in line with market demand.

Vehicle acquisition and disposition

Vehicle acquisition and disposition affects our revenue, liquidity and depreciation of rental vehicles.

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We have expanded our fleet rapidly since our inception and expect to continue to purchase more new vehicles in future. Our vehicle acquisition costs amounted to RMB1,774.9 million, RMB1,764.5 million, RMB1,889.0 million and RMB887.2 million, respectively, during the Track Record Period. We have focused on optimizing our vehicle acquisition costs by leveraging our large scale and market leading position to obtain favorable purchase terms for substantially all of our vehicle purchases.

The depreciation of rental vehicles constitutes a significant portion of our expenses. We bear the risk of effective depreciation when disposing of our rental vehicles. Our depreciation of rental vehicles was 33.3%, 34.4%, 31.3% and 24.7% of our rental revenue during the Track Record Period, respectively. We determine depreciation of rental vehicles by primarily estimating (i) our vehicles' holding periods and (ii) residual values at the expected time of disposal. We make periodic reviews and adjustments to the depreciation rates in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal.

Used vehicle disposition is a crucial part of car rental business. In order to maintain a relatively young fleet to ensure high customer satisfaction, we dispose of our vehicles after they reach a certain holding period. We must also maintain adequate liquidity to timely replenish our fleet. Timely vehicle disposition at maximum prices is critical to meet both requirements. In addition, used vehicle disposition directly impacts the depreciation of rental vehicles due to the periodic reviews and adjustments we make to the depreciation rates in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. We disposed of our used vehicles primarily through online bidding and auction platforms, with off-line auction companies and other offline sales as supplemental channels. This disposition mechanism provides a systematic and cost-efficient way for us to sell our used vehicles to end users, dealers and franchisees. During the Track Record Period, we disposed of 742, 899, 9,986 and 11,722 rental vehicles, respectively. Our revenue from sales of used vehicles was RMB43.2 million in 2011, RMB50.6 million in 2012, RMB494.9 million in 2013 and RMB480.7 million for the six months ended June 30, 2014. Please see “— Description of Certain Results of Operations Items — Revenue” for a detailed analysis on the changes in our revenue from sales of used vehicles. We believe that increasing demand for used vehicles in China will provide a favorable market environment for our used vehicle disposition business.

Finance costs

The car rental business requires a large amount of capital. Our large scale and market leading position enable us to fund the rapid expansion of our business through diversified financing sources, including bank loans and other borrowings, financial leasing and OEM financing. Our ability to secure debt financing at commercially reasonable interest rates significantly impacts our interest expenses and results of operations. Our finance costs were 18.1%, 17.3%, 15.2% and 11.1% of our rental revenue, respectively, during the Track Record Period. We enjoy generally favorable financing terms from major banks and lending institutions due to our scale. The rapid growth of our business increased our borrowing needs, which has contributed to the increase of our interest expenses in recent years. We expect to gain access to additional sources of financing and obtain favorable financing terms after we become a public company.

Seasonality

We generally experience effects of seasonality primarily due to increases in leisure travel during certain periods in China such as the Chinese New Year, Labor Day and National Day holidays.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of our consolidated financial information requires selecting accounting policies and making estimates and assumptions that affect items reported in the consolidated financial information. The determination of these accounting policies is fundamental to our consolidated results of operations and financial position and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce

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materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial position, results of operations or cash flows. For more information regarding our significant accounting policies and the summary of significant accounting judgments and estimates, see Notes 3.2 and Note 4 to the Accountants' Report set forth in Appendix I to this prospectus.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) ***Operating lease rental income***

Revenue contracts with a lease term of less than 90 days are classified as short-term rental and those with a lease term of 90 days or longer are classified as long-term rental contracts. The minimum lease payment is recognized as revenue over the lease period on a straight line basis.

Customer loyalty award credits granted in rendering of operating lease services is accounted for as a separate component of the lease transaction in which they are granted. The consideration received in the lease transaction is allocated between the loyalty award credits and the other components of the lease. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

(b) ***Finance lease income***

The Group records revenue attributable to finance leases over the lease term on a systematic and national basis so as to produce a constant rate of return on the net investment in the finance lease.

(c) ***Sales of rental vehicles***

Sales of rental vehicles are recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the rental vehicles sold.

(d) ***Royalty and franchise income***

Royalty and franchise income are recognized on an accrual basis in accordance with the terms of the relevant agreements.

(e) ***Interest income***

Interest income is recognized on a time proportion basis using the effective interest method.

(f) ***Other service income***

Other revenue generally derives from repair services, leasing of parking spaces, advertisement income and referral fee from other vehicle rental companies, and is recognized upon the provision of services.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Rental vehicles

Rental vehicles are depreciated over the estimated holding period on a straight line basis. The initial estimated holding period of such rental vehicles is generally 2.5 to 3 years. We also estimate the residual value of the rental vehicles at the expected time of disposal. We make use of currently available market information and the estimated residual values for rental vehicles are based on factors including model, age, mileage and location. The Company makes periodic reviews and adjustments to the depreciation rates of rental vehicles in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. Such adjustments are accounted for as changes in accounting estimates. During the years ended December 31, 2011, 2012 and 2013 and six months ended June 30, 2014, rental vehicles were depreciated at rates ranging from 11.7% to 18.7% per annum, from 11.7% to 23.2% per annum, from 11.4% to 20.9% per annum from 11.4% to 24.0% per annum, respectively.

When an item of rental vehicle is classified as held for resale, it is not depreciated and is accounted for as held for sale, as further explained in the accounting policy for “Inventories” under Note 3.2 to the Accountants’ Report set forth in Appendix I to this prospectus.

Other property, plant and equipment

Other property, plant and equipment primarily includes buildings, office furniture and equipment, certain in-car accessories that can be separated from rental vehicles and leasehold improvements.

Depreciation is calculated on the straight-line basis to write off the cost of each item of other property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.22% to 2.86%
Office furniture and equipment.....	20% to 33.33%
In-car accessories	20% to 33.33%
Leasehold improvements.....	20% to 100%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

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For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income/(loss) or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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Share-based payments

Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“Equity-Settled Transactions”).

The cost of Equity-Settled Transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of Equity-Settled Transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognized for Equity-Settled Transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for Equity-Settled Transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Useful lives of rental vehicles

The Group’s management determines the estimated useful lives and the related depreciation charge for the Group’s rental vehicles. This estimate is based on the estimated holding period of such rental vehicles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or damaged rental vehicles that have been abandoned or sold. Actual holding period may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore depreciation charges in the future periods.

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Residual values of rental vehicles

The Group's management determines the estimated residual values at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values for rental vehicles are based on factors including make, age, mileage and location. Management will increase the depreciation charge where residual values are less than previously estimated values, or will write off or write down technically obsolete or damaged rental vehicles that have been abandoned or sold. Actual value at the time of disposal may differ from estimated residual values. Periodic review could result in a change in residual values and therefore depreciation charges in the future periods.

SELECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following tables set forth a summary of our consolidated results of operations and financial position for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
	(in thousands, except percentages)						(unaudited)			
Rental revenue	776,009	94.7%	1,558,391	96.9%	2,207,812	81.7%	1,007,689	87.6%	1,381,337	74.2%
Sales of used vehicles.....	43,199	5.3%	50,631	3.1%	494,903	18.3%	142,366	12.4%	480,677	25.8%
Total revenue	819,208	100.0%	1,609,022	100.0%	2,702,715	100.0%	1,150,055	100.0%	1,862,014	100.0%
Depreciation of rental vehicles	(258,023)	(31.5)%	(535,979)	(33.3)%	(690,027)	(25.5)%	(307,119)	(26.7)%	(341,429)	(18.3)%
Direct operating expenses of rental services	(268,265)	(32.7)%	(532,015)	(33.1)%	(861,638)	(31.9)%	(384,003)	(33.4)%	(478,041)	(25.7)%
Cost of sales of used vehicles	(48,860)	(6.0)%	(48,032)	(3.0)%	(522,126)	(19.3)%	(144,145)	(12.5)%	(463,730)	(24.9)%
Gross profit	244,060	29.8%	492,996	30.6%	628,924	23.3%	314,788	27.4%	578,814	31.1%
Other income/(expenses), net.....	1,678	0.2%	(8,168)	(0.5)%	20,704	0.8%	13,028	1.1%	(7,487)	(0.4)%
Selling and distribution expenses	(106,934)	(13.1)%	(140,346)	(8.7)%	(152,732)	(5.7)%	(66,214)	(5.8)%	(40,606)	(2.2)%
Administrative expenses	(148,750)	(18.2)%	(206,799)	(12.9)%	(378,226)	(14.0)%	(106,654)	(9.3)%	(148,998)	(8.0)%
Finance costs.....	(140,641)	(17.2)%	(270,037)	(16.8)%	(334,611)	(12.4)%	(151,889)	(13.2)%	(153,636)	(8.3)%
Profit/(loss) before tax	(150,587)	(18.5)%	(132,354)	(8.3)%	(215,941)	(8.0)%	3,059	0.2%	228,087	12.2%
Income tax (expense)/credit.....	(638)	(0.1)%	51	0.0%	(7,424)	(0.3)%	(1,409)	(0.1)%	(9,755)	(0.5)%
Profit/(loss) for the year/period	(151,225)	(18.6)%	(132,303)	(8.3)%	(223,365)	(8.3)%	1,650	0.1%	218,332	11.7%

Non-IFRS Measures

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue
	(in thousands, except percentages)									
Adjusted net (loss)/profit ⁽¹⁾	(145,143)	(18.7)%	(102,956)	(6.6)%	(155,175)	(7.0)%	(14,227)	(1.4)%	277,188	20.1%
Adjusted EBITDA ⁽²⁾	265,538	34.2%	728,132	46.7%	918,110	41.6%	463,806	46.0%	796,253	57.6%

Notes:

⁽¹⁾ We define adjusted net profit/(loss) as profit or loss excluding share-based compensation, foreign exchange gain or loss related to Corporate Reorganization and IPO and reorganization related expenses. For further details and the reconciliation of our adjusted net profit/(loss), see “— Non-IFRS Measures.”

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The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit/(loss) has material limitations as an analytical tool, as adjusted net profit/(loss) does not include all items that impact our net loss or profit for the period.

- (2) We define adjusted EBITDA as profit or loss before income taxes, net finance income/costs, depreciation, amortization and impairment, excluding share-based compensation, foreign exchange gain or loss related to Corporate Reorganization and IPO and reorganization related expenses. For further details and the reconciliation of our adjusted EBITDA, see “— Non-IFRS Measures.” The use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect our operations. Items excluded from adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. Depreciation expense, amortization, income taxes and net finance income/costs as well as share based compensation have been and may continue to be incurred in our business and are not reflected in the presentation of adjusted EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, adjusted EBITDA does not consider changes in working capital, and other investing activities and should not be considered as a measure of our liquidity. The term adjusted EBITDA is not defined under IFRS, and adjusted EBITDA is not a measure of profit/(loss) for the year or liquidity presented in accordance with IFRS. Investors should not consider adjusted EBITDA in isolation of, or as a substitute for, measures of our financial performance and liquidity as determined in accordance with IFRS.

Consolidated statements of financial position

	December 31,			June 30,
	2011	2012	2013	2014
	(RMB in thousands)			
NON-CURRENT ASSETS				
Rental vehicles.....	2,413,847	3,541,029	4,023,956	3,957,570
Others	284,944	248,599	377,847	649,516
Total non-current assets	<u>2,698,791</u>	<u>3,789,628</u>	<u>4,401,803</u>	<u>4,607,086</u>
CURRENT ASSETS				
Cash and cash equivalents	637,245	910,372	841,835	1,064,488
Others	431,837	358,295	923,433	1,315,110
Total current assets	<u>1,069,082</u>	<u>1,268,667</u>	<u>1,765,268</u>	<u>2,379,598</u>
CURRENT LIABILITIES				
Interest-bearing bank and other borrowings ..	1,541,747	2,496,330	2,247,576	2,530,229
Due to shareholders	767,927	811,950	1,597,568	—
Others	509,471	1,210,406	645,800	580,316
Total current liabilities	<u>2,819,145</u>	<u>4,518,686</u>	<u>4,490,944</u>	<u>3,110,545</u>
NET CURRENT LIABILITIES	<u>(1,750,063)</u>	<u>(3,250,019)</u>	<u>(2,725,676)</u>	<u>(730,947)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
	<u>948,728</u>	<u>539,609</u>	<u>1,676,127</u>	<u>3,876,139</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings .	784,413	498,145	1,563,299	1,701,361
Others	16,489	25,941	39,890	34,782
Total non-current liabilities.....	<u>800,902</u>	<u>524,086</u>	<u>1,603,189</u>	<u>1,736,143</u>
NET ASSETS.....	<u>147,826</u>	<u>15,523</u>	<u>72,938</u>	<u>2,139,996</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	—	—	—	115
Reserves and accumulated losses	147,826	15,523	72,938	2,139,881
TOTAL EQUITY.....	<u>147,826</u>	<u>15,523</u>	<u>72,938</u>	<u>2,139,996</u>

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KEY OPERATING METRICS

We primarily focus on the short-term rental business in China. The following table sets forth the key operating metrics that are critical to our business:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
Short-term rental					
Average daily short-term rental fleet ⁽¹⁾	15,429	26,556	33,475	32,880	35,602
Average daily rental rate (RMB) ⁽²⁾	197	212	246	218	277
Fleet utilization rate (%) ⁽³⁾	56.7%	59.0%	57.9%	61.1%	61.7%
RevPAC (RMB) ⁽⁴⁾	112	125	142	133	171
Disposition of used vehicles					
Number of used vehicles disposed ⁽⁵⁾	742	899	9,986	3,109	11,722

(1) Average daily short-term rental fleet is calculated by dividing the aggregate days of our short-term rental vehicles in operation in a given period by the aggregate days of that period. When calculating average daily short-term rental fleet, “short-term rental vehicles in operation” refers to our entire short-term fleet, including those temporarily unavailable for customer use due to repair or maintenance and those that are being transported, but excluding those vehicles suspended from rental operations because they failed to pass the mandatory biennial inspection due to customer violation of traffic rules.

(2) Average daily rental rate is calculated by dividing our short-term rental revenue in a given period by the fleet rental days in that period. Fleet rental days are the total rental days for all vehicles in our short-term rental fleet in a given period.

However, average rental rates are not meaningful operational metrics for long-term rentals because our long-term rentals are customized to meet the individual needs each of our customers may have, and as a result, our long-term rental contracts may vary significantly from each other. In addition, the rental rates for our long-term rentals depend on (i) the length and amount of such long-term rental contracts; (ii) the customer’s transaction history with us; and (iii) model of the vehicle requested by the customer.

In addition, average rental rates do not apply to our leasing services because they are priced based on the vehicle acquisition costs plus our target yield rates as the customers purchase the leasing vehicle at the end of the leasing period. Our leasing contracts may also vary significantly from each other as it is an evolving business for us.

Our management does not evaluate our long-term rentals and leasing businesses with reference to these metrics because the average rental rates do not represent or indicate any performance of our long-term rentals and leasing business.

(3) Fleet utilization rate is calculated by dividing the aggregate days that our vehicles are rented out for short term rentals by the aggregate days that our short-term rental vehicles are in operation. When calculating fleet utilization rate, “short-term rental vehicles in operation” refers to our entire short-term fleet, including those temporarily unavailable for customer use due to repair or maintenance and those that are being transported, but excluding those vehicles suspended from rental operations because they failed to pass the mandatory biennial inspection due to customer violation of traffic rules.

(4) RevPAC refers to average daily rental revenue per short-term rental vehicle, which is calculated by multiplying the average daily rental rate in a given period by the fleet utilization rate in that same period.

(5) The number of used vehicles disposed also includes the used vehicles disposed to our franchisees through leasing. For the six months ended June 30, 2014, we disposed of 3,674 used vehicles to our franchisees through leasing.

We have continuously increased our short-term rental fleet size in line with our expansion strategy and in anticipation of strong market demand, which resulted in the increase in the average daily short-term rental fleet during the Track Record Period. Our average daily rental rate was lower in the past, primarily because we implemented discount pricing strategies to help rapidly grow our scale and market share and cultivate customer acceptance at the early stage of China’s car rental industry. As we gradually solidified our market leading position in terms of customer base and brand recognition, we raised our basic rental rates over time, which resulted in an increase in our average daily rental rate, to increase our revenue. Our fleet utilization rate remained stable during the Track Record Period mainly because we set our target fleet utilization rate

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at around 60% in the past few years as part of our growth strategy, which reflected a deliberate balance between our fleet expansion for building scale and securing license plates and our financial results. As our fleet utilization rate remained relatively stable during the Track Record Period, the increase in our RevPAC during the same period was primarily due to the increase in our average daily rental rate.

The increase in the number of used vehicles disposed each year during the Track Record Period is primarily due to (i) the increase in the number of retired vehicles as a result of the aging of our fleet and (ii) the implementation of the three disposition channels, which provides a more systematic and cost-efficient way for us to proactively dispose of our used vehicles to end users, dealers and franchisees.

DESCRIPTION OF CERTAIN RESULTS OF OPERATIONS ITEMS

The following summarizes components of certain items appearing in the Accountants' Report set out in Appendix I to this prospectus, which we believe will be helpful in understanding the period-to-period discussion that follows below.

Revenue

Our revenue represents our gross revenue from operations, net of business taxes and related surcharges. We derive our revenue from (i) car rental business, including short-term and long-term rentals, finance lease and others, and (ii) sales of used vehicles. Our revenue increased at a CAGR of 81.6% from RMB819.2 million in 2011 to RMB1,609.0 million in 2012 and RMB2,702.7 million in 2013, and by 61.9% from RMB1,150.1 million in the six months ended June 30, 2013 to RMB1,862.0 million in the six months ended June 30, 2014, as a result of the rapid growth of our car rental and disposition of used vehicles businesses.

The following table sets forth our revenue by service type in absolute amounts and as percentages of our revenue for the periods presented:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
	(in thousands, except percentages)									
Revenue from car rental business.....	776,009	94.7%	1,558,391	96.9%	2,207,812	81.7%	1,007,689	87.6%	1,381,337	74.2%
Revenue from sales of used vehicles..	43,199	5.3%	50,631	3.1%	494,903	18.3%	142,366	12.4%	480,677	25.8%
Total revenue	<u>819,208</u>	<u>100.0%</u>	<u>1,609,022</u>	<u>100.0%</u>	<u>2,702,715</u>	<u>100.0%</u>	<u>1,150,055</u>	<u>100.0%</u>	<u>1,862,014</u>	<u>100.0%</u>

Car rental business. Our revenue from car rental business increased at a CAGR of 68.7% from RMB776.0 million in 2011 to RMB1,558.4 million in 2012 and RMB2,207.8 million in 2013, and by 37.1% from RMB1,007.7 million in the six months ended June 30, 2013 to RMB1,381.3 million in the six months ended June 30, 2014.

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The following table sets forth our revenue from car rental business by service type in absolute amounts and as percentages of our rental revenue for the periods presented:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue
	(in thousands, except percentages)									
Car rental business:										
Revenue from short-term rentals	629,818	81.2%	1,208,561	77.5%	1,714,485	77.7%	793,443	78.7%	1,081,099	78.3%
Revenue from long-term rentals	143,742	18.5%	328,211	21.1%	448,903	20.3%	201,601	20.0%	245,349	17.8%
Revenue from finance lease	2,235	0.3%	13,012	0.8%	21,709	1.0%	9,100	0.9%	19,411	1.4%
Other revenue	214	0.0%	8,607	0.6%	22,715	1.0%	3,545	0.4%	35,478	2.5%
Total revenue from car rental business:.....	776,009	100.0%	1,558,391	100.0%	2,207,812	100.0%	1,007,689	100.0%	1,381,337	100.0%

Short-term rentals. We categorize rentals of less than 90 days as short-term rentals. We provide short-term rental services to our individual and institutional customers to meet their local and inter-city travel needs, as well as replacement rental and other special needs for both business and leisure purposes. Our short-term rental business has grown significantly during the Track Record Period. For the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, our revenue from short-term rentals was RMB629.8 million, RMB1,208.6 million, RMB1,714.5 million and RMB1,081.1 million, respectively. The substantial increase in short-term rental revenue was mainly due to our fast growing fleet and increase of our RevPAC during this period. Our average daily short-term rental fleet size increased from 15,429 vehicles in 2011 to 35,602 vehicles for the six months ended June 30, 2014, and our RevPAC increased from RMB112 in 2011 to RMB125 in 2012, RMB142 in 2013 and further to RMB171 for the six months ended June 30, 2014. We expect that revenue from our short-term rentals will continue to constitute a substantial majority of our rental revenue in the foreseeable future.

Long-term rentals. We categorize most of our rentals of 90 days or more as long-term rentals, although certain rentals of 90 days or more are categorized as finance lease in accordance with IFRS. We offer long-term rentals to institutions under individually negotiated contracts. Our long-term rental fleet size increased from 3,621 vehicles as of December 31, 2011 to 5,946 vehicles as of June 30, 2014. For the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, our revenue from long-term rentals was RMB143.7 million, RMB328.2 million, RMB448.9 million and RMB245.3 million, respectively. Our long-term rentals business has experienced rapid growth, primarily as a result of our increasing scale in terms of both fleet size and network coverage. In addition, our long-term rentals business has also benefitted from the increase in our long-term rentals transaction volumes as a result of our acquisition of the PRC subsidiaries of Hertz in April 2013. After the acquisition, the PRC subsidiaries of Hertz contributed RMB111.5 million to our revenue and a loss of RMB9.4 million to our loss in 2013. We expect revenue from long-term rentals will continue to increase as we further grow the long-term rental business.

Finance lease. Revenue from finance lease includes the portion of revenue from certain long-term rentals categorized as finance lease in accordance with IFRS and revenue from our leasing business, which we began providing to institutional customers in May 2011. Our leasing terms usually range from two to three years. Leasing differs from our long-term rental products primarily in that at the end of the leasing period, customers obtain the title of the leased car for a payment amount agreed upon at the beginning of the leasing arrangement. Although our leasing business currently accounts for a small portion of our rental revenue, we believe the leasing market in China is at an early stage of development and has high growth potential, driven primarily by the various benefits in tax, capital efficiency and financial reporting. As such, we expect the revenue from our leasing business will continue to grow.

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Others. Other revenue primarily includes payments from insurance companies in connection with our vehicle repair services, revenue from franchisees, and advertisement income.

Sales of used vehicles. Revenue from sales of used vehicles represents the revenue generated from the sales of our used vehicles. For the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, our revenue from sales of used vehicles were RMB43.2 million, RMB50.6 million, RMB494.9 million and RMB480.7 million, respectively. Our sales of used vehicles has experienced rapid growth, primarily as a result of (i) the increase in the number of retired vehicles due to the aging of our fleet and (ii) the implementation of the three disposition channels, which provides a more systematic and cost-efficient way for us to sell our used vehicles to end users, dealers and franchisees. In addition, sales of used vehicles also directly impacts the future depreciation of rental vehicles because we make periodic reviews and adjustments to the depreciation rates in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. For our depreciation policy with respect to our vehicles, please see “— Critical Accounting Policies, Estimates and Judgments — Property, Plant and Equipment and Depreciation — Rental vehicles.”

Costs of car rental business

Our costs of car rental business primarily consist of depreciation of rental vehicles and direct operating expenses, which mainly include payroll costs, store expenses, insurance fees, repair and maintenance fees, fuel expenses and others.

The following table sets forth the components of our costs of car rental business for the periods presented:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue
	(in thousands, except percentages)									
Costs of car rental business:										
Depreciation of rental vehicles....	258,023	33.3%	535,979	34.4%	690,027	31.3%	307,119	30.5%	341,429	24.7%
Direct operating expenses										
— Payroll costs	39,260	5.1%	134,981	8.7%	235,746	10.7%	107,080	10.6%	170,667	12.4%
— Store expenses	39,131	5.0%	73,703	4.7%	116,414	5.3%	50,617	5.0%	63,504	4.6%
— Insurance fees	102,519	13.2%	118,192	7.6%	157,259	7.1%	79,770	7.9%	75,103	5.4%
— Repair and maintenance fees..	14,680	1.9%	69,580	4.5%	120,139	5.4%	56,672	5.6%	49,841	3.6%
— Fuel expenses	27,463	3.5%	48,883	3.1%	73,949	3.3%	26,223	2.6%	35,854	2.6%
— Others	45,212	5.8%	86,676	5.5%	158,131	7.2%	63,641	6.4%	83,072	6.0%
Total direct operating expenses.....	268,265	34.5%	532,015	34.1%	861,638	39.0%	384,003	38.1%	478,041	34.6%
Total costs of car rental business....	526,288	67.8%	1,067,994	68.5%	1,551,665	70.3%	691,122	68.6%	819,470	59.3%

Depreciation of rental vehicles. A major component of our costs of car rental business is depreciation of rental vehicles. Our depreciation of rental vehicles accounted for 33.3%, 34.4%, 31.3% and 24.7% of our rental revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. The decreasing trend of our depreciation of rental vehicles as a percentage of our rental revenue was primarily due to (i) our increased RevPAC and revenue, and (ii) our increasing bargaining power on vehicle procurement as a result of our scale. In 2013, our depreciation of rental vehicles as a percentage of our rental revenue was also negatively impacted by our large number of suspended fleet. For further details, please see “— Selected Results of Operations and Financial Position — Non-IFRS Measures.”

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Direct operating expenses. Our direct operating expenses mainly include payroll costs, store expenses, insurance fees, repair and maintenance fees, fuel expenses, and others.

- *Payroll costs.* Our payroll costs primarily comprise salaries and social insurance costs of (i) our employees at our directly operated service locations and our call centers, (ii) the contract drivers for our long-term rentals to certain institutional customers, and (iii) our employees at our own vehicle maintenance facilities. Our payroll costs have increased in absolute amounts as a result of the growth of our business expansion. Our payroll costs were 5.1%, 8.7%, 10.7% and 12.4% of our rental revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. The significant increase in our payroll costs for the six months ended June 30, 2014 was primarily due to increase in the payroll costs with respect to the contract drivers for our long-term rentals business as a result of our acquisition of the PRC subsidiaries of Hertz in April 2013.
 - o *Employees at our directly operated service locations and call centers.* The increase in payroll costs with respect to our employees at our directly operated service locations and call centers was in line with the growth of our short-term rentals business and the expansion of our network. As a result of our business expansion, payroll costs with respect to our employees at our directly operated locations and call centers will continue to increase on an absolute basis but will remain relatively stable as a percentage of our rental revenue.
 - o *Contract drivers.* The payroll costs with respect to the contract drivers for our long-term rentals, which are paid by our long-term rentals customers through our long-term rentals fees, had increased because an increasing number of our long-term rentals customers required contract drivers for their services, particularly for the year ended December 31, 2013 and the six months ended June 30, 2014 due to the increased volumes of long-term rental transactions requiring contract drivers as a result of the acquisition of the PRC subsidiaries of Hertz in April 2013. The payroll costs with respect to the contract drivers will depend on the needs for contract drivers from our long-term rentals customers.
 - o *Employees at our own vehicle repair and maintenance facilities.* The payroll costs increase with respect to our employees at our own vehicle repair and maintenance facilities was the result of the establishment and expansion of our internal repair and maintenance capacity. As a result of our business expansion, we expect that payroll costs with respect to our employees at our own vehicle and repair maintenance facilities will continue to increase on an absolute basis but will remain relatively stable as a percentage of our rental revenue.
- *Store expenses.* Our store expenses consist of our rental expenses with respect to our directly operated service locations, parking fees and other store related expenses. Our store expenses were 5.0%, 4.7%, 5.3% and 4.6% of our rental revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. The increase in store expenses was primarily due to the expansion of our network. As a result of our business expansion, we expect that store expenses will continue to increase on an absolute basis but will remain relatively stable as a percentage of our rental revenue.
- *Insurance fees.* Our vehicle insurance fees were 13.2%, 7.6%, 7.1% and 5.4% of our rental revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. The decrease in insurance fees as a percentage of our rental revenue was the result of our scale and lower insurance fee rates due to (i) our growing purchasing power from the expansion of our fleet and (ii) our decreased insurance claims rates resulting from our enhanced operational efficiency. As our fleet size increases as a result of our business expansion, we expect that vehicle insurance fees will continue to increase on an absolute basis, but will remain relatively stable as a percentage of our rental revenue.

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- *Repair and maintenance fees.* Our repair and maintenance fees have increased with our increasing fleet size and the aging of our fleet, which was partially offset by the increased internal repair and maintenance capacity, which is more cost effective compared to the repair and maintenance services provided by third parties. Our repair and maintenance fees were 1.9%, 4.5%, 5.4% and 3.6% of our rental revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. The increasing trend in repair and maintenance fees as a percentage of our rental revenue from 2011 to 2013 was primarily due to the aging our fleet. We expect that our repair and maintenance fees will continue to increase on an absolute basis, but will slightly decrease as a percentage of our rental revenue.
- *Fuel expenses.* Our fuel expenses mainly represent our costs associated with the fuel consumed by our customers, which are paid by our customers through our fuel charges.
- *Others.* Other costs primarily include credit card fees, transportation expenses, car wash expenses, vehicle usage tax, depreciation and amortization of office equipment, and other miscellaneous expenses.

Cost of sales of used vehicles

The following table sets forth our cost of sales of used vehicles for the periods presented:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of sales of used vehicles revenue	RMB	% of sales of used vehicles revenue	RMB	% of sales of used vehicles revenue	RMB	% of sales of used vehicles revenue	RMB	% of sales of used vehicles revenue
(in thousands, except percentages)										
Cost of sales of used vehicles	48,860	113.1%	48,032	94.9%	522,126	105.5%	144,145	101.2%	463,730	96.5%

Our cost of sales of used vehicles represents the residual book value of the disposed rental vehicles from our fleet. We periodically adjust the expected residual value of our rental vehicles to reflect latest market conditions. Our cost of sales of used vehicles were 113.1%, 94.9%, 105.5% and 96.5% of our sales of used vehicles revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively.

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Gross profit

Gross profit represents the excess of revenue over depreciation of rental vehicles, direct operating expenses and cost of sales of used vehicles. The following table sets out our gross profit and gross profit margin for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB	RMB	RMB	RMB	RMB
	(in thousands, except percentages)				
Gross profit of car rental business.....	249,721	490,397	656,147	316,567	561,867
Gross profit margin of car rental business	32.2%	31.5%	29.7%	31.4%	40.7%
Gross (loss)/profit of sales of used vehicles	(5,661)	2,599	(27,223)	(1,779)	16,947
Gross (loss)/profit margin of sales of used vehicles	(13.1)%	5.1%	(5.5)%	(1.2)%	3.5%
Total gross profit	<u>244,060</u>	<u>492,996</u>	<u>628,924</u>	<u>314,788</u>	<u>578,814</u>
Total gross profit margin	<u>29.8%</u>	<u>30.6%</u>	<u>23.3%</u>	<u>27.4%</u>	<u>31.1%</u>

Our car rental gross profit margin was relatively stable in 2011 and 2012. The decrease in our car rental gross profit margin in 2013 was primarily due to costs related to suspended fleet. The increase in our car rental gross profit for the six months ended June 30, 2014 was primarily due to improved operating efficiency.

Selling and distribution expenses

Our selling and distribution expenses are related to our car rental business, which mainly consist of advertising expenses, payroll costs related to our sales personnel and share-based compensation.

The following table sets forth our selling and distribution expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue
	(in thousands, except percentages)									
Payroll costs.....	9,710	1.3%	18,857	1.2%	27,125	1.2%	16,169	1.6%	8,698	0.6%
Advertising expenses	88,399	11.4%	106,002	6.8%	112,813	5.1%	44,381	4.4%	23,814	1.7%
Share-based compensation	—	—	—	—	3,767	0.2%	—	—	1,199	0.1%
Others.....	8,825	1.1%	15,487	1.0%	9,027	0.4%	5,664	0.6%	6,895	0.5%
Total	<u>106,934</u>	<u>13.8%</u>	<u>140,346</u>	<u>9.0%</u>	<u>152,732</u>	<u>6.9%</u>	<u>66,214</u>	<u>6.6%</u>	<u>40,606</u>	<u>2.9%</u>
Total excluding share-based compensation	<u>106,934</u>	<u>13.8%</u>	<u>140,346</u>	<u>9.0%</u>	<u>148,965</u>	<u>6.7%</u>	<u>66,214</u>	<u>6.6%</u>	<u>39,407</u>	<u>2.9%</u>

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Our selling and distribution expenses were 13.8%, 9.0%, 6.9% and 2.9% of our rental revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. We increased our spending on advertising and promotional activities, including direct sales efforts, targeted Internet and traditional advertising and customer loyalty programs from 2011 to 2013. We incurred share-based compensation in 2013 and for the six months ended June 30, 2014. Excluding share-based compensation, our selling and distribution expenses were 13.8%, 9.0%, 6.7% and 2.9% of our rental revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively.

Administrative expenses

Our administrative expenses are primarily related to our car rental business, which primarily consist of salaries and benefits for our administrative and management personnel, office expenses and office rental expenses, share-based compensation and other miscellaneous expenses.

The following table sets forth our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue
	(in thousands, except percentages)									
Payroll costs.....	94,353	12.2%	109,871	7.1%	162,918	7.4%	66,544	6.6%	65,650	4.8%
Office expenses.....	25,132	3.2%	27,362	1.8%	55,531	2.5%	15,784	1.6%	17,861	1.3%
Rental expenses	7,043	0.9%	15,324	1.0%	20,701	0.9%	8,674	0.9%	9,725	0.7%
Share-based compensation	—	—	—	—	93,732	4.2%	—	—	25,356	1.8%
Others.....	22,222	2.9%	54,242	3.4%	45,344	2.1%	15,652	1.5%	30,406	2.2%
Total	148,750	19.2%	206,799	13.3%	378,226	17.1%	106,654	10.6%	148,998	10.8%
Total excluding share-based compensation.....	148,750	19.2%	206,799	13.3%	284,494	12.9%	106,654	10.6%	123,642	9.0%

Our administrative expenses have increased significantly as a result of our business expansion. Our administrative expenses were 19.2%, 13.3%, 17.1% and 10.8% of our rental revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. The increase in our administrative expenses in 2013 was primarily due to the share-based compensation we incurred as a result of the options we granted in 2013. Excluding share-based compensation, our administrative expenses were 19.2%, 13.3%, 12.9% and 9.0% of our rental revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. We expect our administrative expenses to continue to increase in absolute amounts as our business expands and as we incur additional administrative costs associated with being a public company. However, we believe we have established an efficient management and administrative infrastructure and a highly scalable technology platform, which we believe will efficiently support further growth in our revenue without causing a proportionate increase in our administrative expenses. As a result, we expect our administrative expenses as a percentage of our rental revenue to continue to decline in the long run in line with the growth of our scale.

Other income/(expenses), net

Our other income/(expenses), net primarily consist of interest income from bank deposit, exchange gain/(loss), government grants, gain/(loss) on disposals of items of other property, plant and equipment, and other miscellaneous income and gains.

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The following table sets forth our other income/(expenses), net, for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(RMB in thousands)				
	(unaudited)				
Other income and gains					
Other income					
Interest income from bank deposit.....	1,106	2,225	3,284	1,527	5,291
Loan interest income from a related party ...	809	131	—	—	—
	1,915	2,356	3,284	1,527	5,291
Gains					
Exchange gain/(loss)	—	(7,071)	22,711	12,249	(16,077)
Government grants	128	1,573	1,834	823	1,675
Gain/(loss) on disposals of items of other property, plant and equipment	7	(163)	872	—	738
Others	(372)	(4,863)	(7,997)	(1,571)	886
	(237)	(10,524)	17,420	11,501	(12,778)
Total.....	1,678	(8,168)	20,704	13,028	(7,487)

Our exchange gain/(loss) includes exchange gains/(losses) with respect to U.S. dollar denominated liabilities due to CARH, which was arisen from the Corporate Reorganization. With respect to the exchange gain and loss arising from the Corporate Reorganisation, we recorded exchange gains of RMB1.7 million and RMB39.1 million in 2012 and 2013, respectively, and an exchange loss of RMB18.1 million in the six months ended June 30, 2014.

Finance costs

Finance costs are related to our car rental business, which includes primarily interest on bank and other loans wholly repayable within five years, interest on shareholders' loans and other finance costs.

The following table sets forth our finance costs for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue
	(in thousands, except percentages)									
Interest expense - Loans	78,806	10.2%	182,525	11.7%	300,456	13.6%	134,349	13.3%	142,266	10.3%
Interest expense - sales and leaseback	26,614	3.4%	27,171	1.7%	29,515	1.3%	13,442	1.3%	11,017	0.8%
Interest expenses - capital leases	940	0.1%	64	—	—	—	—	—	—	—
Interest expenses - Legend Holdings	34,046	4.4%	59,728	3.9%	3,905	0.3%	3,905	0.5%	—	—
Others.....	235	—	549	—	735	—	193	—	353	—
Total.....	140,641	18.1%	270,037	17.3%	334,611	15.2%	151,889	15.1%	153,636	11.1%

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Our finance costs were 18.1%, 17.3%, 15.2% and 11.1% of our rental revenue for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. The increase in our finance costs was primarily as a result of our business expansion. We expect our finance costs to decrease as a percentage of our rental revenue in the foreseeable future as we continue to benefit from (i) more financing sources and (ii) favorable financing terms from major banks and lending institutions in light of our scale and public company status.

Income tax

Cayman Islands

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

Hong Kong

Our wholly-owned Hong Kong subsidiary, CAR Hong Kong, is subject to Hong Kong profit tax on its activities conducted in Hong Kong. Dividends from our Hong Kong subsidiary to us are exempt from withholding tax.

PRC

In March 2007, the PRC government enacted the New EIT Law, and promulgated the related regulation Implementation Regulations for the PRC Enterprise Income Tax Law. The law and regulation came into effect on January 1, 2008. The New EIT Law applies a uniform EIT rate of 25% to all domestic enterprises and foreign-invested enterprises and defines new tax incentives for qualifying entities. As of the Latest Practicable Date, some of our subsidiaries were entitled to the following preferential income tax treatments:

- one of our subsidiaries located in Pingtan County, Fujian Province, were entitled to a preference income rate of 15%, and certain tax refund from local governments;
- one of our subsidiaries located in Lhasa, Tibet, were entitled to a preference income rate of 15%, and certain tax refund from local governments; and
- three of our subsidiaries located in Tianjin were entitled to certain tax refund from local governments.

Except for the subsidiaries above, our other PRC subsidiaries are subject to an income tax rate of 25%. During the Track Record period, except for certain of our PRC subsidiaries engaged in the lease business, who were profitable and paid income tax, our other PRC subsidiaries did not pay any income tax due to loss making or loss carry over from previous years. As of the Latest Practicable Date, we had paid or made provisions for paying all relevant taxes and we did not have any material disputes with the relevant tax authorities.

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In addition, the New EIT Law treats enterprises established outside of China that have “de facto management bodies” located in China as a PRC resident enterprise for tax purposes. A “de facto management body” is defined as a management body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. We currently do not believe that we or our Hong Kong subsidiaries are PRC resident enterprises because we do not believe that we or our Hong Kong subsidiary meet all of the conditions described in Circular 82 for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC but there is no assurance in this regard. If we are considered a “PRC resident enterprise” for PRC tax purposes, we would be subject to the PRC enterprise income tax on our global income. See “Risk factors — Risks Related to Doing Business in the People’s Republic of China — We may be classified as a ‘PRC resident enterprise’ for PRC enterprise income tax purposes, which could result in our global income becoming subject to 25% PRC enterprise income tax.”

Pursuant to the New EIT law and its implementation rules, dividends paid to non-PRC resident enterprise investors that are considered PRC-source are subject to a 10% withholding tax. Under the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, a qualified Hong Kong tax resident which is determined by the competent PRC tax authority to have satisfied relevant requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws is entitled to a reduced withholding tax rate of 5%.

Profit/(Loss)

We recorded a loss of RMB151.2 million, RMB132.3 million and RMB223.4 million, respectively, in 2011, 2012 and 2013. Prior to the Track Record Period, we also recorded loss during the period from our inception in 2007 to 2010. Our losses prior to the Track Record Period and in 2011 and 2012 were mainly due to our discount pricing strategies to rapidly grow our scale and market share and cultivate customer acceptance at the early stage of China’s car rental industry. The loss in 2013 was mainly due to the costs related to suspended fleet.

We recorded a profit of RMB218.3 million for the six months ended June 30, 2014 mainly due to (a) the increase in our average daily rental rate resulting from the increase in our basic rental rates as we had gradually solidified our market leading position in terms of customer base and brand recognition, (b) a reduced suspended fleet, and (c) our enhanced operational efficiency, which lowered our costs and expenses as a percentage of our revenue. We expect to maintain our average daily rental rate at a relatively stable level and continuously enhance our operational efficiency in the future, and we believe there will be no costs related to suspended fleet if there is an amendment to the applicable regulations to exempt vehicles of car rental companies from being subject to point deductions for traffic violations committed by our customers.

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit/(loss) and adjusted EBITDA as additional financial measures. We present these financial measures because they are used by our management to evaluate our operating performance. We also believe that these financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

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Adjusted net profit/(loss)

We define adjusted net profit/(loss) as net profit or loss excluding share-based compensation, foreign exchange gain or loss related to Corporate Reorganization, and IPO and reorganization related expenses.

The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit/(loss) has material limitations as an analytical tool, as adjusted net profit/(loss) does not include all items that impact our net loss or profit for the period.

Adjusted EBITDA

We define adjusted EBITDA as net profit or loss before income taxes, net finance income/costs, depreciation, amortization and impairment, excluding share-based compensation, foreign exchange gain or loss related to Corporate Reorganization, and IPO and reorganization related expenses.

The use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect our operations. Items excluded from adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. Depreciation expense, amortization, income taxes and net finance income/costs as well as share based compensation have been and may continue to be incurred in our business and are not reflected in the presentation of adjusted EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, adjusted EBITDA does not consider changes in working capital, and other investing activities and should not be considered as a measure of our liquidity. The term adjusted EBITDA is not defined under IFRS, and adjusted EBITDA is not a measure of profit/(loss) for the year or liquidity presented in accordance with IFRS.

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Calculation of non-IFRS measures

We compensate for the limitations of the non-IFRS measures by reconciling the non-IFRS financial measures to the nearest IFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our adjusted net profit/(loss) and adjusted EBITDA in the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit/(loss):

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(RMB in thousands, except percentages)				
A. Adjusted net profit/(loss)					
Net Profit/(loss).....	(151,225)	(132,303)	(223,365)	1,650	218,332
Adjusted for:					
Share-based compensation.....	—	—	101,148	—	26,952
Foreign exchange (gain)/loss related to					
Corporate Reorganization	—	(1,746)	(39,100)	(15,877)	18,050
IPO and reorganization related expenses	6,082	31,093	6,142	—	13,854
Adjusted net profit/(loss)	<u>(145,143)</u>	<u>(102,956)</u>	<u>(155,175)</u>	<u>(14,227)</u>	<u>277,188</u>
Adjusted net profit/(loss) margin (as a percentage of rental revenue)	(18.7%)	(6.6%)	(7.0%)	(1.4)%	20.1%
B. Adjusted EBITDA					
Reported EBITDA calculation					
Profit/(loss) before tax	(150,587)	(132,354)	(215,941)	3,059	228,087
Adjusted for:					
Finance costs	140,641	270,037	334,611	151,889	153,636
Interest income from bank deposit.....	(1,106)	(2,225)	(3,284)	(1,527)	(5,291)
Loan interest income from a related party....	(809)	(131)	—	—	—
Depreciation of rental vehicles.....	258,023	535,979	690,027	307,119	341,429
Depreciation of other property plant, and					
equipment	10,354	19,358	23,076	12,845	13,683
Amortization of other intangible assets.....	2,229	3,088	6,595	3,196	4,289
Amortization of prepaid land lease payment.	—	169	169	84	84
Impairments on trade receivables.....	711	4,864	14,667	3,018	1,480
Reported EBITDA	<u>259,456</u>	<u>698,785</u>	<u>849,920</u>	<u>479,683</u>	<u>737,397</u>
Reported EBITDA margin (as a percentage of rental revenue)	33.4%	44.8%	38.5%	47.6%	53.4%
Adjusted EBITDA calculation					
Reported EBITDA.....	259,456	698,785	849,920	479,683	737,397
Adjusted for:					
Share-based compensation.....	—	—	101,148	—	26,952
Foreign exchange (gain)/loss related to					
Corporate Reorganization	—	(1,746)	(39,100)	(15,877)	18,050
IPO and reorganization related expenses	6,082	31,093	6,142	—	13,854
Adjusted EBITDA	<u>265,538</u>	<u>728,132</u>	<u>918,110</u>	<u>463,806</u>	<u>796,253</u>
Adjusted EBITDA margin (as a percentage of rental revenue)	34.2%	46.7%	41.6%	46.0%	57.6%

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In light of the foregoing limitations for non-IFRS measures, when assessing our operating and financial performance, you should not consider adjusted net profit/(loss) and adjusted EBITDA in isolation or as a substitute for our profit/(loss) for the year, operating profit/(loss) or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies.

Costs related to suspended fleet

PRC laws and regulations provide a “traffic points” system under which each driver is allotted 12 points for 12 consecutive months. Traffic violations are penalized through, among other things, deduction of the points. For traffic violations caught by law enforcement officers, the point deduction is imposed on the driver. For traffic violations caught by automated traffic enforcement systems, for example, running a red light that was recorded by a traffic camera, the point deduction is imposed on the vehicle.

Vehicles in use for less than six years in China are subject to mandatory biennial inspection by transportation authorities. For a vehicle to pass the inspection, all point deductions recorded on the vehicle must be offset by applying the drivers’ available points. Some of our vehicles have point deductions recorded on them due to customer traffic violations caught by automated traffic enforcement systems. For our vehicles to pass their mandatory biennial inspection, we coordinate and track down our customers who committed the traffic violations and require them to offset the point deductions on our vehicles by applying their available points. However, depending on the volume of vehicles due for inspection and the time required to coordinate with our customers, we sometimes were unable to timely offset all the point deductions on our vehicles before their inspection dates, which would result in them being prohibited from road use or disposition until they pass the inspection. Please see “Risk Factors — Risks Relating to Our Business and Industry — Customer violation of traffic rules could result in suspension of some of our vehicles from operation.”

In 2011 and 2012, only a relatively small number of our vehicles were due for mandatory biennial inspection. As a result, we had a very small number of suspended vehicles in 2011 and 2012 and did not incur any significant cost in connection with such suspended vehicles.

In 2013, because of the significant increase of our fleet size in 2011, a large number of our vehicles with point deductions were due for mandatory biennial inspection in 2013. We were unable to make our customers offset the point deductions for a large number of our vehicles prior to their inspection dates. As a result, a monthly average of 7,624 of our vehicles were suspended from our rental operations and we incurred a total cost of RMB298.5 million in 2013 resulting from the suspended fleet. The monthly average suspended fleet size is calculated by dividing the aggregate of the month-end number of suspended vehicles in a period by the number of months in that period.

In the second half of 2013, in anticipation of the large amount of vehicles to become due for their mandatory biennial inspection, we increased our efforts, including allocating more staff and resources to coordinate with our customers, to offset the point deductions recorded on our vehicles. These efforts, along with our enhanced measures to curb customer violations of traffic rules, helped reduce the size of our suspended fleet from 11,601 as of September 30, 2013 to 6,439 as of December 31, 2013 and further to 2,107 as of March 31, 2014 and 662 as of June 30, 2014. We had a monthly average of 1,967 suspended vehicles in the six months ended June 30, 2014, for which we incurred a cost of RMB40.9 million for the six months ended June 30, 2014.

The China Road Transportation Association, the trade association for the car rental industry in China, has been actively discussing with the PRC government which is in the process of amending the applicable regulations to exempt vehicles of car rental companies from being subject to point deductions for traffic violations committed by the customers. We and some other major car rental companies were involved in some of the discussions. For more information on the mandatory periodic inspection and our risks relating to the

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suspended fleet, please see “Regulations — Regulations relating to enterprises engaging in car rental business — Regulations on penalties for violation of traffic laws and regulations” and “Risk Factors — Risks Relating to Our Business and Industry — Customer violation of traffic rules could result in suspension of some of our vehicles from operation.”

We refer to vehicles suspended from operation due to their failure to pass the mandatory biennial inspection as our suspended fleet in this prospectus. Costs resulted from the suspended fleet include their aggregate depreciation amount and their proportionate share of direct operating expenses, administrative expenses and finance costs. However, when calculating the costs related to suspended fleet, we did not assume the revenue that could have been generated from the suspended fleet had the suspended fleet been available for rentals.

The following table sets forth the breakdown of our costs related to suspended fleet for the periods presented:

	Three months ended March 31, 2013	Three months ended June 30, 2013	Year ended December 31, 2013	Three months ended March 31, 2014	Three months ended June 30, 2014
(RMB in thousands)					
Depreciation	8,699	16,324	101,320	9,227	2,819
Direct operating expenses	9,174	17,213	106,842	14,936	4,605
Administrative expenses	3,131	5,875	36,468	3,220	654
Finance costs	4,629	8,685	53,910	3,878	1,542
Total	<u>25,633</u>	<u>48,097</u>	<u>298,540</u>	<u>31,261</u>	<u>9,620</u>

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations by absolute amount and as a percentage of our revenue for the periods indicated. This information should be read together with our audited consolidated financial statements and related notes included elsewhere in this prospectus. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
(in thousands, except percentages)										
Rental revenue	776,009	94.7%	1,558,391	96.9%	2,207,812	81.7%	1,007,689	87.6%	1,381,337	74.2%
Sales of used vehicles	43,199	5.3%	50,631	3.1%	494,903	18.3%	142,366	12.4%	480,677	25.8%
Total revenue	819,208	100.0%	1,609,022	100.0%	2,702,715	100.0%	1,150,055	100.0%	1,862,014	100.0%
Depreciation of rental vehicles	(258,023)	(31.5)%	(535,979)	(33.3)%	(690,027)	(25.5)%	(307,119)	(26.7)%	(341,429)	(18.3)%
Direct operating expenses of rental services	(268,265)	(32.7)%	(532,015)	(33.1)%	(861,638)	(31.9)%	(384,003)	(33.4)%	(478,041)	(25.7)%
Cost of sales of used vehicles	(48,860)	(6.0)%	(48,032)	(3.0)%	(522,126)	(19.3)%	(144,145)	(12.5)%	(463,730)	(24.9)%
Gross profit	244,060	29.8%	492,996	30.6%	628,924	23.3%	314,788	27.4%	578,814	31.1%
Other income/(expenses), net	1,678	0.2%	(8,168)	(0.5)%	20,704	0.8%	13,028	1.1%	(7,487)	(0.4)%
Selling and distribution expenses	(106,934)	(13.1)%	(140,346)	(8.7)%	(152,732)	(5.7)%	(66,214)	(5.8)%	(40,606)	(2.2)%
Administrative expenses	(148,750)	(18.2)%	(206,799)	(12.9)%	(378,226)	(14.0)%	(106,654)	(9.3)%	(148,998)	(8.0)%
Finance costs	(140,641)	(17.2)%	(270,037)	(16.8)%	(334,611)	(12.4)%	(151,889)	(13.2)%	(153,636)	(8.3)%
Profit/(loss) before tax	(150,587)	(18.5)%	(132,354)	(8.3)%	(215,941)	(8.0)%	3,059	0.2%	228,087	12.2%
Income tax (expense)/benefit	(638)	(0.1)%	51	0.0%	(7,424)	(0.3)%	(1,409)	(0.1)%	(9,755)	(0.5)%
Profit/(loss) for the year/ period	(151,225)	(18.6)%	(132,303)	(8.3)%	(223,365)	(8.3)%	1,650	0.1%	218,332	11.7%

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	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue	RMB	% of rental revenue
	(in thousands, except percentages)									
Adjusted net (loss)/profit	(145,143)	(18.7%)	(102,956)	(6.6%)	(155,175)	(7.0%)	(14,277)	(1.4%)	277,188	20.1%
Adjusted EBITDA.....	265,538	34.2%	728,132	46.7%	918,110	41.6%	463,806	46.0%	796,253	57.6%

Six months ended June 30, 2014 compared to six months ended June 30, 2013

Revenue. Our total revenue increased 61.9% from RMB1,150.1 million for the six months ended June 30, 2013 to RMB1,862.0 million for the six months ended June 30, 2014. This increase was primarily due to increases in revenues from our short-term rentals, long-term rentals and leasing, and revenue from sales of used vehicles.

Revenue from car rental business. Our revenue from car rental business increased by 37.1% from RMB1,007.7 million for the six months ended June 30, 2013 to RMB1,381.3 million for the six months ended June 30, 2014.

- *Short-term rentals.* Our revenue from short-term rentals increased by 36.3% from RMB793.4 million for the six months ended June 30, 2013 to RMB1,081.1 million for the six months ended June 30, 2014. This increase was mainly due to (i) the growing short-term rental fleet size, as our average daily short-term rental fleet size increased from 32,880 vehicles for the six months ended June 30, 2013 to 35,602 vehicles for the six months ended June 30, 2014, and (ii) the increase in our RevPAC, which increased from RMB133 for the six months ended June 30, 2013 to RMB171 for the six months ended June 30, 2014, primarily due to the increase of our average daily rental rate from RMB218 to RMB277 during the same period. For the six months ended June 30, 2014, our revenue from short-term rentals accounted for 78.3% of our rental revenue, compared to 78.7% of our rental revenue for the six months ended June 30, 2013.
- *Long-term rentals.* Our revenue from long-term rentals increased by 21.7% from RMB201.6 million for the six months ended June 30, 2013 to RMB245.3 million for the six months ended June 30, 2014, primarily as a result of (i) our increasing long-term fleet size, which increased from 5,908 vehicles for the six months ended June 30, 2013 to 5,946 vehicles for the six months ended June 30, 2014, and (ii) the increased volume of long-term rentals transactions as a result of our acquisition of the PRC subsidiaries of Hertz in April 2013. As a percentage of our rental revenue, our revenue from long-term rentals for the six months ended June 30, 2014 was 17.8%, compared to 20.0% of our rental revenue for the six months ended June 30, 2013.
- *Finance lease.* Our revenue from finance lease increased from RMB9.1 million for the six months ended June 30, 2013 to RMB19.4 million for the six months ended June 30, 2014 primarily because we commenced our franchising activities in December 2013 and leased 3,674 vehicles to our franchisees for the six months ended June 30, 2014.
- *Other revenue.* Our other revenue increased significantly from RMB3.5 million for the six months ended June 30, 2013 to RMB35.5 million for the six months ended June 30, 2014, primarily due to (i) payments from insurance companies in connection with our vehicle repair and maintenance services, which experienced growth in the second half of 2013, and (ii) revenue from franchise business which we commenced in December 2013.

Sales of used vehicles. Our revenue from sales of used vehicles increased by 237.6% from RMB142.4 million for the six months ended June 30, 2013 to RMB480.7 million for the six months ended June 30, 2014, primarily as a result of the increase in the number of disposed vehicles, which increased from 3,109 vehicles

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for the six months ended June 30, 2013 to 11,722 vehicles for the six months ended June 30, 2014, in line with our business expansion and our efforts to keep a young fleet. Among the 11,722 vehicles we disposed in the six months ended June 30, 2014, 3,674 vehicles were disposed to our franchisees through leasing, the revenue from which was not categorized as revenue from sales of used vehicles.

Costs of car rental business. Our costs of car rental business increased by 18.6% from RMB691.1 million for the six months ended June 30, 2013 to RMB819.5 million for the six months ended June 30, 2014.

- **Depreciation of rental vehicles.** Our depreciation of rental vehicles increased by 11.2% from RMB307.1 million for the six months ended June 30, 2013 to RMB341.4 million for the six months ended June 30, 2014 primarily due to the substantial increase in our fleet size.
- **Direct operating expenses.** Our direct operating expenses increased by 24.5% from RMB384.0 million for the six months ended June 30, 2013 to RMB478.0 million for the six months ended June 30, 2014 as a result of the rapid expansion of our car rental business.
 - o **Payroll cost.** Our payroll cost increased by RMB63.6 million, or 59.4%, from RMB107.1 million for the six months ended June 30, 2013 to RMB170.7 million for the six months ended June 30, 2014 primarily due to (i) the increase in the payroll costs with respect to our employees at our directly operated service locations and call centers, which was in line with the growth of our short-term rentals business and the expansion of our network, which increased from 536 directly operated service locations as of June 30, 2013 to 717 directly operated service locations as of June 30, 2014, (ii) the increase in the payroll costs with respect to our long-term rentals business, particularly the increase in the number of the contract drivers for our long-term rentals, which was in line with the growth of our long-term rentals business and was paid by our long-term rentals customers through our long-term rentals fees, and (iii) the increase in the payroll costs with respect to our employees at our own vehicle maintenance facilities as a result of expansion of our internal repair and maintenance capacity in the second half of 2013.
 - o **Store expenses.** Our store expenses increased by 25.5% from RMB50.6 million for the six months ended June 30, 2013 to RMB63.5 million for the six months ended June 30, 2014 due to the rapid expansion of our directly operated service network, which increased from 536 directly operated service locations as of June 30, 2013 to 717 directly operated service locations as of June 30, 2014.
 - o **Insurance fees.** Our vehicle insurance fees decreased by 5.9% from RMB79.8 million for the six months ended June 30, 2013 to RMB75.1 million for the six months ended June 30, 2014 due to the better insurance fee rates we received from insurance companies.
 - o **Repair and maintenance fees.** Our repair and maintenance fees decreased by 12.1% from RMB56.7 million for the six months ended June 30, 2013 to RMB49.8 million for the six months ended June 30, 2014 due to the expansion of our internal repair and maintenance capacity, which is more cost effective compared to the repair and maintenance services provided by third parties.
 - o **Fuel expenses.** Our fuel expenses increased by 36.7% from RMB26.2 million for the six months ended June 30, 2013 to RMB35.9 million for the six months ended June 30, 2014.

Cost of sales of used vehicles. Our cost of sales of used vehicles increased significantly from RMB144.1 million for the six months ended June 30, 2013 to RMB463.7 million for the six months ended June 30, 2014, which was in line with the increase in the number of our disposed vehicles.

Gross profit. Our overall gross profit increased by 83.9% from RMB314.8 million for the six months ended June 30, 2013 to RMB578.8 million for the six months ended June 30, 2014. Our gross profit of car rental business increased from RMB316.6 million for the six months ended June 30, 2013 to RMB561.9 million for the six months ended June 30, 2014. Our gross profit margin of car rental business increased

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from 31.4% for the six months ended June 30, 2013 to 40.7% for the six months ended June 30, 2014, primarily due to the improved operating efficiency. Our gross loss of sales of used vehicles was RMB1.8 million for the six months ended June 30, 2013, compared to our gross profit of RMB16.9 million for the six months ended June 30, 2014.

Selling and distribution expenses. Our selling and distribution expenses decreased by 38.7% from RMB66.2 million for the six months ended June 30, 2013 to RMB40.6 million for the six months ended June 30, 2014. This decrease was primarily due to the decrease in our advertising expenses as a result of the decrease in advertising and promotional activities. As a percentage of our rental revenue, our selling and distribution expenses decreased from 6.6% for the six months ended June 30, 2013 to 2.9% for the six months ended June 30, 2014.

Administrative expenses. Our administrative expenses increased by 39.6% from RMB106.7 million for the six months ended June 30, 2013 to RMB149.0 million for the six months ended June 30, 2014, primarily due to the share-based compensation of RMB25.4 million for the six months ended June 30, 2014, which was partially offset by the decrease in payroll costs and office expenses because we relocated a number of employees at our subsidiaries and branch companies level to our directly operated service locations in connection with our network expansion. Excluding share-based compensation, as a percentage of our rental revenue, our administrative expenses decreased from 10.6% for the six months ended June 30, 2013 to 9.0% for the six months ended June 30, 2014 as we benefited from increasing economies of scale.

Other income/(expenses) net. Our other income/(expenses) net decreased from a net income of RMB13.0 million for the six months ended June 30, 2013 to a net expense of RMB7.5 million for the six months ended June 30, 2014, primarily due to an increase in exchange loss, mainly attributable to amounts due to CARH resulting from the Corporate Reorganization.

Finance cost. Our finance cost increased by 1.1% from RMB151.9 million for the six months ended June 30, 2013 to RMB153.6 million for the six months ended June 30, 2014, primarily due to the increase in the amount of bank loans and other borrowings used to fund our vehicle acquisitions, which was partially offset by the lower interest rates for our borrowings as a result of our increased scale.

Profit before tax. Our profit before tax increased significantly from RMB3.1 million for the six months ended June 30, 2013 to RMB228.1 million for the six months ended June 30, 2014.

Income tax expense. We recorded an income tax expense of RMB1.4 million for the six months ended June 30, 2013, compared to an income tax expense of RMB9.8 million for the six months ended June 30, 2014.

Profit for the period. As a result of the foregoing, we recorded a net profit of RMB1.7 million for the six months ended June 30, 2013, compared to a net profit of RMB218.3 million for the six months ended June 30, 2014.

Adjusted net profit/(loss). We recorded an adjusted net profit of RMB277.2 million for the six months ended June 30, 2014, compared to an adjusted net loss of RMB14.2 million for the six months ended June 30, 2013. Please see “— Selected Results of Operations and Financial Position — Non-IFRS Measures.”

Adjusted EBITDA. We recorded an adjusted EBITDA of RMB796.3 million for the six months ended June 30, 2014, compared to an adjusted EBITDA of RMB463.8 million for the six months ended June 30, 2013. Please see “— Selected Results of Operations and Financial Position — Non-IFRS Measures.”

Year ended December 31, 2013 compared to year ended December 31, 2012

Revenue. Our total revenue increased by 68.0% from RMB1,609.0 million in 2012 to RMB2,702.7 million in 2013. This increase was primarily due to increases in revenue from our short-term rentals, long-term rentals and leasing and revenue from sales of used vehicles.

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Revenue from car rental business. Our revenue from car rental business increased 41.7% from RMB1,558.4 million in 2012 to RMB2,207.8 million in 2013.

- *Short-term rentals.* Our revenue from short-term rentals increased by 41.9% from RMB1,208.6 million in 2012 to RMB1,714.5 million in 2013. This increase was mainly due to (i) our fast growing short-term rental fleet size, our average daily short-term rental fleet size increased from 26,556 vehicles in 2012 to 33,475 vehicles in 2013, and (ii) the increase in our RevPAC, which was increased from RMB125 in 2012 to RMB142 in 2013, primarily due to the increase of our average daily rental rate from RMB212 to RMB246 during the same period. In 2013, our revenue from short-term rentals accounted for 77.7% of our rental revenue, compared to 77.6% of our rental revenue in 2012.
- *Long-term rentals.* Our revenue from long-term rentals increased by 36.8% from RMB328.2 million in 2012 to RMB448.9 million in 2013, primarily as a result of (i) an increase in our long-term fleet size, which increased from 5,201 vehicles as of December 31, 2012 to 6,241 vehicles as of December 31, 2013, and (ii) the increased volume of long-term rentals transactions as a result of our acquisition of the PRC subsidiaries of Hertz in April 2013. As a percentage of our rental revenue, our revenue from long-term rentals in 2013 was 20.3%, compared to 21.1% of our rental revenue in 2012.
- *Finance lease.* Our revenue from finance lease increased by 66.8% from RMB13.0 million in 2012 to RMB21.7 million in 2013 primarily due to the increase in our leasing fleet size.
- *Other revenue.* Our other revenue increased by 163.9% from RMB8.6 million in 2012 to RMB22.7 million in 2013, primarily due to payments from insurance companies in connection with our vehicle repair and maintenance services due to our expansion in repair and maintenance services in the second half of 2013.

Sales of used vehicles. Our revenue from sales of used vehicles increased significantly from RMB50.6 million in 2012 to RMB494.9 million in 2013, primarily as a result of the increase in the number of disposed vehicles, which increased from 899 vehicles in 2012 to 9,986 vehicles in 2013, which is in line with our business expansion and our efforts to keep a young fleet.

Costs of car rental business. Our costs of car rental business increased by 45.3% from RMB1,068.0 million in 2012 to RMB1,551.7 million in 2013. In 2013, our depreciation of rental vehicles and direct operating expenses were also adversely affected by costs related to suspended fleet. For further details, see “— Non-IFRS Measures — Costs related to suspended fleet.”

- *Depreciation of rental vehicles.* Our depreciation of rental vehicles increased by 28.7% from RMB536.0 million in 2012 to RMB690.0 million in 2013 primarily due to the increase in our fleet size.
- *Direct operating expenses.* Our direct operating expenses increased by 62.0% from RMB532.0 million in 2012 to RMB861.6 million in 2013 as a result of the rapid expansion of our car rental business.
 - o *Payroll cost.* Our payroll cost increased by 74.7% from RMB135.0 million in 2012 to RMB235.7 million in 2013 due to an increase in (i) the number of our employees at our directly operated service locations and call centers, (ii) the number of our employees at our own vehicle maintenance facilities, and (iii) the number of the contract drivers for our long-term rentals.
 - o *Store expenses.* Our store expenses increased by 58.0% from RMB73.7 million in 2012 to RMB116.4 million in 2013 due to the rapid expansion of our network.
 - o *Insurance fees.* Our vehicle insurance fees increased by 33.1% from RMB118.2 million in 2012 to RMB157.3 million in 2013 due to the rapid expansion of our fleet.

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- o *Repair and maintenance fees.* Our repair and maintenance fees increased by 72.7% from RMB69.6 million in 2012 to RMB120.1 million in 2013 due to an increase in our fleet size.
- o *Fuel expenses.* Our fuel expenses increased by 51.3% from RMB48.9 million in 2012 to RMB73.9 million in 2013, primarily due to the increase in our fleet size as well as the fuel price in China.

Cost of sales of used vehicles. Our cost of sales of used vehicles increased significantly from RMB48.0 million in 2012 to RMB522.1 million in 2013 which was in line with the increase in the number of disposed vehicles.

Gross profit. Our overall gross profit increased by 27.6% from RMB493.0 million in 2012 to RMB628.9 million in 2013. Our gross profit of car rental business increased from RMB490.4 million in 2012 to RMB656.1 million in 2013. Our gross profit margin of car rental business decreased from 31.5% in 2012 to 29.7% in 2013, primarily due to the adverse impact resulting from the costs related to suspended fleet. For further details, see “— Selected Results of Operations and Financial Position — Non-IFRS Measures — Costs related to suspended fleet.” Our gross profit of sales of used vehicles was RMB2.6 million in 2012, compared to our gross loss of RMB27.2 million in 2013.

Selling and distribution expenses. Our selling and distribution expenses increased by 8.8% from RMB140.3 million in 2012 to RMB152.7 million in 2013. This increase was primarily due to the increase in our spending on advertising and promotional activities. The increase in the selling and distribution expenses was also due to an increase in the headcount of our sales personnel as well as an increase in their salaries, benefits and social insurance payments. As a percentage of our rental revenue, our selling and distribution expenses decreased from 9.0% in 2012 to 6.9% in 2013 as we benefited from increasing economies of scale.

Administrative expenses. Our administrative expenses increased by 82.9% from RMB206.8 million in 2012 to RMB378.2 million in 2013, primarily due to an increase in the headcount of our general and administrative personnel as well as an increase in their salaries, benefits and social insurance payments. We also incurred share-based compensation of RMB93.7 million in 2013. As a percentage of our rental revenue, our administrative expenses increased from 13.3% in 2012 to 17.1% in 2013 primarily due to the share-based compensation of RMB93.7 million we incurred in 2013. In 2013, our administrative expenses were also adversely affected by costs related to suspended fleet. For further details, see “— Selected Results of Operations and Financial Position — Non-IFRS Measures — Costs related to suspended fleet.”

Other income/(expenses), net. Our other income/(expenses) net, increased from a net expense of RMB8.2 million in 2012 to a net income of RMB20.7 million in 2013 primarily due to the exchange gain of RMB22.7 million in 2013.

Finance cost. Our finance cost increased by 23.9% from RMB270.0 million in 2012 to RMB334.6 million in 2013, primarily due to the increase in our bank loans and other borrowings used to fund vehicle acquisitions, which was partially offset by the lower interest rates for our borrowings as a result of our scale. In 2013, our finance costs were also adversely affected by costs related to suspended fleet. For further details, see “— Selected Results of Operations and Financial Position — Non-IFRS Measures — Costs related to suspended fleet.”

Loss before tax. Our loss before tax increased by 63.2% from RMB132.4 million in 2012 to RMB215.9 million in 2013.

Income tax benefit/(expense). We recorded an income tax benefit of RMB51,000 in 2012. We recorded an income tax expense of RMB7.4 million in 2013.

Loss for the year. As a result of the foregoing, we recorded a net loss of RMB223.4 million in 2013, compared to a net loss of RMB132.3 million in 2012.

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Adjusted net loss. We recorded an adjusted net loss of RMB155.2 million in 2013, compared to an adjusted net loss of RMB103.0 million in 2012. Please see “— Selected Results of Operations and Financial Position — Non-IFRS Measures.”

Adjusted EBITDA. We recorded an adjusted EBITDA of RMB918.1 million in 2013, compared to an adjusted EBITDA of RMB728.1 million in 2012. Please see “— Selected Results of Operations and Financial Position — Non-IFRS Measures.”

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenue. Our total revenue increased by 96.4% from RMB819.2 million in 2011 to RMB1,609.0 million in 2012. This increase was primarily due to increases in our short-term and long-term rental and leasing revenue.

Revenue from car rental business. Our revenue from car rental business increased by 100.8% from RMB776.0 million in 2011 to RMB1,558.4 million in 2012.

- **Short-term rentals.** Our revenue from short-term rentals increased by 91.9% from RMB629.8 million in 2011 to RMB1,208.6 million in 2012. This substantial increase was mainly due to (i) our fast growing short-term rental fleet size, our average daily short-term rental fleet size increased from 15,429 vehicles in 2011 to 26,556 vehicles in 2012, and (ii) the increase in our RevPAC, which was increased from RMB112 in 2011 to RMB125 in 2012, primarily due to the increase of our average daily rental rate from RMB197 to RMB212 during the same period. In 2012, our revenue from short-term rentals accounted for 77.6% of our rental revenue, compared to 81.2% of our rental revenue in 2011.
- **Long-term rentals.** Our revenue from long-term rentals increased 128.3% from RMB143.7 million in 2011 to RMB328.2 million in 2012, primarily as a result of a significant increase in our long-term fleet size, which increased from 3,621 vehicles as of December 31, 2011 to 5,201 vehicles as of December 31, 2012. As a percentage of rental revenue, our revenue from long-term rentals in 2012 was 21.1%, compared to 18.5% of our rental revenue in 2011.
- **Finance lease.** Our revenue from finance lease increased from RMB2.2 million in 2011 to RMB13.0 million in 2012 primarily due to the increase in our leasing fleet size.
- **Other revenue.** Our other revenue increased significantly from RMB0.2 million in 2011 to RMB8.6 million in 2012, primarily due to the advertisement income in 2012.

Sales of used vehicles. Our revenue from sales of used vehicles increased from RMB43.2 million in 2011 to RMB50.6 million in 2012, primarily as a result of the increase in the number of disposed vehicles, which increased from 742 vehicles in 2011 to 899 vehicles in 2012, which is in line with our business expansion and our efforts to keep a young fleet.

Costs of car rental business. Our costs of car rental business increased by 102.9% from RMB526.3 million in 2011 to RMB1,068.0 million.

- **Depreciation of rental vehicles.** Our depreciation of rental vehicles increased by 107.7% from RMB258.0 million in 2011 to RMB536.0 million in 2012 primarily due to the substantial increase in our fleet size.
- **Direct operating expenses.** Our direct operating expenses increased 98.3% from RMB268.3 million in 2011 to RMB532.0 million in 2012 as a result of our rapid expansion.
 - o **Payroll cost.** Our payroll cost increased by 243.8% from RMB39.3 million in 2011 to RMB135.0 million in 2012 due to an increase in the number of our employees at our directly operated service locations and call centers in line with our rapid expansion in 2012.
 - o **Store expenses.** Our store expenses increased by 88.3% from RMB39.1 million in 2011 to RMB73.7 million in 2012 due to the rapid expansion of our service network.

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- o *Insurance fees.* Our vehicle insurance fees increased by 15.3% from RMB102.5 million in 2011 to RMB118.2 million in 2012 due to the rapid expansion of our fleet.
- o *Repair and maintenance fees.* Our repair and maintenance fees increased by 374.0% from RMB14.7 million in 2011 to RMB69.6 million in 2012 primarily because we had a younger and much smaller fleet in 2011, which required less repair and maintenance services.
- o *Fuel expenses.* Our fuel expenses increased by 78.0% from RMB27.5 million in 2011 to RMB48.9 million in 2012.

Cost of sales of used vehicles. Our cost of sales of used vehicles remained stable, which was RMB48.0 million in 2012, compared to RMB48.9 million in 2011.

Gross profit. Our overall gross profit increased by 102.0% from RMB244.1 million in 2011 to RMB493.0 million in 2012. Our gross profit of car rental business increased from RMB249.7 million in 2011 to RMB490.4 million in 2012. Our gross profit margin of car rental business was 32.2% in 2011, as compared to 31.5% in 2012. Our gross profit of sales of used vehicles increased from a gross loss of RMB5.7 million in 2011 to a gross profit of RMB2.6 million in 2012.

Selling and distribution expenses. Our selling and distribution expenses increased by 31.2% from RMB106.9 million in 2011 to RMB140.3 million in 2012. This increase was primarily due to the increase in our spending on advertising and promotional activities. The increase in the selling and distribution expenses was also due to an increase in the headcount of our sales personnel as well as an increase in their salaries, benefits and social insurance payments. As a percentage of our rental revenue, our selling and distribution expenses decreased from 13.8% in 2011 to 9.0% in 2012 as we benefited from increasing economies of scale.

Administrative expenses. Our administrative expenses increased by 39.0% from RMB148.8 million in 2011 to RMB206.8 million in 2012, primarily due to (i) the IPO expenses in 2012 in connection with our proposed listing in the U.S. and (ii) an increase in the headcount of our general and administrative personnel as well as an increase in their salaries, benefits and social insurance payments. As a percentage of our rental revenue, our administrative expenses decreased from 19.2% in 2011 to 13.3% in 2012 as we benefited from increasing economies of scale.

Other income/(expenses), net. Our other income/(expenses), net decreased from a net income of RMB1.7 million in 2011 to a net expenses of RMB8.2 million in 2012 primarily due to RMB7.1 million exchange loss in 2012.

Finance cost. Our finance cost increased by 92.0% from RMB140.6 million in 2011 to RMB270.0 million in 2012, primarily due to the increase in the amount of bank loans and other borrowings mainly used to fund vehicle acquisitions and the increase in interest on shareholders' loans, which was partially offset by the lower interest rates for our borrowings as a result of our scale.

Loss before tax. Our loss before tax decreased by 12.1% from RMB150.6 million in 2011 to RMB132.4 million in 2012.

Income tax benefit/(expense). We recorded an income tax benefit of RMB51,000 in 2012. We recorded an income tax expense of RMB0.6 million in 2011.

Loss for the year. As a result of the foregoing, we recorded a net loss of RMB132.3 million in 2012, compared to a net loss of RMB151.2 million in 2011.

Adjusted net loss. We recorded an adjusted net loss of RMB103.0 million in 2012, compared to an adjusted net loss of RMB145.1 million in 2011. Please see “— Selected Results of Operations and Financial Position — Non-IFRS Measures.”

Adjusted EBITDA. We recorded an adjusted EBITDA of RMB728.1 million in 2012, compared to an adjusted EBITDA of RMB265.5 million in 2011. Please see “— Selected Results of Operations and Financial Position — Non-IFRS Measures.”

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LIQUIDITY AND CAPITAL RESOURCES

Overview

We require a substantial amount of capital to fund our vehicle acquisitions and business expansion. Our operations and growth have primarily been financed by cash received from our customers, borrowings from financial institutions and capital injections and borrowings from our shareholders.

Cash Flow

The following table presents selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(RMB in thousands)			(unaudited)	
Net cash generated from/(used in)					
operating activities	(1,485,326)	(923,976)	(590,312)	(532,533)	164,837
Net cash generated from/(used in)					
investing activities	(103,160)	(52,983)	18,070	46,876	(224,188)
Net cash generated from/(used in)					
financing activities	2,144,669	1,257,631	512,775	587,084	281,207
Net increase/(decrease) in cash and cash equivalents	556,183	280,672	(59,467)	101,427	221,856

Net cash generated from or used in operating activities

Our cash generated from or used in operating activities is primarily affected by our operational profits or losses, purchases of rental vehicles, disposition of used vehicles and depreciation.

We had net cash generated from operating activities of RMB164.8 million for the six months ended June 30, 2014, which was primarily attributable to (i) a profit before tax of RMB228.1 million, (ii) adjusted for certain non-cash items, mainly including depreciation of rental vehicles of RMB341.4 million, share-based compensation of RMB27.0 million and finance costs of RMB153.6 million, (iii) adjusted for changes in certain working capital items that positively impact the cash flow from operating activities, mainly including the disposal of rental vehicles of RMB337.0 million, other change of rental vehicle of RMB275.1 million associated with the transfer of certain vehicles from our rental fleet to our leasing fleet and a decrease in inventories of RMB142.4 million, (iv) offset by changes in certain working capital items that negatively impact the cash flow from operating activities, mainly including the addition of rental vehicles of RMB887.2 million, an increase in trade receivables of RMB208.4 million, an increase in finance lease receivable of RMB124.9 million, and an increase in prepayments and other receivables of RMB135.0 million primarily associated with the increase in deductible input VAT mainly as a result of our vehicle purchase after the VAT reform in August 2013, and the increase in receivables from insurance companies in connection with our repair services.

We had net cash used in operating activities of RMB532.5 million for the six months ended June 30, 2013, which was primarily attributable to (i) a profit before tax of RMB3.1 million, (ii) adjusted for certain non-cash items, mainly including depreciation of rental vehicles of RMB307.1 million and finance costs of RMB151.9 million, (iii) adjusted for changes in certain working capital items that positively impact the cash

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flow from operating activities, mainly including the disposal of rental vehicles of RMB141.3 million, (iv) offset by changes in certain working capital items that negatively impact the cash flow from operating activities, mainly including the addition of rental vehicles of RMB962.5 million, an increase in inventories of RMB113.5 million and a decrease in other payables and accruals of RMB44.0 million.

We had net cash used in operating activities of RMB590.3 million in 2013, which was primarily attributable to (i) a loss before tax of RMB215.9 million, (ii) adjusted for certain non-cash items, mainly including depreciation of rental vehicles of RMB690.0 million and share-based compensation of RMB101.1 million, (iii) adjusted for changes in certain working capital items that positively impact the cash flow from operating activities, mainly including the disposal of rental vehicles of RMB806.3 million and an increase in customer advances of RMB69.7 million and other change of rental vehicle of RMB80.1 million associated with the transfer of certain vehicles from our rental fleet to our leasing fleet, (iv) offset by changes in certain working capital items that negatively impact the cash flow from operating activities, mainly including the addition of rental vehicles of RMB1,889.0 million, an increase in inventory of RMB314.1 million primarily associated with our disposition of used vehicles and an increase in trade receivables of RMB114.1 million.

We had net cash used in operating activities of RMB924.0 million in 2012, which was primarily attributable to (i) a loss before tax of RMB132.4 million, (ii) adjusted for certain non-cash items, mainly including depreciation of rental vehicles of RMB536.0 million, finance costs of RMB270.0 million, (iii) adjusted for changes in certain working capital items that positively impact the cash flow from operating activities, mainly the disposal of rental vehicles of RMB69.8 million, an increase in other payables and accruals of RMB70.9 million primarily associated with deposit for rental business, and a decrease in prepayments and other receivables of RMB30.7 million and other change of rental vehicle of RMB31.5 million associated with the transfer of certain vehicles from our rental fleet to our leasing fleet, (iv) offset by changes in certain working capital items that negatively impact the cash flow from operating activities, mainly including the addition of rental vehicles of RMB1,764.5 million and an increase in trade receivable of RMB58.9 million.

We had net cash used in operating activities of RMB1,485.3 million in 2011, which was primarily attributable to (i) a loss before tax of RMB150.6 million, (ii) adjusted for certain non-cash items, mainly including depreciation of rental vehicles of RMB258.0 million and finance costs of RMB140.6 million, (iii) adjusted for changes in certain working capital items that positively impact the cash flow from operating activities, mainly the disposal of rental vehicles of RMB48.9 million, an increase in other payables and accruals of RMB120.6 million primarily associated with deposit for rental business, and an increase in customer advance of RMB63.5 million, (iv) offset by changes in certain working capital items that negatively impact the cash flow from operating activities, mainly including the addition of rental vehicles of RMB1,774.9 million and a decrease in prepayments and other receivables of RMB170.1 million primarily associated with our vehicle purchase.

Net cash used in or generated from investing activities

We had net cash used in investing activities of RMB224.2 million for the six months ended June 30, 2014, which was primarily attributable to purchases of other property, plant and equipment of RMB70.4 million primarily associated with the addition of office spaces in Tianjin, and purchase of investment in finance product of RMB150.0 million.

We had net cash generated from investing activities of RMB46.9 million for the six months ended June 30, 2013, which was primarily attributable to acquisition of subsidiaries, net of cash acquired of RMB75.8 million, offset by purchases of intangible assets of RMB17.3 million and purchases of other property, plant and equipment of RMB13.2 million.

We had net cash generated from investing activities of RMB18.1 million in 2013, which was primarily attributable to the acquisition of subsidiaries, net of cash acquired, of RMB73.7 million as a result of our acquisition of the PRC subsidiaries of Hertz, offset by the purchases of intangible assets of RMB27.8 million and purchases of other property, plant and equipment of RMB32.2 million.

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We had net cash used in investing activities of RMB53.0 million in 2012, which was primarily attributable to the purchases of intangible assets of RMB20.5 million and purchases of other property, plant and equipment of RMB31.4 million.

We had net cash used in investing activities of RMB103.2 million in 2011, which was primarily attributable to the cash used in the acquisition of subsidiaries, net of cash acquired, of RMB51.5 million primarily as a result of our acquisition of Beijing Beichen and Beijing Dashihang, the purchases of intangible assets of RMB12.2 million and the purchases of other property, plant and equipment of RMB40.6 million.

Net cash generated from or used in financing activities

We had net cash generated from financing activities of RMB281.2 million for the six months ended June 30, 2014, which was primarily attributable to an increase in net bank and other borrowings of RMB420.7 million, proceeds from loans due to shareholders of RMB220.3 million, which was partially offset by cash outflow arising from the increase in restricted cash of RMB51.3 million.

We had net cash generated from financing activities of RMB587.1 million for the six months ended June 30, 2013, which was primarily attributable to an increase in net bank and other borrowings of RMB1,299.6 million, which was partially offset by repayments to related parties of RMB613.4 million.

We had net cash generated from financing activities of RMB512.8 million in 2013, which was primarily attributable to an increase in net bank and other borrowings of RMB667.5 million and proceeds from a shareholder of RMB823.4 million, which was partially offset by repayments to related parties of RMB649.7 million.

We had net cash generated from financing activities of RMB1,257.6 million in 2012, which was primarily attributable to an increase in net bank and other borrowings of RMB665.1 million, proceeds from a related party of RMB150.0 million and proceeds from loans due to shareholder of RMB1,013.8 million.

We had net cash generated from financing activities of RMB2,144.7 million in 2011, which was primarily attributable to an increase in net bank and other borrowings of RMB1,676.2 million, proceeds from loans due to shareholder of RMB760 million and capital injection from shareholders of RMB207.8 million, which was partially offset by repayments of loan due to a shareholder of RMB400 million.

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Net Current Assets and Liabilities

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated below:

	As of December 31,			As of June 30,	As of July 31,
	2011	2012	2013	2014	2014
	(RMB in thousands)				
Current Assets					
Inventories	10,996	39,400	330,304	188,963	216,051
Trade receivables.....	34,454	88,414	208,426	415,527	350,048
Prepayments, deposits and other receivables	132,476	186,708	342,222	615,801	557,118
Due from related parties.....	12,104	72	119	—	—
Due from shareholders	228,218	—	—	—	—
Finance lease receivables — Current	13,441	36,207	42,362	94,819	94,819
Available-for-sale investments.....	148	—	—	—	—
Restricted cash	—	7,494	—	—	—
Cash and cash equivalents.....	637,245	910,372	841,835	1,064,488	1,004,702
Total current assets	<u>1,069,082</u>	<u>1,268,667</u>	<u>1,765,268</u>	<u>2,379,598</u>	<u>2,222,738</u>
Current Liabilities					
Trade payables.....	5,939	13,892	13,802	18,286	22,807
Other payables and accruals.....	174,081	249,048	317,610	390,351	435,374
Advances from customers	86,375	104,908	174,838	160,169	118,387
Interest-bearing bank and other borrowings ⁽¹⁾	1,541,747	2,496,330	2,247,576	2,530,229	2,668,559
Finance lease payable.....	3,273	—	—	—	—
Due to related parties.....	238,579	842,558	133,542	—	—
Due to shareholders ⁽²⁾	767,927	811,950	1,597,568	—	—
Income tax payable	1,224	—	6,008	11,510	18,886
Total current liabilities.....	<u>2,819,145</u>	<u>4,518,686</u>	<u>4,490,944</u>	<u>3,110,545</u>	<u>3,264,013</u>
Net current liabilities	<u>(1,750,063)</u>	<u>(3,250,019)</u>	<u>(2,725,676)</u>	<u>(730,947)</u>	<u>(1,041,275)</u>

Notes:

- (1) As of December 31, 2011, 2012 and 2013 and June 30, 2014 and July 31, 2014, our long-term bank loans and other borrowings of RMB594.1 million, RMB82.0 million, RMB849.7 million, RMB499.6 million and RMB483.0 million, respectively, were classified as current liabilities on demand. However, we have not received any actual demand to repay any amounts on an accelerated basis. For further details, see “— Indebtedness.”
- (2) Since 2012, our due to shareholders primarily represented the non-interest bearing shareholder’s loans due to CARH resulting from the Corporate Reorganization, which was RMB806.0 million and RMB1,597.6 million, as of December 31, 2012 and 2013, respectively. CARH converted all such amount into our equity in April 2014, and we no longer have any outstanding amount due to CARH.

As of July 31, 2014, we had net current liabilities of RMB1,041.3 million, representing an increase of RMB310.3 million from our net current liabilities of RMB730.9 million as of June 30, 2014. The increase in our net current liabilities was primarily due to an increase of RMB138.3 million in interest-bearing bank and other borrowings and a decrease of RMB60.0 million in cash and cash equivalents.

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As of June 30, 2014, we had net current liabilities of RMB730.9 million, representing a decrease of RMB1,994.8 million from our net current liabilities of RMB2,725.7 million as of December 31, 2013. The decrease in our net current liabilities was primarily due to a decrease of RMB1,597.6 million in due to shareholders and an increase of RMB222.7 million in cash and cash equivalents, which was partially offset by an increase in interest-bearing bank and other borrowings of RMB282.7 million.

As of December 31, 2013, we had net current liabilities of RMB2,725.7 million, representing an RMB524.3 million decrease from our net current liabilities of RMB3,250.0 million as of December 31, 2012. This decrease in our net current liabilities was primarily due to an increase of RMB290.9 million in inventory, an increase of RMB155.5 million in prepayments, deposits and other receivables and a decrease in interest-bearing bank and other borrowings of RMB248.8 million, which was partially offset by an increase in due to shareholders of RMB785.6 million and a decrease in cash and cash equivalents of RMB68.5 million.

As of December 31, 2012, we had net current liabilities of RMB3,250.0 million, representing an RMB1,500.0 million increase from our net current liabilities of RMB1,750.1 million as of December 31, 2011. This increase in our net current liabilities was primarily due to an increase in interest-bearing bank and other borrowings of RMB954.6 million, which was partially offset by an increase in cash and cash equivalents of RMB273.1 million.

Working Capital

During the Track Record Period, we have met our working capital needs mainly from our cash and cash equivalents on hand, cash generated from operations, bank loans and other borrowings and equity financing. We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) our vehicle acquisition costs and (ii) our ability to obtain external financings. We also diligently review future cash flow requirements and assess our ability to meet debt repayment schedules and adjust our operation plans and vehicle purchase, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

As of December 31, 2011, 2012 and 2013, our net current liabilities position was primarily due to:

- the non-interest bearing shareholder's loans due to CARH resulting from the Corporate Reorganization, which was RMB806.0 million and RMB1,597.6 million, respectively, as of December 31, 2012 and 2013; CARH converted all such amount into our equity in April 2014, and we no longer have any outstanding amount due to CARH;
- the classification of RMB594.1 million, RMB82.0 million and RMB849.7 million, as of December 31, 2011, 2012 and 2013, respectively, of our long-term bank loans and other borrowing as current liabilities on demand; however, we have not received any actual demand to repay any amounts on an accelerated basis; and
- the use of our short-term borrowings primarily for vehicle purchases, which are classified as non-current assets according to IFRS.

As of June 30, 2014 and July 31, 2014, our net current liabilities were (i) primarily due to the re-classification of RMB499.6 million and RMB483.0 million, respectively, of our long-term bank and other borrowings as current liabilities on demand, and (ii) to a lesser extent, the use of our short-term borrowings primarily for vehicle purchases, which are classified as non-current assets according to IFRS.

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Although we had negative operating cash flow in 2011, 2012 and 2013 and net current liabilities during the Track Record Period mainly due to our vehicle acquisition costs, bank loans and other borrowings, and amounts due to Shareholder, the Directors are of the view that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus in light of our improved financial condition and our strong financing ability as described below:

- We had net cash generated from operating activities of RMB164.8 million for the six months ended June 30, 2014, primarily due to our profit before tax of RMB228.1 million during the same period.
- We also had unutilized approximately RMB200.1 million of bank loan facilities as of July 31, 2014.
- Our net operating cash outflows in 2011, 2012 and 2013 were primarily due to the inclusion of our vehicle acquisition costs in calculating our operating cash flow pursuant to IFRS, although our acquired rental vehicles are classified as non-current assets. Excluding the vehicle acquisition costs and cash received from disposal of used rental vehicles, our operating cash flow position in 2011, 2012, 2013 and the six months ended June 30, 2014 was net operating cash inflows of RMB240.7 million, RMB770.7 million, RMB492.4 million and RMB715.0 million, respectively, which showed our strong cash generating capability and sufficient operating cash flow position to service our debt repayment obligations and fund our business expansion.
- Our net current liabilities as of July 31, 2014 were primarily due to the re-classification of significant amounts of our long-term bank and other borrowings as current liabilities on demand. As of the Latest Practicable Date, we had obtained letters from all relevant banks confirming that they did not plan to require us to repay any amount under these loans and borrowings on an accelerated basis. Although these letters demonstrate the banks' intention to not enforce the relevant covenants, (i) we are technically still in breach of such covenants, and (ii) the letters are not sufficient to eliminate the possibility of these banks demanding early repayment of the relevant loans in the next 12 months from the respective issue date of these letters. Therefore, the borrowings cannot be classified as non-current liabilities from an accounting perspective. We plan to further improve our net current financial position by (i) increasing our operating cash inflow to increase our cash and cash equivalent through our business growth and enhanced operational efficiencies, and (ii) negotiating less restrictive and more favorable financing terms with banks and other financial institutions for our future financings by leveraging our scale and status as a listed company after the Global Offering. For example, in anticipation of our listing, we have obtained less restrictive covenants for our new bank loans in 2014.
- We have maintained strong and long-term relationships with major commercial banks and financial institutions in the PRC such as Bank of China and China Merchants Bank. During the entire Track Record Period, we had made all interest payments on our bank loans in a timely manner. We do not foresee any immediate repayment requirement for our bank loans nor withdrawal or reduction in banking facilities on short notice that could have a material adverse effect on our liquidity position.

Our vehicle acquisition costs represent the most significant expenditure for our expansion. During the Track Record Period, we funded our vehicle acquisition costs primarily through cash generated from operations and interest-bearing borrowings. We have been actively balancing our vehicle acquisition needs and indebtedness level to ensure a sustainable business growth and a healthy cash flow position, and we can adjust our vehicle acquisition plans to maintain an appropriate liquidity level. We expect that we will incur approximately RMB2,600 million for our vehicle acquisition in the next 12 months. In addition, we also

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intend to incur approximately RMB1,500 million for our debt repayment in the next 12 months. We expect to fund our vehicle acquisition and debt repayment through the following sources:

Funding Sources	Amount (RMB in millions)	%
Cash generated from operations	1,350	33%
Proceeds from disposal of rental vehicles	750	18%
Proceeds from the Global Offering	2,000	49%
Total	4,100	100%

Note:

- (1) Assuming no additional debt financing for the purpose of vehicle acquisition and debt repayment in the next 12 months. Thereafter, with the remaining proceeds dedicated to vehicle acquisitions and additional debt that we may raise, we intend to complete the procurement of what remains of the 40,000 to 55,000 vehicles in line with the disclosure in “Future Plans and Use of Proceeds” section of the prospectus.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, cash generated from operations and banking facilities, as well as estimated net proceeds from the Global Offering, our Directors are of the opinion, and the Joint Sponsors concur, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus.

Commitments

The table below sets out details relating to our capital commitments for property, plant and equipment, including rental vehicles.

The table below sets out details relating to our commitments as of the dates indicated below:

	December 31,			June 30,
	2011	2012	2013	2014
	(RMB in thousands)			
Contracted, but not provided for	107,499	18,150	99,349	115,574

As of December 31, 2011, 2012 and 2013, our commitments primarily consisted of our commitments for rental vehicles. The increase from RMB99.3 million as of December 31, 2013 to RMB115.6 million as of June 30, 2014 was primarily due to our commitments with respect to office leasing. There has been no material change to our commitments since June 30, 2014 up to the Latest Practicable Date.

Operating Lease Commitments

We lease a portion of the office spaces that we use under operating lease arrangements. The following table sets out our total future minimum lease payments under non-cancellable operating leases as of each date indicated:

	December 31,			June 30,
	2011	2012	2013	2014
	(RMB in thousands)			
Within one year	30,709	52,034	63,139	58,081
In the second to fifth years, inclusive	48,939	56,171	63,197	64,396
After five years.....	18,373	16,534	19,039	20,864
Total	98,021	124,739	145,375	143,341

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CERTAIN BALANCE SHEET ITEMS

	December 31,			June 30,
	2011	2012	2013	2014
	(RMB in thousands)			
NON-CURRENT ASSETS				
Rental vehicles	2,413,847	3,541,029	4,023,956	3,957,570
Other property, plant and equipment	60,125	71,774	89,226	218,184
Finance lease receivables — non-current	16,210	29,265	68,677	141,143
Prepayments	125,959	41,723	54,660	64,453
Prepaid land lease payments	7,414	7,245	7,076	6,992
Goodwill.....	227	1,723	5,650	6,561
Other intangible assets	33,065	57,272	145,294	151,381
Rental deposits	4,372	7,416	2,292	3,224
Deposits for finance leases	28,180	28,180	—	—
Restricted cash	8,762	1,830	1,830	53,129
Deferred tax assets.....	630	2,171	3,142	4,449
Total non-current assets	<u>2,698,791</u>	<u>3,789,628</u>	<u>4,401,803</u>	<u>4,607,086</u>
CURRENT ASSETS				
Inventories.....	10,996	39,400	330,304	188,963
Trade receivables	34,454	88,414	208,426	415,527
Prepayments, deposits and other receivables	132,476	186,708	342,222	615,801
Due from related parties	12,104	72	119	—
Due from shareholders	228,218	—	—	—
Finance lease receivables — current	13,441	36,207	42,362	94,819
Available-for-sale investments	148	—	—	—
Restricted cash	—	7,494	—	—
Cash and cash equivalents	637,245	910,372	841,835	1,064,488
Total current assets	<u>1,069,082</u>	<u>1,268,667</u>	<u>1,765,268</u>	<u>2,379,598</u>
CURRENT LIABILITIES				
Trade payables	5,939	13,892	13,802	18,286
Other payables and accruals.....	174,081	249,048	317,610	390,351
Advances from customers	86,375	104,908	174,838	160,169
Interest-bearing bank and other borrowings.....	1,541,747	2,496,330	2,247,576	2,530,229
Finance lease payable	3,273	—	—	—
Due to related parties.....	238,579	842,558	133,542	—
Due to shareholders	767,927	811,950	1,597,568	—
Income tax payable	1,224	—	6,008	11,510
Total current liabilities	<u>2,819,145</u>	<u>4,518,686</u>	<u>4,490,944</u>	<u>3,110,545</u>
NET CURRENT LIABILITIES	<u>(1,750,063)</u>	<u>(3,250,019)</u>	<u>(2,725,676)</u>	<u>(730,947)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
	<u>948,728</u>	<u>539,609</u>	<u>1,676,127</u>	<u>3,876,139</u>

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	December 31,			June 30,
	2011	2012	2013	2014
	(RMB in thousands)			
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings.....	784,413	498,145	1,563,299	1,701,361
Deposits received for rental vehicles	9,270	16,034	19,291	16,611
Deferred tax liabilities	7,219	9,907	20,599	18,171
Total non-current liabilities	800,902	524,086	1,603,189	1,736,143
NET ASSETS	147,826	15,523	72,938	2,139,996
EQUITY				
Equity attributable to owners of the parent				
Issued capital	—	—	—	115
Reserves and accumulated losses	147,826	15,523	72,938	2,139,881
TOTAL EQUITY	147,826	15,523	72,938	2,139,996

Rental Vehicles

Rental vehicles are the net carrying value of our rental vehicles. As of December 31, 2011, 2012 and 2013 and June 30, 2014, our rental vehicles had a value of RMB2,413.8 million, RMB3,541.0 million, RMB4,024.0 million and RMB3,957.6 million, respectively. The increase in the net carrying value of our rental vehicles as of December 31, 2011 to June 30, 2014 was in line with the expansion of our fleet.

The following table sets forth the changes in the net carrying value of our rental vehicles as of the dates indicated:

	December 31,			June 30,
	2011	2012	2013	2014
	(RMB in thousands)			
Carrying amount at beginning of year/period.....	917,515	2,413,847	3,541,029	4,023,956
Additions	1,774,872	1,764,454	1,888,999	887,204
Acquisition of subsidiaries.....	53,426	—	170,383	—
Disposal and transfer to inventories	(48,860)	(69,813)	(806,301)	(337,026)
Transfer to finance lease	(25,083)	(31,480)	(80,127)	(275,135)
Depreciation provided during the year/period.....	(258,023)	(535,979)	(690,027)	(341,429)
Carrying amount at end of year/period	2,413,847	3,541,029	4,023,956	3,957,570

Inventories

Our inventories primarily consist of rental vehicles held for sale, fuel and others. As of December 31, 2011, 2012 and 2013 and June 30, 2014, we had inventories valued at RMB11.0 million, RMB39.4 million, RMB330.3 million and RMB189.0 million, respectively.

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The following table sets forth the details of our inventories as of the dates indicated:

	December 31,			June 30,
	2011	2012	2013	2014
	(RMB in thousands)			
Used rental vehicles held for sale	—	21,781	302,714	159,956
Fuel	10,996	17,431	24,029	24,801
Others	—	188	3,561	4,206
Total	<u>10,996</u>	<u>39,400</u>	<u>330,304</u>	<u>188,963</u>

The following table sets forth the turnover days of our inventories during the Track Record Period.

	December 31,			June 30,
	2011	2012	2013	2014
Turnover days of inventories ⁽¹⁾	4	8	33	37

Note:

(1) Turnover days of inventories for a certain period is the arithmetic mean of the opening and closing balances of inventories for the relevant period divided by the aggregate of depreciation of rental vehicles, direct operating expenses and costs of sales of used vehicles for the relevant period and multiplied by 365 for each year and 182 days for a six-month period.

The significant increase in our turnover days of inventories was primarily due to the increase in the rental vehicles held for sale, which was in line with the growth of our sales of used vehicles. The subsequent sales of inventories in 2014 is affected by the increase in rental vehicles held for sale, because the timing of the completion of the sales of such rental vehicles may vary from time to time. As of June 30, 2014, our inventories were RMB189.0 million, approximately 20% of which had been sold or used up as of July 31, 2014.

Trade receivables

Our trade receivables represent the outstanding amounts receivable by us from our long-term rental customers, used car sales customers and short-term rental customers. We usually do not provide trade credit to our short-term rentals customers and our used car sales customers. We provide trade credit to our long-term customers for periods of 90 days from the invoice date, depending on several factors, including the customer's financial position, volume, track record and other factors. Our trade receivables increased from RMB34.5 million as of December 31, 2011 to RMB88.4 million as of December 31, 2012, to RMB208.4 million as of December 31, 2013, which was in line with the growth of our business. The increase from RMB208.4 million as of December 31, 2013 to RMB415.5 million as of June 30, 2014 was primarily due to the trade receivables of RMB254.0 million with respect to our used car sales, which is in line with the growth of our used car sales business.

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The following table sets forth the aging analysis of trade receivables as of the dates indicated, based on the invoice date and net of provisions:

	December 31,			June 30,
	2011	2012	2013	2014
	(RMB in thousands)			
Within 3 months	33,697	68,918	166,547	374,751
3 to 6 months.....	757	17,535	22,814	28,859
6 to 12 months.....	—	1,961	19,065	11,917
Over 1 year.....	—	—	—	—
Total	<u>34,454</u>	<u>88,414</u>	<u>208,426</u>	<u>415,527</u>

The following table sets forth the turnover days of our trade receivables during the Track Record Period.

	December 31,			June 30,
	2011	2012	2013	2014
Turnover days of trade receivables ⁽¹⁾	10	14	20	30

Note:

- (1) Turnover days of trade receivables for a certain period is the arithmetic mean of the opening and closing balances of trade receivables for the relevant period divided by revenue for the relevant period and multiplied by 365 for each year and 182 days for a six-month period.

Our turnover days of trade receivables increased from 10 days in 2011 to 14 days in 2012 and further to 20 days in 2013 primarily due to the increase in trade receivables in connection with our used vehicle disposition, a significant amount of which is usually conducted at the end of each year. The increase from 20 days in 2013 to 30 days for the six months ended June 30, 2014 was primarily due to the increase in trade receivables with respect to our used car sales, which is in line with the growth of our used car sales business. Our trade receivables mostly represent the outstanding amounts receivable from our long-term rentals customers, used car sales customers and institutional customers for short-term rentals. As long-term rentals are for rentals of 90 days or longer, the settlement of receivables from long-term rentals requires a longer time. The settlement of certain used car sales receivables from the institutional buyers requires a longer payment schedule due to the large amount of vehicle purchase. In addition, the settlement of certain short-term rental receivables from our institutional customers requires a longer payment schedule because the rental service contracts with such institutional customers provide a longer payment schedule than the standard short-term rental service contracts to individual customers. As of June 30, 2014, most of our outstanding gross trade receivables were receivables from its long-term rentals, used car sales to the institutional buyers and short-term rentals for its institutional customers, and as a result, the settlement of such receivables may require a longer time. As of June 30, 2014, our gross trade receivables were RMB437.4 million, approximately 41% of which had been settled as of July 31, 2014.

Included in our trade receivable balance are debts with aggregate carrying amount of RMB9.9 million, RMB42.2 million, RMB80.3 million and RMB54.5 million which were past due but not impaired and represented 28.1%, 44.8%, 35.1% and 12.5% of our trade receivables balance before impairment provision as of December 31, 2011, 2012 and 2013 and June 30, 2014, respectively. During the Track Record Period, most of our trade receivables that were past due were related to a number of independent customers for whom there is no recent history of default. Our Directors are of the opinion that no provision for impairment is necessary as there has not been a significant change in credit quality and that the balances are still considered

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to be fully recoverable. We recorded provision for impairment of trade receivables of RMB0.8 million, RMB5.8 million, RMB20.4 million and RMB21.9 million as of December 31, 2011, 2012 and 2013 and June 30, 2014, respectively. The increase in provision for impairment was generally in line with the increase in our revenue. The increase in provision for impairment as of December 31, 2013 was primarily due to the increase in our new institutional customers in 2013, and we adopted a conservative provision for impairment policy for trade receivables from such new customers due to our lack of track record with such new customers.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly comprise prepayments for our operation costs, receivable from insurance company and deductible VAT input. As of December 31, 2011, 2012 and 2013 and June 30, 2014, our prepayments, deposits and other receivables were RMB132.5 million, RMB186.7 million, RMB342.2 million and RMB615.8 million, respectively. The increase in our prepayment, deposits and other receivables from December 31, 2012 to December 31, 2013 and further to June 30, 2014, was primarily due to the increase in deductible VAT input as a result of the VAT reform adopted by the PRC government in 2013 and the increase in our receivables from insurance companies in connection with our vehicle repair services. Since August 1, 2013, the PRC government adopted a new tax policy which replaced business tax with VAT in the transportation industry and certain other modern services industries in the PRC. Such VAT reform allows us to deduct VAT input on certain of our costs, and the deductible VAT input is recoverable from the government.

The following table sets forth the components of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments.....	104,172	147,514	156,980	201,909
Receivable of a financial product ⁽¹⁾	—	—	—	150,000
Other receivables	6,306	19,366	55,181	81,105
Deductible VAT input	—	—	76,791	113,376
Deposits for finance leases	—	—	28,180	28,180
Rental deposits.....	9,323	8,082	13,515	33,784
Others	12,675	11,746	11,575	7,447
	<u>132,476</u>	<u>186,708</u>	<u>342,222</u>	<u>615,801</u>

Note:

- (1) Represents our investment in a principal-protected financial product issued by a PRC commercial bank in our cash management activities. In the future, we may from time to time invest in other financial products issued by financial institutions as part of our cash management.

Other payables and accruals

Our other payables and accruals consist mainly of (i) advance from our franchisees in connection with their purchases of used vehicles from us and their franchise fees, (ii) deposits received from customers, (iii) vehicle purchase payable, (iv) payroll and welfare, (v) interest payables, (vi) tax payables, (vii) IPO expenses payable and (viii) deferred revenue. As of December 31, 2011, 2012 and 2013 and June 30, 2014, our other payables and accruals were RMB174.1 million, RMB249.1 million, RMB317.6 million and RMB390.4 million, respectively.

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The following table sets out our other payables and accruals as of each date indicated:

	December 31,			June 30,
	2011	2012	2013	2014
	(RMB in thousands)			
Deposits by customers — rental deposits.....	57,405	76,666	130,242	139,183
Payroll payable	31,565	43,131	58,955	53,600
Advance from our franchisees	—	—	45,040	8,110
Other payables	85,111	129,251	83,373	189,458
Total	<u>174,081</u>	<u>249,048</u>	<u>317,610</u>	<u>390,351</u>

Other intangible assets

Our other intangible assets include primarily license plates, vehicle rental business licenses, software and others. As of December 31, 2011, 2012 and 2013 and June 30, 2014, our other intangible assets were RMB33.1 million, RMB57.3 million, RMB145.3 million and RMB151.4 million, respectively.

From December 31, 2012 to December 31, 2013, our other intangible assets increased significantly primarily because we acquired a significant number of vehicle license plates and vehicle rental business licenses through our acquisition of the Hertz Subsidiaries. From December 31, 2013 to June 30, 2014, our other intangible assets increased only slightly because (i) we acquired only a small number of vehicle license plates in our ordinary course of business and (ii) the few companies we acquired were for a modest total consideration of RMB1.3 million and did not have material intangible assets. For further details, please see Note 32 to the Accountants' Report set forth in Appendix I to this prospectus.

RELATED PARTY TRANSACTIONS

Amounts due from related parties

As of December 31, 2011, 2012 and 2013 and June 30, 2014, the amounts due from related parties were RMB12.1 million, RMB72,000, RMB119,000 and RMB nil, respectively. The amounts due from related parties in 2011 primarily represented amounts due from Deke Beijing associated with the Corporate Reorganization we conducted in 2011. For further details, see “Our History, Reorganization and Corporate Structure.” We expect to fully settle all amounts due from related parties before the Listing.

Amounts due from shareholders

As of December 31, 2011, 2012 and 2013 and June 30, 2014, the amounts due from shareholders were RMB228.2 million, nil, nil and nil, respectively. The amounts due from shareholders in 2011 primarily represented amounts due from shareholders in connection with the Corporate Reorganization involving Lianhui Langfang, please see “Our History, Reorganization and Corporate Structure.”

Amounts due to related parties

As of December 31, 2011, 2012 and 2013 and June 30, 2014, the amounts due to related parties were RMB238.6 million, RMB842.6 million, RMB133.5 million and RMB nil, respectively. During the Track Record Period, the amounts due to related parties primarily represented amounts due to (i) Legend Holdings, which were fully repaid in 2013, and (ii) Huaxia Auto Network associated with the Corporate Reorganization. For further details, see “Our History, Reorganization and Corporate Structure.” In April 2014, we repaid all the amounts due to Huaxia Auto Network and we no longer have any outstanding amount due to related parties. We expect to fully settle all amounts due to related parties before the Listing.

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Amounts due to Legend Holdings were unsecured and matured in April 2013 and bore interests at floating interest rates between 7.04% to 7.87%, 5.65% to 7.87% and 5.84% to 9.50% in 2011, 2012 and 2013, respectively.

As of December 31, 2011, 2012 and 2013 and June 30, 2014 and August 30, 2014, RMB2,279.7 million, RMB2,943.3 million, RMB3,693.7 million, RMB4,009.7 million and RMB3,887.5 million, respectively, of our interest-bearing bank and other borrowings, less administration fee, were guaranteed by Legend Holdings. For further details, please see “Relationship With our Controlling Shareholder — Independence from Our Controlling Shareholder — Financial Independence.”

Amounts due to shareholders

As of December 31, 2011, 2012 and 2013 and June 30, 2014, the amounts due to shareholders were RMB767.9 million, RMB812.0 million, RMB1,597.6 million and RMB nil, respectively. As of December 31, 2011, our amounts due to shareholders primarily represented the RMB761.9 million amounts due to Legend Holdings, which was recorded as amounts due to related parties since 2012 due to the Corporate Reorganization. As of December 31, 2012 and 2013, our amounts due to shareholders primarily represented the non-interest bearing shareholders’ loans due to CARH resulting from the Corporate Reorganization, which was RMB806.0 million and RMB1,597.6 million, as of December 31, 2012 and 2013, respectively. CARH converted all such amount into our equity in April 2014, and we no longer have any outstanding amount due to CARH.

INDEBTEDNESS

Interest-bearing bank and other borrowings

The following table sets forth our outstanding interest-bearing bank and other borrowings as of the dates indicated:

	December 31,			June 30,	July 31,
	2011	2012	2013	2014	2014
	(RMB in thousands)				
Current					
Short-term loans — guaranteed	216,950	834,019	702,567	413,386	398,666
Current portion of sale and leaseback obligations — secured and guaranteed.....	182,415	299,004	208,640	135,460	114,143
Current portion of long-term bank loans, guaranteed	614,151	832,218	1,085,735	867,523	842,777
Current portion of long-term other loans					
- Guaranteed	500,000	500,000	140,700	1,079,270	1,279,323
- Secured and guaranteed	10,931	11,432	90,726	—	—
- Secured	17,300	19,657	19,208	34,590	33,650
Non-current					
Bank loans — guaranteed	580,280	411,116	206,830	657,982	636,364
Other loans — guaranteed	—	—	1,298,500	948,514	748,340
Other loans — secured	29,198	25,499	6,242	95,225	92,786
Other loans — secured and guaranteed	11,618	—	—	—	—
Sale and leaseback obligations	163,317	61,530	51,727	—	—
Total	<u>2,326,160</u>	<u>2,994,475</u>	<u>3,810,875</u>	<u>4,231,590</u>	<u>4,146,049</u>

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Our interest-bearing bank and other borrowings as of December 31, 2011, 2012 and 2013 and June 30, 2014 and July 31, 2014 were RMB2,326.2 million, RMB2,994.5 million, RMB3,810.9 million, RMB4,231.6 million and RMB4,146.0 million, respectively. During the Track Record Period, the increase in interest-bearing bank and other borrowings was primarily due to the growth of fleet size and the expansion of our business.

The following table sets forth the maturity profile of our interest-bearing bank and other borrowings as of each of the dates indicated:

	December 31,			June 30,	July 31,
	2011	2012	2013	2014	2014
(RMB in thousands)					
Bank loans and overdrafts repayable:					
within one year or on demand	831,101	1,666,237	1,788,302	1,280,909	1,241,443
in the second year	445,717	336,760	206,830	657,982	636,364
in the third to fifth years inclusive ..	134,563	74,356	—	—	—
	<u>1,411,381</u>	<u>2,077,353</u>	<u>1,995,132</u>	<u>1,938,891</u>	<u>1,877,807</u>
Other borrowings repayable:					
within one year or on demand	528,231	531,089	250,634	1,113,860	1,312,973
in the second year	28,245	19,233	1,304,742	1,025,094	824,918
in the third to fifth years, inclusive .	12,571	6,266	—	18,285	16,208
	<u>569,047</u>	<u>556,588</u>	<u>1,555,376</u>	<u>2,157,239</u>	<u>2,154,099</u>
Sale and leaseback obligations:					
within one year or on demand	182,415	299,004	208,640	135,460	114,143
in the second year	100,535	61,530	51,727	—	—
in the third to fifth years, inclusive .	62,782	—	—	—	—
	<u>345,732</u>	<u>360,534</u>	<u>260,367</u>	<u>135,460</u>	<u>114,143</u>
TOTAL	<u>2,326,160</u>	<u>2,994,475</u>	<u>3,810,875</u>	<u>4,231,590</u>	<u>4,146,049</u>

As of December 31, 2011, 2012 and 2013 and June 30, 2014 and July 31, 2014, RMB2,279.7 million, RMB2,949.1 million, RMB3,693.6 million, RMB4,009.7 million and RMB3,927.5 million, respectively, of our interest-bearing bank and other borrowings, less administration fee, were guaranteed by Legend Holdings, which provided us with greater access to various financing resources with flexible and favorable terms. After the Listing Date, approximately RMB3,800.0 million of our interest-bearing bank and other borrowings guaranteed by Legend Holdings will remain outstanding because we believe an early release of such guarantees or refinancing the existing loan facilities would be impracticable and not in the best interests of us and our Shareholders. For further details, please see “Relationship with our Controlling Shareholder — Independence from Our Controlling Shareholder — Financial Independence.” We plan to repay approximately RMB500.0 million of our interest-bearing bank and other borrowings guaranteed by Legend Holdings using a portion of the net proceeds of the Global Offering.

During the Track Record Period, some of our bank borrowings carried various covenants that obligate some of our subsidiaries to, among others, maintain certain financial ratios, such as asset-liability ratio, and certain key operating metrics, such as fleet utilization rate. Some of our loan agreements with various PRC financial institutions contained cross-default provisions. We have obtained less restrictive covenants for our new bank loans in 2014 due to our increased scale and bargaining power.

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As of December 31, 2011, 2012 and 2013, our loans and borrowings of RMB735.1 million, RMB926.2 million and RMB1,075.9 million, or 31.6%, 30.9% and 28.2% of our interest-bearing bank and other borrowings, respectively, were re-classified as loans and borrowings payable on demand, because the relevant PRC subsidiaries failed to comply with certain covenants and requirements in such loan agreements, such as asset-liability ratio requirement and no loss making covenant. We had fully repaid all such loans and borrowings, and as of the Latest Practicable Date, none of such loans and borrowings were outstanding.

As of June 30, 2014 and July 31, 2014, our loans and borrowings of RMB846.0 million and RMB764.8 million, or 20.0% and 18.4% of our interest-bearing bank and other borrowings, respectively, were re-classified as loans and borrowings payable on demand because one PRC subsidiary failed to comply with a fund deposit covenant, which is not a covenant with respect to financial ratios, in a loan agreement. As of the Latest Practicable Date, none of our outstanding bank borrowings contained any covenants with respect to financial ratios or fleet utilization rate.

During the Track Record Period, we did not receive any demand from the relevant banks and financial institutions to repay any amounts under these loans and borrowings on an accelerated basis, and we repaid the loans and borrowings involved as originally scheduled; we did not encounter any cross-default of our other indebtedness as a result of such reclassification, either. As of the Latest Practicable Date, we had obtained letters from all relevant banks confirming that they did not plan to require us to repay any amount under these loans and borrowings on an accelerated basis. Although these letters demonstrate the banks' intention to not enforce the fund deposit covenant or require early repayment of the loans and borrowings re-classified as payable on demand, (i) we are technically still in breach of such covenant, and (ii) the letters are not sufficient to eliminate the possibility of these banks demanding early repayment of the relevant loans in the next 12 months from the respective issue date of these letters. Therefore, the borrowings cannot be classified as non-current liabilities under IFRS. Our Directors confirm that as of the Latest Practicable Date we had not received any demand from the relevant banks for any early repayment of the on-demand amount.

In addition to bank loans, we entered into nine loans with trust financing companies during the Track Record Period, all of which were outstanding as of July 31, 2014 and will become due in 2015 to 2017. Although the interest rates of our loans with trust financing companies are typically higher than those of our bank loans, we chose to obtain loans from trust financing companies as an alternative source of funding for some of our projects during the Track Record Period to take advantage of the flexible terms and security structure and more favorable timing of funding, as compared to bank loans. While the terms and security structures of bank loans are subject to rigid regulatory requirements and internal compliance procedures of the banks, loans with trust financing companies come with varying and flexible structures. As of July 31, 2014, the total outstanding principal amount of loans from trust financing companies was RMB2,027.7 million. Our loans from trust financing companies carry interests rate ranging from 6.8% to 11.1%, and each trust loan agreement has a maturity term of two to three years. In addition, our trust loan agreements contain certain covenants and obligations for our subsidiaries, such as compliance with use of proceeds, financial reporting, obtaining consents from trust companies before providing guarantees, filing for bankruptcy, or conducting merger, spin-off and other corporate restructuring, and etc. After consultation with our PRC legal advisor, Han Kun Law Offices, our loans from trust financing companies comply with applicable PRC laws and regulations.

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The interest rates of loans with trust financing companies usually do not link to the PBOC benchmark interest rates but depend largely on the market condition. The following table sets forth the effective interest rates for our interest-bearing bank and other borrowings as of each of the dates indicated:

	December 31,			June 30,	July 31,
	2011	2012	2013	2014	2014
	%	%	%	%	%
Current					
Short-term loans — guaranteed.....	8.15-8.30	5.70-10.50	6.00-7.50	6.00-7.80	6.00-7.80
Current portion of sale and leaseback obligations — secured and guaranteed.....	7.60-11.20	6.15-7.65	6.77-7.07	8.27-8.48	8.27-8.48
Current portion of long-term bank loans, guaranteed	6.40-12.30	6.15-11.39	5.84-7.32	6.15-8.12	6.15-8.12
Current portion of long-term other loans					
- Guaranteed	11.50	11.50	5.69-9.50	6.83-11.06	6.83-11.06
- Secured and guaranteed	11.80-12.80	8.04-12.30	11.00	—	—
- Secured.....	8.90-12.80	8.04-12.30	8.04-12.30	8.40-12.30	8.40-12.30
Non-current					
Bank loans — guaranteed	7.00-8.00	6.15-7.07	5.84-7.32	6.15-8.12	6.15-8.12
Other loans — guaranteed.....	—	—	5.69-7.60	7.70-9.50	7.70-9.50
Other loans — secured.....	8.90-12.80	8.07-12.30	8.04-12.30	8.40-12.30	8.40-12.30
Other loans — secured and guaranteed.....	8.90-12.80	—	—	—	—
Sale and leaseback obligations.....	7.60-8.80	6.77-7.07	6.77-7.07	—	—

As of July 31, 2014, we had a total bank loan facilities of approximately RMB2,887.6 million, RMB200.1 million of which were available for drawdown.

Statement of Indebtedness

As of July 31, 2014, being the latest practicable date for the purpose of this indebtedness statement, save as disclosed in this prospectus, we did not have any other debt securities, borrowings, indebtedness, mortgages, contingent liabilities, or guarantees.

We confirm that there had not been any material adverse change in our indebtedness and contingent liabilities since July 31, 2014.

Contingent Liabilities

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated. As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

Off-balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have retained or contingent interests in assets transferred to an unconsolidated entity or a similar arrangement that serves as credit, liquidity or market risk support to such

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entity for such assets. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios as of the dates or for the periods indicated:

	December 31,			June 30,
	2011	2012	2013	2014
Current ratio (times)	0.38x	0.28x	0.39x	0.77x
Net debt/equity ratio (times)	16.6x	174.8x	40.7x	1.5x
Net debt/asset ratio (%).....	65.0%	53.6%	48.1%	45.3%
Net debt/adjusted EBITDA (times).....	9.2x	3.7x	3.2x	2.5x
Adjusted EBITDA/gross interest expenses (times).....	1.9x	2.7x	2.7x	5.2x
As a percentage of rental business revenue:				
Gross profit (%).....	32.2%	31.5%	29.7%	40.7%
Net profit (%)	(19.5%)	(8.5%)	(10.1%)	15.8%
Adjusted net (loss)/profit (%).....	(18.7%)	(6.6%)	(7.0%)	20.1%
EBITDA (%).....	33.4%	44.8%	38.5%	53.4%
Adjusted EBITDA (%)	34.2%	46.7%	41.6%	57.6%

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. The fluctuation of our current ratio during the Track Record Period was primarily due to the large increase in current liabilities in 2012 mainly due to the increase in interest-bearing bank and other borrowings and steady increase in current assets during the Track Record Period.

Net debt/equity ratio

Net debt/equity ratio is net debt divided by total equity at the end of each financial period. Net debt equals our total interest-bearing bank and other borrowings plus amount due to Legend Holdings, less our cash and cash equivalents. The fluctuation of our net debt/equity ratio during the Track Record Period was primarily due to the changes in our total equity as a result of the Corporate Reorganization.

Net debt/asset ratio

Net debt-asset ratio is net debt as a percentage of total assets at the end of each financial period. Net debt equals our total interest-bearing bank and other borrowings plus amount due to Legend Holdings, less our cash and cash equivalents. The decrease of our net debt/asset ratio during the Track Record Period was primarily due to the fact that our assets is increasing at a faster pace than our net debt, particularly in 2012.

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Net debt/adjusted EBITDA

Net debt/adjusted EBITDA is net debt divided by adjusted EBITDA. The June 30, 2014 figure is net debt as of June 30, 2014 divided by the last-twelve-month adjusted EBITDA, which is adjusted EBITDA of the first six months of 2014 plus that of the full year of 2013 less that of the first six months of 2013. Our net debt/adjusted EBITDA steadily decreased in the Track Record Period primarily due to the increase of adjusted EBITDA at a faster pace than our net debt.

Adjusted EBITDA / gross interest expenses ratio

Adjusted EBITDA / gross interest expenses ratio is our adjusted EBITDA divided by finance costs. The increase in the adjusted EBITDA / gross interest expenses ratio over the Track Record Period is due to the increase of adjusted EBITDA at a faster pace than the finance costs over the Track Record Period.

Gross profit margin

Gross profit margin is our rental gross profit divided by our rental revenue for each financial period. Our gross profit margin was relatively stable in 2011 and 2012. The decrease in our gross profit margin in 2013 was primarily due to costs related to suspended fleet. The increase in our gross profit margin for the six months ended June 30, 2014 was primarily due to improved operational efficiency.

Net profit margin

Net profit margin is our net profit/(loss) divided by our rental revenue for each financial period. The increase in our net profit margin during the Track Record Period was primarily due to the increase in our profit.

Adjusted net profit margin

Adjusted net profit margin is adjusted net (loss)/profit divided by our rental revenue for each financial period. The increase in our adjusted net profit margin during the Track Record Period was primarily due to the increase in our adjusted net profit.

EBITDA margin

EBITDA margin is our EBITDA divided by our rental revenue for each financial period. The increase in our EBITDA margin during the Track Record Period was primarily due to the increase in our rental revenue.

Adjusted EBITDA margin

Adjusted EBITDA margin is our adjusted EBITDA divided by our rental revenue for each financial period. The increase in our adjusted EBITDA margin during the Track Record Period was primarily due to the increase in our rental revenue.

LISTING EXPENSES

As of June 30, 2014, we incurred about RMB24.0 million expenses for the Global Offering, RMB4.0 million of which was capitalized, and we expect to incur an additional RMB105.5 million until the completion of the Global Offering, of which approximately RMB23.6 million is expected to be charged to our consolidated income statement and approximately RMB81.9 million is expected to be capitalized as deferred expenses and charged against equity upon the Listing under the relevant accounting standards. We do not expect these expenses to have a material impact on our results of operation for 2014.

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MARKET RISK DISCLOSURE

Our activities expose us to a variety of risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing bank loans and loans from related parties with a floating interest rate. We do not use derivative financial instruments to hedge our interest rate risk.

As of December 31, 2011, 2012 and 2013 and June 30, 2014, if the interest rate on our then outstanding bank loans had been 100 basis points higher/lower, with all other variables held constant, our profit before tax for the respective years or period then ended would have been lower/higher by RMB2.4 million, RMB3.1 million, RMB4.1 million and RMB4.1 million, respectively.

Foreign currency risk

We have transactional currency exposures. Such exposures mainly arise from borrowings by operating units in currencies other than the functional currencies of the units.

As of December 31, 2011, 2012 and 2013 and June 30, 2014, if RMB had strengthened/weakened by 5% against the U.S. dollar with all other variables held constant, our profit before income tax for the respective years or period then ended would have been higher/lower by approximately nil, RMB19.8 million, RMB8.4 million and RMB6.0 million, respectively.

Credit risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

The credit risk of our other financial assets, which comprise cash and cash equivalents, financial lease receivables, amounts due from related parties, amounts due from shareholders, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

We monitor our cash flow positions on a regular basis to ensure that the cash flows of the Company are positive and closely controlled. We aim to maintain flexibility in funding by keeping committed credit lines available, and obtaining borrowing loans, convertible notes and redeemable convertible preferred shares from banks and other financial institutions.

FINANCIAL INFORMATION

The maturity profile of our financial liabilities at the end of each of the Track Record Period based on the contractual undiscounted payments, is as follows:

	As of June 30, 2014			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	18,286	—	—	18,286
Financial liabilities included in other payables and accruals.....	390,351	—	—	390,351
Interest-bearing bank loans and other borrowing — current ⁽¹⁾	2,909,615	—	—	2,909,615
Due to shareholders ⁽²⁾	—	—	—	—
Deposits received for vehicle rental	—	16,611	—	16,611
Interest-bearing bank loans and other borrowing — non-current	—	1,754,269	—	1,754,269
	3,318,252	1,770,880	—	5,089,132
	As of December 31, 2013			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	13,802	—	—	13,802
Financial liabilities included in other payables and accruals.....	317,610	—	—	317,610
Interest-bearing bank loans and other borrowing — current ⁽¹⁾	2,469,474	—	—	2,469,474
Due to shareholders ⁽²⁾	1,597,568	—	—	1,597,568
Due to related parties	133,542	—	—	133,542
Deposits received for vehicle rental	—	19,291	—	19,291
Interest-bearing bank loans and other borrowing — non-current	—	1,778,928	—	1,778,928
	4,531,996	1,798,219	—	6,330,215

FINANCIAL INFORMATION

	As of December 31, 2012			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	13,892	—	—	13,892
Financial liabilities included in other payables and accruals.....	249,048	—	—	249,048
Interest-bearing bank loans and other borrowing — current ⁽¹⁾	2,691,895	—	—	2,691,895
Due to related party	842,558	—	—	842,558
Due to shareholders ⁽²⁾	811,950	—	—	811,950
Deposits received for vehicle rental	—	16,034	—	16,034
Interest-bearing bank loans and other borrowing — non-current	—	522,238	—	522,238
	<u>4,609,343</u>	<u>538,272</u>	<u>—</u>	<u>5,147,615</u>

	As of December 31, 2011			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	5,939	—	—	5,939
Financial liabilities included in other payables and accruals.....	174,081	—	—	174,081
Interest-bearing bank loans and other borrowing — current ⁽¹⁾	1,764,408	—	—	1,764,408
Finance lease payable	3,273	—	—	3,273
Due to related party	238,579	—	—	238,579
Due to shareholders ⁽²⁾	767,927	—	—	767,927
Deposits received for vehicle rental	—	9,270	—	9,270
Interest-bearing bank loans and other borrowing — non-current	—	794,223	14,480	808,703
	<u>2,954,207</u>	<u>803,493</u>	<u>14,480</u>	<u>3,772,180</u>

Notes:

- (1) As of December 31, 2011, 2012 and 2013 and June 30, 2014, our long-term bank loans and other borrowings of RMB594.1 million, RMB82.0 million, RMB849.7 million and RMB499.6 million, respectively, were classified as current liabilities on demand. However, we have not received any actual demand to repay any amounts on an accelerated basis. For further details, see “— Indebtedness.”
- (2) Since 2012, our amounts due to shareholders primarily represented the non-interest bearing shareholder’s loans due to CARH resulting from the Corporate Reorganization, which was RMB806.0 million, RMB1,597.6 million and nil, as of December 31, 2012 and 2013 and June 30, 2014, respectively. CARH converted all such amount into our equity in April 2014, and we no longer have any outstanding amount due to CARH.

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DIVIDEND POLICY

Subject to the Cayman Companies Law and our Articles of Association, we may declare dividends in any currency through a general meeting, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Except as provided under the terms of a particular issue, or with respect to the rights attached to any Shares, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls may for this purpose be treated as paid up on the Share; and (ii) all dividends will be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any of our Shareholders or in respect of any Shares all sums of money (if any) presently payable by such Shareholder to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Board, and the amounts of dividends actually declared and paid will also depend on:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which our Board may deem relevant.

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles. PRC laws also require PRC enterprises to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends.

Our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. The Company has not paid or declared any dividend since its inception. We will continue to re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year. In addition, we had an accumulated loss of RMB377.2 million as of June 30, 2014. We will continue to focus on our business growth and we do not expect to declare any dividend payment in the near future.

DISTRIBUTABLE RESERVES

As of June 30, 2014, we did not have distributable reserves.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of our adjusted net tangible assets prepared on the basis of the notes set forth below for the purpose of illustrating the effect of the Global Offering on our net tangible assets attributable to equity holders of the Company as of June 30, 2014 as if the Global Offering had taken place on June 30, 2014, assuming the Over-allotment option is not exercised.

FINANCIAL INFORMATION

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of June 30, 2014 or any future dates following the Global Offering.

	Consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2014 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)	(HK\$)
Based on an offer price of HK\$8.50 per Share	1,982,054	2,743,414	4,725,468	2.06	2.59
Based on an offer price of HK\$7.50 per Share	1,982,054	2,414,463	4,396,517	1.92	2.41

Notes:

- (1) Our consolidated net tangible assets attributable to owners of the Company as of June 30, 2014 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on our audited consolidated net assets attributable to owners of the Company as of June 30, 2014 of RMB2,139,996,000 with an adjustment for the intangible assets and goodwill as of June 30, 2014 of RMB157,919,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$8.50 and HK\$7.50 per Share after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.
- (3) Our unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,293,561,070 Shares were in issue assuming that the share split on July 3, 2014, pursuant to which each ordinary share was subdivided into 5 ordinary shares and Global Offering had been completed on June 30, 2014, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Share allotted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in "Share Capital."
- (4) No adjustment has been made to reflect any of our trading results or other transactions entered into subsequent to June 30, 2014.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets statement, the balances stated in Renminbi are converted into Hong Kong dollars at the PBOC rate of HK\$1.00 to RMB0.79543 prevailing on August 29, 2014.

RECENT DEVELOPMENTS

Our Directors confirm that there has been no material change in our business, results of operations and financial condition since June 30, 2014.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since June 30, 2014 and up to the date of this prospectus, there has been no material adverse change in our financial position or prospects, throughout our revenue, gross profit margin and no event has occurred that would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Hong Kong Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

Future Plans

Please see “Business — Our Strategies” in this prospectus for a detailed discussion of our future plans.

Use of Proceeds

Assuming an Offer Price of HK\$8.00 per Share (being the mid-point of the stated range of the Offer Price of between HK\$7.50 and HK\$8.50 per Share), and prior to any exercise of the Over-allotment Option, we estimate that we will receive net proceeds of approximately HK\$3,242 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 65%, or HK\$2,107 million, of the net proceeds will be used for procurement of additional fleet to support our growth strategy. Assuming an envisaged financing structure on a per vehicle basis of around 30-40% equity and 60-70% debt, we would be able to procure an additional 44,000 to 59,000 vehicles, approximately half of which we expect to purchase in 2015 and the remainder in 2016;
- approximately 19%, or HK\$629 million, of the net proceeds will be used to repay amounts outstanding under certain bank loans, including our loan facility of RMB200 million at SDIC Trust, RMB200 million at Post Savings Bank of China, which was used for vehicle purchase, and RMB100 million at China Credit Trust with a maturity of March 2015, April 2015 and March 2015 respectively and interest rate of 9.0%, 6.1% and 6.8%, respectively. See “Financial information — Indebtedness”;
- approximately 10%, or HK\$324 million, on developing new products and services; and
- the remaining 6%, or HK\$182 million, of the net proceeds will be used for our working capital and other general corporate purposes.

If the net proceeds from the Global Offering are not sufficient to satisfy the above capital needs, we will provide additional funding utilizing our internally generated funds or other sources of funding. If the net proceeds from the Global Offering exceed the above capital needs, we intend to use the surplus proceeds proportionately for additional fleet procurement and working capital and other general purposes.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds will be approximately HK\$496 million, after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering, assuming an Offer Price of HK\$8.00 per Share (being the midpoint of the stated range of the Offer Price of between HK\$7.50 and HK\$8.50 per Share). We intend to use such proceeds proportionately for additional fleet procurement and working capital and other general purposes.

The allocation of the proceeds above will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Offer Price is fixed at HK\$8.50 per Share, being the high end of the stated Offer Price range, our net proceeds will be (i) increased by approximately HK\$207 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK\$238 million, assuming the Over-allotment Option is exercised in full. In such circumstances, we currently intend to use such additional proceeds proportionately for additional fleet procurement, developing new products and services and working capital and other general purposes. If the Offer Price is fixed at HK\$7.50 per Share, being the low end of the stated Offer Share range, our net proceeds will be (i) decreased by approximately HK\$207 million, assuming the Over-allotment Option is not exercised; and (ii) decreased by approximately HK\$238 million, assuming the Over-allotment Option is exercised in full. In such circumstances, we currently intend to reduce the net proceeds proportionately for additional fleet procurement, developing new products and services and working capital and other general purposes.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

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HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited

Credit Suisse (Hong Kong) Limited

China International Capital Corporation Hong Kong Securities Limited

China Renaissance Securities (Hong Kong) Limited

GF Securities (Hong Kong) Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 42,636,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in the Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions is that the Offer Price must be agreed between us and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice to us from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if, prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public

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- disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the British Virgin Islands, the Cayman Islands, Canada, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of the Group (the “**Relevant Jurisdictions**”); or
- (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting the Relevant Jurisdictions; or
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Shanghai Stock Exchange; or
 - (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, Canada, the British Virgin Islands, the Cayman Islands, the PRC, the European Union (or any member thereof), Japan, or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or
 - (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the Relevant Jurisdictions; or
 - (vi) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar against any foreign currencies), or the implementation of any exchange control, in the Relevant Jurisdictions; or
 - (vii) any material adverse change or prospective material adverse change in the earnings, results of operations business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of the Group as a whole (including any material litigation or claim of any third party being threatened or instigated against the Company or any member of the Group); or
 - (viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
 - (ix) the chairman or chief executive officer of the Company vacating his or her office; or
 - (x) an authority in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

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- (xi) a contravention by any member of the Group of the Listing Rules or applicable laws; or
- (xii) a prohibition on the Company for whatever reason from allotting or selling the Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (xiv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
- (xv) any change or prospective change in, or a materialisation of, any of the material risks set out in the section headed “Risk Factors” in this prospectus; or
- (xvi) an order or petition for the involuntary winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the voluntary winding-up of any major subsidiary of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any major subsidiary of the Company or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (1) has or will or is likely to have a material adverse effect on the assets, liabilities, business, management, prospects, shareholders’ equity, profits, losses, results of operations, condition, financial or otherwise, or performance of the Group as a whole; or (2) has or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any material part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus or (4) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Global Coordinators:
 - (i) that any statement contained in any of this prospectus, the Application Forms and/or in any announcements, post hearing information pack, communications with the Hong Kong Stock Exchange or the SFC issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any announcements, post hearing information pack, communications with the Hong Kong Stock Exchange or the SFC issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

UNDERWRITING

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or in any announcements, post hearing information, proof, communications with the Hong Kong Stock Exchange or the SFC issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) any breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
- (iv) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, management, prospects, shareholders' equity, profits, results of operations, position or condition, financial or otherwise, including any material litigation or claim of any third party being threatened or instigated against any member of the Group, or performance of the Group as a whole; or
- (v) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties in the Hong Kong Underwriting Agreement; or
- (vi) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by us

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the Pre-IPO Reorganization, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**Underwriting Six-month Period**”), we have undertaken to each of the Joint Global Coordinators and the Hong Kong Underwriters not to, without the prior written consent of the Joint Global Coordinators (on behalf of the International Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares); or

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- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the period of six months commencing on the date on which the Underwriting Six-month Period expires, the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

The Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum public float requirements specified in the Listing Rules or such lesser percentage as may be agreed by the Hong Kong Stock Exchange pursuant to a waiver on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters).

(B) Undertakings by our Controlling Shareholder and Grand Union Management

Each of our Controlling Shareholder and Grand Union Management Limited (“**Grand Union Management**”) has undertaken to each of the Company, the Joint Global Coordinators and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not, at any time during the period commencing on the Listing Date and ending on, and including, the date that is six months after the Listing Date, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (b) it will not, during the period of six months commencing on the date on which the Underwriting Six-month Period expires, enter into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company; and

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- (c) until the expiry of the period referred to in paragraph (b) above, in the event that it enters into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Each of our Controlling Shareholder and Grand Union Management has further undertaken with each of the Company, the Joint Global Coordinators and the Hong Kong Underwriters that, it will, at any time within the period commencing on the date of this Agreement and ending on the date which is 12 months after the Listing Date, immediately inform the Company, the Joint Global Coordinators of:

- (a) any pledges or charges of any Shares or other securities of the Company beneficially owned by it, together with the number of Shares or other securities of the Company so pledged or charged and the purpose for which such pledge or charge is to be created; and
- (b) any indication received by it, either verbal or written, from the pledgee or chargee of any Shares or other securities of the Company pledged or charged that such Shares or other securities of the Company so pledged or charged will be disposed of.

The Company has agreed and undertaken to the Joint Global Coordinators and each of the Hong Kong Underwriters that upon receiving such information in writing from any of our Controlling Shareholder and Grand Union Management, it shall, as soon as practicable, notify the Hong Kong Stock Exchange and make a public disclosure in relation to such information in accordance with the Listing Rules, where applicable.

Undertakings pursuant to the Listing Rules

(A) Undertakings by us

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering and the Over-allotment Option, no further shares or securities convertible into shares of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

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(B) Undertakings by our Controlling Shareholder

Immediately following the completion of the Global Offering, our Controlling Shareholder will hold near 30% of the issued Shares (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of the Pre-IPO Share Options) or approximately 29.2% of the issued Shares (assuming the Over-allotment Option is exercised in full but without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options).

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholder has undertaken to us and the Stock Exchange that, except pursuant to the Global Offering, our Controlling Shareholder shall not:

- (a) in the period commencing on the date of the Prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange (the “**First Six-month Period**”), dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, either directly or indirectly, conditionally or unconditionally, (but save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Shares or securities of the Company owned by our Controlling Shareholder (the “**Relevant Securities**”); and
- (b) in the period of the following six months commencing from the expiry of the First Six-month Period, dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, either directly or indirectly, conditionally or unconditionally, (but save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholder would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company (in the event of the exercise of the Over-allotment Option, the percentage of issued Shares held by our Controlling Shareholder shall not fall below 29.2%).

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, our Controlling Shareholder has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any of shares or of other share capital beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such shares or other securities so pledged or charged; and
- (b) when it receives any indications, either verbal or written, from any pledgee or chargee of any of shares or of other securities pledged or charged that such shares or securities will be disposed of, immediately inform us of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholder and announce such as soon as possible after being so informed by our Controlling Shareholder.

Undertakings by the Existing Shareholders pursuant to the Lock-up Undertaking

Haode Group, Sky Sleek, Grand Joy, Amplewood, Grandsun, Amber Gem and Hertz Holdings (together, the “**Existing Shareholders**”) have entered into a lock-up undertaking in favour of us, the Joint Sponsors and the Joint Global Coordinators (the “**Lock-up Undertaking**”). Pursuant to the Lock-up

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Undertaking, each of the Existing Shareholders undertakes to us, the Joint Sponsors and the Joint Global Coordinators that it will not and will procure that no company controlled by any of the Existing Shareholders or any nominee or trustee holding in trust for any of the Existing Shareholders will, for a period of six months commencing on the Listing Date (the “**Lock-up Period**”),

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the shares or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein owned directly by such Existing Shareholder as at the Listing Date or with respect to which such Existing Shareholder has beneficial ownership) (collectively, the “**Lock-up Shares**”) (the foregoing restriction is expressly agreed to preclude such Existing Shareholder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than such Existing Shareholder). Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares);
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-up Shares or any interest therein any of the foregoing (including without limitation, any securities convertible into or exchangeable or exercisable for or that present the right to receive, or any warrants or other rights to purchase, any Lock-up Shares);
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction described in (a) or (b) or (c) above, in each case, whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Lock-up Shares or in cash or otherwise.

The above restrictions shall not apply (A) where the above arrangements or transactions are entered into, undertaken or consummated pursuant to a requirement of a governmental authority, a court of law, an arbitral tribunal or a requirement of any applicable law; (B) to any mortgage, pledge or charge of any Lock-up Shares by any of the Existing Shareholders (not involving a change of legal ownership of such Lock-up Shares other than on enforcement) for a bona fide commercial loan or other financing arrangements; or (C) to any sale of any Shares acquired on-market by any of the Existing Shareholders after the Listing Date.

Notwithstanding the foregoing, each of the Existing Shareholders may transfer the Lock-up Shares with the prior written consent of the Joint Global Coordinators. In addition, notwithstanding the foregoing, each of the Existing Shareholders may transfer the share capital of the Company to any of its affiliates, whether directly or indirectly; provided, however, that in any such case, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding such capital stock subject to the provisions of the Lock-up Undertaking and there shall be no further transfer of such capital stock except in accordance with the Lock-up Undertaking. Each of the Existing Shareholders will have good and marketable title to the respective Lock-up Shares, free and clear of all liens, encumbrances, and claims whatsoever for the duration of the Lock-up Period. Each of the Existing Shareholders has also agreed and consented to the Company placing restrictive legends on the relevant share certificates and imposing “stop-transfer” restrictions with respect to its Lock-up Shares except in compliance with the foregoing restrictions.

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The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 63,951,000 additional Offer Shares representing approximately 15% of the Offer Shares initially being offered under the Global Offering, at the same price per Offer Share under the International Offering to, among other things, cover over allocations (if any) in the International Offering. It is expected the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Total Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.0% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters).

Assuming an Offer Price of HK\$8.00 per Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the “**Commissions and Fees**”) are estimated to be approximately HK\$168.5 million (assuming the Over-allotment Option is not exercised) in total.

The Commissions and Fees were determined after arm’s length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including certain losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters’ Interests in the Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

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The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Morgan Stanley Asia Limited, as Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no

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obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate the Offer Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;
 - (B) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (A) above;
 - (C) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or
 - (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilization action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 63,951,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

The Global Offering

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 42,636,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the section headed “— The Hong Kong Public Offering;” and
- the International Offering of 383,705,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in accordance with Regulation S and in the United States to QIBs in reliance on Rule 144A.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offering Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offering Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offering Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S or in the United States to QIBs in reliance on Rule 144A. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offering Shares. Prospective investors will be required to specify the number of International Offering Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offering Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the section headed “— Pricing and Allocation.”

Pricing and Allocation

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around September 12, 2014 and in no event later than September 17, 2014. The Offer Price will be not more than the maximum Offer Price as stated in the Application Forms.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters and with our consent) consider the number of Offer Shares being offered under the Global Offering that is stated in this prospectus and/or if appropriate, the indicative Offer Price range that is stated in the Application Forms, to be reduced at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on September 12, 2014 cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being

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published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

The Hong Kong Offer Shares and the International Offering Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Global Coordinators.

Allocation of the International Offering Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and us and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on September 18, 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website at www.zuche.com and the website of Hong Kong Stock Exchange at www.hkexnews.hk.

Conditions to the Hong Kong Public Offering

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (subject only to allotment and dispatch of the Share certificates in respect thereof and such other normal conditions acceptable to us and the Joint Global Coordinators, on behalf of the Underwriters) not later than September 19, 2014 (or such later date as we and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on Hong Kong Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

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If for any reason, the Offer Price is not agreed by September 17, 2014 between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on September 18, 2014 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on September 19, 2014, if (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised.

The Hong Kong Public Offering

We are offering 42,636,000 Shares at the Offer Price under the Hong Kong Public Offering, representing approximately 10% of the 426,341,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 1.9% of our total issued share capital immediately after completion of the Global Offering. In Hong Kong, individual retail investors are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offering Shares will not be allotted International Offering Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Offer Shares.

The Offer Price will be not more than the maximum offer price as stated in the Application Forms. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$8.50 per Share plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

For allocation only, the 42,636,000 Shares initially being offered for subscription under the Hong Kong Public Offering will be divided equally (to the nearest board lot) into two pools: Pool A comprising 21,318,000 Hong Kong Offer Shares and Pool B comprising 21,318,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and

STRUCTURE OF THE GLOBAL OFFERING

Hong Kong Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between the pools and any application for more than 50% of the 42,636,000 Shares initially comprised in the Hong Kong Public Offering (that is 21,318,000 Hong Kong Offer Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 127,903,000, 170,537,000 and 213,171,000 Shares, respectively, representing approximately 30% (in the case of (i)), approximately 40% (in the case of (ii)) and approximately 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation." In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to Pool A and Pool B.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may, at its discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

The International Offering

The number of International Offering Shares to be initially offered for subscription under the International Offering will be 383,705,000 Shares, representing approximately 90% of the Offer Shares initially available under the Global Offering.

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S or in the United States to QIBs in reliance on Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

STRUCTURE OF THE GLOBAL OFFERING

We expect to grant the Over-allotment Option to the Joint Global Coordinators exercisable at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Company may be required to issue and allot up to 63,951,000 Shares, representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

Stock Borrowing Agreement

The Stabilizing Manager or any person acting for it may choose to borrow Shares from Haode Group, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Haode Group will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Haode Group under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Haode Group or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Haode Group by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

Over-Allocation and Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Morgan Stanley Asia Limited, as Stabilizing Manager, or any person acting for it on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 63,951,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering. Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization, and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO

STRUCTURE OF THE GLOBAL OFFERING

includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period, which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

We will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period. In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 63,951,000 Shares and cover such over-allocations by (among other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

Dealing Arrangements

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on September 19, 2014, it is expected that dealings in Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on September 19, 2014. The Shares will be traded in board lots of 1,000 each.

Underwriting Arrangements

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about September 12, 2014, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offering Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offering Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, September 8, 2014 until 12:00 noon on Friday, September 12, 2014 from:

- (a) any of the following offices of the Hong Kong Underwriters:

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

China Renaissance Securities (Hong Kong) Limited
Unit 901
Agricultural Bank of China Tower
50 Connaught Road Central
Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) any of the branches of the following receiving banks:

- Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi
	Shatin Plaza Branch	Shop No.8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

- Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung
New Territories	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, September 8, 2014 until 12:00 noon on Friday, September 12, 2014 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — CAR Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Monday, September 8, 2014 — 9:00 a.m. to 5:00 p.m.
- Wednesday, September 10, 2014 — 9:00 a.m. to 5:00 p.m.
- Thursday, September 11, 2014 — 9:00 a.m. to 5:00 p.m.
- Friday, September 12, 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, September 12, 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, September 8, 2014 until 11:30 a.m. on Friday, September 12, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, September 12, 2014 or such later time under the “Effects of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** Service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** Service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** Service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions, and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, September 8, 2014 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, September 10, 2014 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, September 11, 2014 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, September 12, 2014 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, September 8, 2014 until 12:00 noon on Friday, September 12, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, September 12, 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, September 12, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation.”

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, September 12, 2014, Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, September 12, 2014, or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable,” an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, September 18, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at www.zuche.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.zuche.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. Thursday, September 18, 2014;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, September 18 to 12:00 mid-night on Wednesday, September 24, 2014;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, September 18, 2014 to Tuesday, September 23, 2014 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, September 18, 2014 to Saturday, September 20, 2014 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offering Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$8.50 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, September 18, 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, September 18, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, September 19, 2014 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, September 18, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, September 18, 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, September 18, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, September 18, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, September 18, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, September 18, 2014, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/ e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, September 18, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, September 18, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "Publication of Results" above on Thursday, September 18, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, September 18, 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, September 18, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, September 18, 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

8 September 2014

The Directors
CAR Inc.
Morgan Stanley Asia Limited
Credit Suisse (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information of CAR Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss, consolidated statements of comprehensive income/(loss), the consolidated statements of changes in equity, and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014, the statements of financial position of the Company as at 30 June 2014, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss, consolidated statement of comprehensive income/(loss), consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2013 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in this prospectus of the Company dated 8 September 2014 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 April 2014. Pursuant to a group reorganisation (the "Corporate Reorganisation") as set out in section entitled "Our History, Reorganisation and Corporate Structure" in this Prospectus, the Company became the holding company of the other subsidiaries now comprising the Group. Apart from the Corporate Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with International Financial Reporting Standards (the “IFRSs”), issued by the International Accounting Standards Board (the “IASB”). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Company as at 30 June 2014, and the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss

	Notes	Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Rental revenue.....		776,009	1,558,391	2,207,812	1,007,689	1,381,337
Sales of used vehicles		43,199	50,631	494,903	142,366	480,677
Total revenue	6	819,208	1,609,022	2,702,715	1,150,055	1,862,014
Depreciation of rental vehicles	8	(258,023)	(535,979)	(690,027)	(307,119)	(341,429)
Direct operating expenses of rental services	8	(268,265)	(532,015)	(861,638)	(384,003)	(478,041)
Cost of sales of used vehicles		(48,860)	(48,032)	(522,126)	(144,145)	(463,730)
Gross profit		244,060	492,996	628,924	314,788	578,814
Other income/(expenses), net .	6	1,678	(8,168)	20,704	13,028	(7,487)
Selling and distribution expenses.....	8	(106,934)	(140,346)	(152,732)	(66,214)	(40,606)
Administrative expenses.....	8	(148,750)	(206,799)	(378,226)	(106,654)	(148,998)
Finance costs	7	(140,641)	(270,037)	(334,611)	(151,889)	(153,636)
Profit/(loss) before tax	8	(150,587)	(132,354)	(215,941)	3,059	228,087
Income tax (expenses)/ credits	10	(638)	51	(7,424)	(1,409)	(9,755)
Profit/(loss) for the year/period		<u>(151,225)</u>	<u>(132,303)</u>	<u>(223,365)</u>	<u>1,650</u>	<u>218,332</u>
Attributable to:						
The owners of the parent .		<u>(151,225)</u>	<u>(132,303)</u>	<u>(223,365)</u>	<u>1,650</u>	<u>218,332</u>
Earnings/(loss) per share attributed to ordinary equity holders of the parent						
Basic	11	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Diluted	11	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Consolidated statements of comprehensive income/ (loss)

Notes	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) for the year/period.....	<u>(151,225)</u>	<u>(132,303)</u>	<u>(223,365)</u>	<u>1,650</u>	<u>218,332</u>
Other comprehensive income/(loss)					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>					
Available-for-sale equity investments:					
Changes in fair value, net of tax.....	<u>(28)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other comprehensive income/(loss) for the year/period, net of tax	<u>(28)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income/(loss) for the year/period, net of tax	<u>(151,253)</u>	<u>(132,303)</u>	<u>(223,365)</u>	<u>1,650</u>	<u>218,332</u>
Attributable to:					
The owners of the parent.	<u>(151,253)</u>	<u>(132,303)</u>	<u>(223,365)</u>	<u>1,650</u>	<u>218,332</u>

Consolidated statements of financial position

	Notes	As at 31 December			As at 30 June
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Rental vehicles	12	2,413,847	3,541,029	4,023,956	3,957,570
Other property, plant and equipment	15	60,125	71,774	89,226	218,184
Finance lease receivables —					
non-current	13	16,210	29,265	68,677	141,143
Prepayments	14	125,959	41,723	54,660	64,453
Prepaid land lease payments	16	7,414	7,245	7,076	6,992
Goodwill	17	227	1,723	5,650	6,561
Other intangible assets	18	33,065	57,272	145,294	151,381
Rental deposits		4,372	7,416	2,292	3,224
Deposits for finance leases	19	28,180	28,180	—	—
Restricted cash	23	8,762	1,830	1,830	53,129
Deferred tax assets	28	630	2,171	3,142	4,449
Total non-current assets		<u>2,698,791</u>	<u>3,789,628</u>	<u>4,401,803</u>	<u>4,607,086</u>
CURRENT ASSETS					
Inventories	20	10,996	39,400	330,304	188,963
Trade receivables	21	34,454	88,414	208,426	415,527
Prepayments, deposits and other					
receivables	22	132,476	186,708	342,222	615,801
Due from related parties	37	12,104	72	119	—
Due from shareholders	37	228,218	—	—	—
Finance lease receivables — current	13	13,441	36,207	42,362	94,819
Available-for-sale investments		148	—	—	—
Restricted cash	23	—	7,494	—	—
Cash and cash equivalents	23	637,245	910,372	841,835	1,064,488
Total current assets		<u>1,069,082</u>	<u>1,268,667</u>	<u>1,765,268</u>	<u>2,379,598</u>
CURRENT LIABILITIES					
Trade payables	24	5,939	13,892	13,802	18,286
Other payables and accruals	25	174,081	249,048	317,610	390,351
Advances from customers		86,375	104,908	174,838	160,169
Interest-bearing bank and					
other borrowings	26	1,541,747	2,496,330	2,247,576	2,530,229
Finance lease payable	27	3,273	—	—	—
Due to related parties	37	238,579	842,558	133,542	—
Due to shareholders	37	767,927	811,950	1,597,568	—
Income tax payable		1,224	—	6,008	11,510
Total current liabilities		<u>2,819,145</u>	<u>4,518,686</u>	<u>4,490,944</u>	<u>3,110,545</u>
NET CURRENT LIABILITIES		<u>(1,750,063)</u>	<u>(3,250,019)</u>	<u>(2,725,676)</u>	<u>(730,947)</u>
TOTAL ASSETS LESS CURRENT					
LIABILITIES		<u>948,728</u>	<u>539,609</u>	<u>1,676,127</u>	<u>3,876,139</u>

	Notes	As at 31 December			As at 30 June
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	26	784,413	498,145	1,563,299	1,701,361
Deposits received for rental vehicles		9,270	16,034	19,291	16,611
Deferred tax liabilities	28	7,219	9,907	20,599	18,171
Total non-current liabilities		<u>800,902</u>	<u>524,086</u>	<u>1,603,189</u>	<u>1,736,143</u>
NET ASSETS		<u>147,826</u>	<u>15,523</u>	<u>72,938</u>	<u>2,139,996</u>
EQUITY					
Equity attributable to owners of the parent					
Share capital	29	—	—	—	115
Reserves	31	387,262	387,505	668,468	2,517,079
Accumulated losses		(239,436)	(371,982)	(595,530)	(377,198)
TOTAL EQUITY		<u>147,826</u>	<u>15,523</u>	<u>72,938</u>	<u>2,139,996</u>

Consolidated statements of changes in equity

	Attributable to owners of the parent						
	Share capital	Merger reserve	Statutory reserve	Reserve for fair value changes of available-for-sale investments	Share option reserve	Accumulated losses	Total equity
	RMB'000	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000	RMB'000
As at 1 January 2011	—	184,031	—	28	—	(87,441)	96,618
Loss for the year	—	—	—	—	—	(151,225)	(151,225)
Change in fair value of available-for-sale investments, net of tax	—	—	—	(28)	—	—	(28)
Total comprehensive loss for the year	—	—	—	(28)	—	(151,225)	(151,253)
Appropriation of statutory reserve	—	—	770	—	—	(770)	—
Distribution to a shareholder (note 37)	—	(6,652)	—	—	—	—	(6,652)
Contribution from a shareholder (note 37)	—	1,311	—	—	—	—	1,311
Capital injection from shareholders (note 31)	—	207,802	—	—	—	—	207,802
At 31 December 2011	—	386,492*	770*	—*	—*	(239,436)	147,826
Loss for the year	—	—	—	—	—	(132,303)	(132,303)
Other comprehensive loss for the year	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	(132,303)	(132,303)
Appropriation of statutory reserve	—	—	243	—	—	(243)	—
As at 31 December 2012	—	386,492*	1,013*	—*	—*	(371,982)	15,523
Loss for the year	—	—	—	—	—	(223,365)	(223,365)
Other comprehensive loss for the year	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	(223,365)	(223,365)
Appropriation of statutory reserve	—	—	183	—	—	(183)	—
Contribution from a shareholder (note 32(f))	—	179,632	—	—	—	—	179,632
Equity-settled share option arrangements (note 30)	—	—	—	—	101,148	—	101,148
As at 31 December 2013	—	566,124*	1,196*	—*	101,148*	(595,530)	72,938
Profit for the period	—	—	—	—	—	218,332	218,332
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	218,332	218,332
Issuance of shares	115	—	—	—	—	—	115
Contribution from a shareholder	—	1,821,659	—	—	—	—	1,821,659
Equity-settled share option arrangements (note 30)	—	—	—	—	26,952	—	26,952
As at 30 June 2014	115	2,387,783*	1,196*	—*	128,100*	(377,198)	2,139,996

* These reserve accounts comprise the consolidated reserves of RMB387,262,000, RMB387,505,000, RMB668,468,000 and RMB2,517,079,000 in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

Attributable to owners of the parent							
	Share capital	Merger reserve	Statutory reserve	Reserve for fair value changes of available-for-sale investments	Share option reserve	Accumulated Losses	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2013	—	386,492	1,013	—	—	(371,982)	15,523
Profit for the period (Unaudited).....	—	—	—	—	—	1,650	1,650
Other comprehensive income for the period (Unaudited)..	—	—	—	—	—	—	—
Total comprehensive income for the period (Unaudited)..	—	—	—	—	—	1,650	1,650
As at 30 June 2013 (Unaudited)	—	386,492	1,013	—	—	(370,332)	17,173

Notes	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of other property, plant and equipment.....	(40,624)	(31,433)	(32,171)	(13,237)	(70,442)
Proceeds from disposal of other property, plant and equipment.....	110	579	1,055	4	2,264
Purchases of other intangible assets	(12,230)	(20,525)	(27,775)	(17,258)	(9,980)
Acquisition of subsidiaries, net of cash acquired.....	(51,522)	(4,124)	73,687	75,840	(1,321)
Disposal of available-for-sale investments....	—	164	—	—	—
Purchase of investment in finance product...	—	—	—	—	(150,000)
Interest received.....	1,106	2,356	3,274	1,527	5,291
NET CASH FLOWS FROM INVESTING ACTIVITIES	(103,160)	(52,983)	18,070	46,876	(224,188)
CASH FLOWS FROM FINANCING ACTIVITIES					
Restricted cash.....	(7,462)	—	7,494	(8)	(51,299)
Capital injection from shareholders.....	207,802	—	—	—	115
Proceeds from bank and other borrowings ..	2,147,290	1,591,702	3,330,953	2,878,768	1,531,464
Repayments of bank and other borrowings ..	(471,040)	(926,594)	(2,663,484)	(1,579,130)	(1,110,749)
Proceeds from loans due to a shareholder....	760,000	—	—	—	—
Repayments of loan due to a shareholder.....	(400,000)	—	—	—	—
Proceeds from a shareholder.....	—	1,013,757	823,358	58,757	195,277
Repayment to a shareholder.....	—	—	(5,994)	(5,994)	—
Proceeds from related parties.....	7,514	150,000	—	—	—
Repayments to related parties.....	(7,411)	(313,202)	(649,738)	(613,420)	(133,542)
Interest paid	(92,024)	(258,032)	(329,814)	(151,889)	(150,059)
NET CASH FLOWS FROM FINANCING ACTIVITIES	2,144,669	1,257,631	512,775	587,084	281,207
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	556,183	280,672	(59,467)	101,427	221,856
Cash and cash equivalents at beginning of year/period	81,062	637,245	910,372	910,372	841,835
Effect of foreign exchange rate changes, net	—	(7,545)	(9,070)	1,315	797
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	637,245	910,372	841,835	1,013,114	1,064,488

Statements of financial position

	As at 30 June 2014
	RMB'000
NON-CURRENT ASSETS	
Investment in a subsidiary	—
Total non-current assets	—
CURRENT ASSETS	
Cash and cash equivalents	115
Total current assets	115
EQUITY	
Equity attributable to owners of the parent	
Issued capital	115
Reserves	5,223
Accumulated losses	(5,223)
TOTAL EQUITY	<u>115</u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an investment holding company under the laws of the Cayman Islands on 25 April 2014 in the name of China Auto Rental Inc., and changed its name to CAR Inc. on 16 June 2014. The registered and correspondence office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Group is principally engaged in the car rental business (the "Listing Business").

Before the formation of the Group, the Listing Business was carried out by the subsidiaries now comprising the Group as set out below. As at the end of the Relevant Periods, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued shares/paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
北京神州汽車租賃有限公司 Beijing China Auto Rental Co., Ltd. ("CAR Beijing")	(1)	PRC 27 September 2007	RMB 378 million	—	100	Car rental
重慶神州汽車租賃有限公司 Chongqing China Auto Rental Co., Ltd. ("CAR Chongqing")	(24)	PRC 22 November 2007	RMB 0.3 million	—	100	Car rental
上海神州華東汽車租賃有限公司 Shanghai Shenzhou Huadong Auto Rental Co., Ltd. ("Shanghai Huadong")	(2)	PRC 30 July 2003	RMB 9 million	—	100	Car rental
北京凱普停車管理有限公司 Beijing Kaipu Parking Management Co., Ltd. ("Beijing Kaipu")	(3)	PRC 15 October 2010	RMB5 million	—	100	Vehicle parking management
無錫神州汽車租賃有限公司 Wuxi China Auto Rental Co., Ltd. ("CAR Wuxi")	(4)	PRC 22 October 2010	RMB2 million	—	100	Car rental
廣州神州汽車租賃有限公司 Guangzhou China Auto Rental Co., Ltd. ("CAR Guangzhou")	(5)	PRC 12 April 2011	RMB1 million	—	100	Car rental
北京北辰汽車租賃有限公司 Beijing Beichen Auto Rental Co., Ltd. ("Beijing Beichen")	(6)	PRC 11 April 2011	RMB35 million	—	100	Car rental
貴陽敬呂商貿有限公司 Guiyang Jinglv Trade Co., Ltd. ("Guiyang Jinglv")	(24)	PRC 31 July 2011	RMB30,000	—	100	Car rental

Company name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued shares/paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
北京達世行華威勞務服務有限公司 Beijing Dashihang Huawei Labor Services Co., Ltd. ("Beijing Da Shi Hang")	(7)	PRC 12 December 2011	RMB5 million	—	100	Car rental
China Auto Rental Limited (formerly known as Legend Capital Management (Hong Kong) Limited and LC Industrial Investment Limited) ("CAR Hong Kong")	(8)	Hong Kong 15 December 2011	US\$200	—	100	Investment holding
聯慧汽車(廊坊)有限公司 Lianhui Auto (Langfang) Co., Ltd. (formerly known as United Auto (Langfang) Co., Ltd.) ("Lianhui Langfang")	(9)	PRC 15 December 2011	US\$500 million	—	100	Processing and manufacture of and sales of auto parts
上海泰暢汽車駕駛服務有限公司 Shanghai Taichang Auto Driving Service Co., Ltd. ("Tai Chang")	(10)	PRC 1 January 2012	RMB0.2 million	—	100	Chauffeured services
北京卡爾汽車租賃有限公司 Beijing Carl Auto Rental Co., Ltd. ("Beijing Carl")	(11)	PRC 16 January 2012	RMB0.5 million	—	100	Car rental
Main Star Global Limited ("Main Star")	(12)	British Virgin Islands 1 June 2012	US\$10,000	—	100	Investment holding
Haike Leasing (China) Limited ("Haike China")	(13)	Hong Kong 29 June 2012	HK\$1	—	100	Investment holding
海科融資租賃(北京)有限公司 Haike Leasing (Beijing) Limited ("Haike Beijing")	(14)	PRC 22 August 2012	US\$199 million	—	100	Car rental
海科融資租賃(福建)有限公司 Haike Leasing (Fujian) Limited ("Haike Fujian")	(15)	PRC 28 August 2012	US\$49 million	—	100	Car rental
浩科融資租賃(上海)有限公司 Haoke Leasing (Shanghai) Limited ("Haoke Shanghai")	(16)	PRC 7 September 2012	US\$49 million	—	100	Car rental
Shenzhou Used Car (China) Limited ("Shenzhou Usedcar")	(17)	Hong Kong 19 September 2012	HK\$1	—	100	Investment holding

Company name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued shares/paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
廣州神洲汽車租賃有限公司 Guangzhou Shenzhou Auto Rental Co., Ltd. ("Guangzhou SZ")	(18)	PRC 5 November 2012	RMB1 million	—	100	Car rental
廣州市安淼汽車維修有限公司 Guangzhou Anmiao Auto Repair Co., Ltd. ("Guangzhou AM")	(19)	PRC 10 November 2012	RMB0.5 million	—	100	Auto repair service
杭州國嘉名流汽車維修有限公司 Hangzhou Guojia Mingliu Auto Repair Co., Ltd. ("Hangzhou GJ")	(20)	PRC 27 November 2012	RMB0.3 million	—	100	Auto repair service
廈門市駿洲汽車維修服務有限公司 Xiamen Junzhou Auto Repair Services Co., Ltd. ("Xiamen JZ")	(21)	PRC 7 December 2012	RMB1 million	—	100	Auto repair service
南京兆和汽車服務有限公司 Nanjing Zhaohe Auto Service Co., Ltd. ("Nanjing ZH")	(24)	PRC 22 January 2013	RMB 0.5 million	—	100	Auto repair service
上海神州二手車經營有限公司 Shanghai China Auto Used Car Dealing Co., Ltd. ("Shanghai Usedcar")	(24)	PRC 30 January 2013	US\$2 million	—	100	Sales of used car
北京神州暢通舊機動車經紀有限公司 Beijing China Auto Changtong Used Car Dealing Co., Ltd. ("Beijing CT")	(24)	PRC 3 April 2013	RMB1 million	—	100	Sales of used car
北京神州君浩舊機動車經紀有限公司 Beijing China Auto Junhao Used Automobile Dealing Co., Ltd. ("Beijing JH")	(24)	PRC 2 April 2013	RMB1 million	—	100	Sales of used car
深圳市富港汽車維修服務有限公司 Shenzhen Fugang Auto Repair Service Co., Ltd. ("Shenzhen Fugang")	(24)	PRC 22 March 2013	RMB0.6 million	—	100	Auto repair service
長沙神州汽車維修有限責任公司 Changsha China Auto Repair Co., Ltd. ("Changsha SZ")	(24)	PRC 19 March 2013	RMB0.5 million	—	100	Auto repair service
濟南申源汽車維修有限公司 Shenyuan Auto Repair Co., Ltd. ("Jinan Shenyuan")	(24)	PRC 18 September 2012	RMB0.5 million	—	100	Auto repair service
西安安泰汽車服務有限公司 Xi'an Antai Auto Service Co., Ltd. ("Xi'an Antai")	(24)	PRC 9 June 2013	RMB2 million	—	100	Auto repair service

APPENDIX I
ACCOUNTANTS' REPORT

Company name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued shares/paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
武漢凱普汽車服務有限公司 Wuhan Kaipu Auto Service Co., Ltd. ("Wuhan Kaipu")	(24)	PRC 27 February 2013	RMB0.3 million	—	100	Auto repair service
Premium Auto Rental (China) Limited ("Premium")	(22)	Hong Kong 24 April 2013	US\$10,000	—	100	Investment holding
Rent A Car Holdings (HK) Limited ("Rent A Car")	(23)	Hong Kong 6 September 2013	HK\$7	—	100	Investment holding
赫茲汽車租賃(上海)有限公司 Hertz Rent A Car (Shanghai) Co., Ltd. ("RAC SH")	(24)	PRC 13 January 2009	RMB199 million	—	100	Car rental
赫茲汽車租賃(北京)有限公司 Hertz Rent A Car (Beijing) Co., Ltd. ("RAC BJ")	(24)	PRC 17 December 2008	RMB83 million	—	100	Car rental
廣州卓越汽車租賃有限公司 Guangzhou Zhuoyue Auto Rental Co., Ltd. (previously known as Hertz Rent A Car (Guangzhou) Co., Ltd.) ("RAC GZ")	(24)	PRC 11 March 2013	RMB19 million	—	100	Car rental
上海赫茲國際租車諮詢有限責任公司 Shanghai Hertz International Car Rental Consulting ("Shanghai Hertz")	(24)	PRC 28 July 2005	RMB1.1 million	—	100	Consulting
海口神州暢行商旅服務有限公司 Haikou Shenzhou Changxing Travel Service Co., Ltd. ("Haikou Shenzhou")	(24)	PRC 16 December 2013	RMB0.5 million	—	100	Consulting
成都雙新汽車維修有限公司 Chengdu Shuangxin Auto Repair Co., Ltd. ("Chengdu SX")	(24)	PRC 30 July 2013	RMB0.1 million	—	100	Auto repair service
鄭州眾德立汽車維修服務有限公司 Zhengzhou Zhongdeli Auto Repair Service Co., Ltd. ("Zhengzhou ZD")	(24)	PRC 1 July 2013	RMB1 million	—	100	Auto repair service
三亞凱普汽車維修服務有限公司 Sanya Kaipu Auto Repair Service Co., Ltd. ("Sanya Kaipu")	(24)	PRC 26 November 2013	RMB0.5 million	—	100	Auto repair service
重慶凱普汽車維修服務有限公司 Chongqing Kaipu Auto Repair Service Co., Ltd. ("Chongqing Kaipu")	(24)	PRC 19 June 2013	RMB 0.5 million	—	100	Auto repair service

APPENDIX I

ACCOUNTANTS' REPORT

Company name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued shares/paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
上海凱普汽車維修服務有限公司 Shanghai Kaipu Auto Repair Service Co., Ltd. ("Shanghai Kaipu")	(24)	PRC 12 July 2013	RMB 0.5 million	—	100	Auto repair service
北京華威汽車修理有限責任公司 Beijing Huawei Auto Repair Co., Ltd. ("Beijing HW")	(24)	PRC 24 May 2013	RMB 1 million	—	100	Auto repair service
神州租車(天津)有限公司 China Auto Rental (Tianjin) Co., Ltd. ("CAR Tianjin")		PRC 27 January 2014	US\$100 million	—	100	Car rental
北京神州暢達汽車服務有限公司 Beijing Shenzhou Changda Auto Service Co., Ltd. ("Beijing CD")	(24)	PRC 7 August 2013	RMB 3 million	—	100	Auto repair service
昆明萬眾汽車維修服務有限公司 Kunming Wanzhong Auto Repair Service Co., Ltd. ("Kunming WZ")		PRC 21 January 2014	RMB 0.3 million	—	100	Auto repair service
天津神州汽車租賃有限公司 Tianjin China Auto Rental Co., Ltd. ("Tianjin SZ")	(24)	PRC 12 December 2013	RMB 50 million	—	100	Car rental
天津優品汽車租賃有限公司 Tianjin Youpin Auto Rental Co.,Ltd. ("Tianjin YP")	(24)	PRC 10 December 2013	RMB 10 million	—	100	Car rental
青島福聯華信諾汽車維修有限公司 Qingdao Fulianhua Xinruo Auto Repair Co., Ltd. ("Qingdao FLH")	(24)	PRC 23 January 2014	RMB 0.5 million	—	100	Auto repair service
重慶州凱汽車銷售信息諮詢有限公司 Chongqing Zhoukai Auto Sales Consulting ("Chongqing ZK")	(24)	PRC 16 February 2014	RMB 3 million	—	100	Sales of used car & consultation service
海科(平潭)信息技術有限公司 Haike (Pingtan) Information Technology Co., Ltd. ("Haike PT")	(24)	PRC 18 April 2014	RMB 100 million	—	100	Car rental information system service
拉薩神州租車有限公司 Lhasa China Auto Rental Co., Ltd. ("Car Lhasa")	(24)	PRC 22 April 2014	RMB 100 million	—	100	Car rental & consultation service

Company name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued shares/paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
東莞市鑫發汽車維修服務有限公司 Dongguan Xinfu Auto Repair Service Co., Ltd. ("Dongguan XF")	(24)	PRC 29 November 2012	RMB0.3 million	—	100	Sales of used car & auto repair service
神州租車投資有限公司 China Auto Rental Investment Inc. ("CAR Investment")	(24)	British Virgin Islands 30 April 2014	US\$1	100	—	Investment holding

Notes:

The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered except for Lianhui Auto (Langfang) Co., Ltd. (聯慧汽車(廊坊)有限公司), Haike Leasing (Fujian) Limited (海科融資租賃(福建)有限公司) and China Auto Rental (Tianjin) Co., Ltd. (神州租車(天津)有限公司).

- (1) The statutory financial statements of CAR Beijing for the years ended 31 December 2011, 2012 and 2013 prepared under PRC GAAP were audited by 北京東審鼎立國際會計師事務所有限責任公司(Beijing Dongshendingli International Certified Public Accountants Co., Ltd.).
- (2) The statutory financial statements of Shanghai Huadong for the year ended 31 December 2011 prepared under PRC GAAP were audited by 上海從信會計師事務所(Shanghai Congxin Certified Public Accountants). The statutory financial statements of Shanghai Huadong for the years ended 31 December 2012 prepared under PRC GAAP were audited by 上海榮審會計師事務所有限責任公司 (Shanghai Rongshen Certified Public Accountants Co., Ltd.). No statutory accounts for the year ended 31 December 2013 have been prepared as the subsidiary is not required by the local government to prepare statutory accounts.
- (3) No statutory accounts for the year ended 31 December 2011 had been prepared for the subsidiary as the subsidiary was not required by the local government to prepare statutory accounts. The statutory financial statements of Beijing Kaipu for the years ended 31 December 2012 and 2013 prepared under PRC GAAP were audited by 北京東審鼎立國際會計師事務所有限責任公司 (Beijing Dongshendingli International Certified Public Accountants Co., Ltd.).
- (4) The statutory financial statements of CAR Wuxi for the years ended 31 December 2011 and 2012 prepared under PRC GAAP were audited by 江蘇正卓恒新會計師事務所有限公司(Jiangsu Zhengzhuo Certified Public Accountants Co., Ltd.). No statutory accounts for the year ended 31 December 2013 have been prepared as the subsidiary is not required by the local government to prepare statutory accounts.
- (5) The statutory financial statements of CAR Guangzhou for the years ended 31 December 2011 and 2012 prepared under PRC GAAP were audited by 廣州志信會計師事務所有限公司(Guangzhou Zhixin Certified Public Accountants Co., Ltd.). No statutory accounts for the year ended 31 December 2013 have been prepared as the subsidiary is not required by the local government to prepare statutory accounts.
- (6) The statutory financial statements of Beijing Beichen for the years ended 31 December 2011, 2012 and 2013 prepared under PRC GAAP were audited by 北京東審鼎立國際會計師事務所有限責任公司(Beijing Dongshendingli International Certified Public Accountants Co., Ltd.).
- (7) No statutory accounts for the year ended 31 December 2011 had been prepared for the subsidiary as the subsidiary was not required by the local government to prepare statutory accounts. The statutory financial statements of Beijing Da Shi Hang for the years ended 31 December 2012 and 2013 prepared under PRC GAAP were audited by 北京東審鼎立國際會計師事務所有限責任公司 (Beijing Dongshendingli International Certified Public Accountants Co., Ltd.).
- (8) The statutory financial statements of CAR Hong Kong for the year ended 31 December 2011, 2012 and 2013 prepared under HKFRS were audited by W.M. Lee & Company, Certified Public Accountants Hong Kong.
- (9) The statutory financial statements of Lianhui Langfang for the years ended 31 December 2011 and 2012 prepared under PRC GAAP were audited by 廊坊天益聯合會計師事務所 (Langfang Tianyi Lianhe Certified Public Accountants).No statutory accounts for the year ended 31 December 2013 have been prepared as the subsidiary is not required by the local government to prepare statutory accounts.

- (10) The statutory financial statements of Tai Chang for the year ended 31 December 2012 prepared under PRC GAAP were audited by 上海從信會計師事務所 (Shanghai Congxin Certified Public Accountants). No statutory accounts for the year ended 31 December 2013 have been prepared as the subsidiary is not required by the local government to prepare statutory accounts.
- (11) The statutory financial statements of Beijing Carl for the period from 16 January 2012 (date of incorporation) to 31 December 2012 and 2013 prepared under PRC GAAP were audited by 北京東審鼎立國際會計師事務所有限公司(Beijing Dongshendingli International Certified Public Accountants Co., Ltd.).
- (12) The statutory financial statements of Main Star for the years ended 31 December 2012 and 2013 prepared under HKFRS were audited by W.M. Lee & Company, Certified Public Accountants Hong Kong.
- (13) The statutory financial statements of Haike China for the years ended 31 December 2012 and 2013 prepared under HKFRS were audited by W.M. Lee & Company, Certified Public Accountants Hong Kong.
- (14) The statutory financial statements of Haike Beijing for the years ended 31 December 2012 and 2013 prepared under PRC GAAP were audited by 北京東審鼎立國際會計師事務所有限公司(Beijing Dongshendingli International Certified Public Accountants Co., Ltd.).
- (15) The statutory financial statements of Haike Fujian for the years ended 31 December 2012 and 2013 prepared under PRC GAAP were audited by 福建天和會計師事務所有限公司(Fujian Tianhe Certified Public Accountants Co., Ltd.).
- (16) The statutory financial statements of Haoke Shanghai for the years ended 31 December 2012 and 2013 prepared under PRC GAAP were audited by 上海榮審會計師事務所有限公司 (Shanghai Rongshen Certified Public Accountants Co., Ltd.).
- (17) The statutory financial statements of Shenzhen Usedcar for the years ended 31 December 2012 and 2013 prepared under HKFRS were audited by W.M. Lee & Company, Certified Public Accountants Hong Kong.
- (18) The statutory financial statements of Guangzhou SZ for the year ended 31 December 2012 prepared under PRC GAAP were audited by 廣州悅禾會計師事務所(Guangzhou Yuehe Certified Public Accountants). No statutory accounts for the year ended 31 December 2013 have been prepared as the subsidiary is not required by the local government to prepare stator accounts.
- (19) The statutory financial statements of Guangzhou AM for the year ended 31 December 2012 prepared under PRC GAAP were audited by 廣州志信會計師事務所有限公司(Guangzhou Zhixin Certified Public Accountants Co., Ltd.). No statutory accounts for the year ended 31 December 2013 have been prepared as the subsidiary is not required by the local government to prepare stator accounts.
- (20) The statutory financial statements of Hangzhou GJ for the year ended 31 December 2012 prepared under PRC GAAP were audited by 浙江敬業會計師事務所(Zhejiang Duteous Certified Public Accountants). No statutory accounts for the year ended 31 December 2013 have been prepared as the subsidiary is not required by the local government to prepare stator accounts.
- (21) The statutory financial statements of Xiamen JZ for the year ended 31 December 2012 prepared under PRC GAAP were audited by 廈門市天茂會計師事務所有限公司(Xiamen Tianmao Certified Public Accountants Co., Ltd.). No statutory accounts for the year ended 31 December 2013 have been prepared as the subsidiary is not required by the local government to prepare stator accounts..
- (22) The statutory financial statements of Premium for the year ended 31 December 2013 prepared under HKFRS were audited by W.M. Lee & Company, Certified Public Accountants Hong Kong.
- (23) The statutory financial statements of Rent A Car for the year ended 31 December 2013 prepared under HKFRS were audited by W.M. Lee & Company, Certified Public Accountants Hong Kong.
- (24) No statutory accounts have been prepared for these subsidiaries since their incorporation as these subsidiaries are not required by the local government to prepare statutory accounts or have not been established by 31 December 2013.

2.1 BASIS OF PRESENTATION

Pursuant to the Corporate Reorganisation as more fully explained in “Our History, Reorganisation and Corporate Structure” to this prospectus, the Company became the holding company of the companies now comprising the Group on 15 May 2014. The Corporate Reorganisation has no substance and did not form a business combination and accordingly, the Financial Information and the Interim Comparative Information have been prepared on a consolidated basis by applying the principles of merger accounting as if the Corporate Reorganisation had been completed at the beginning of the Relevant Periods for the purpose of this report.

As of 30 June 2014, the Group had a net current liability amounting to RMB730,947,000. When preparing Financial Information and the Interim Comparative Information, the Group’s management concluded that the adoption of a going concern basis was appropriate after analysing the forecasted cash flows for the twelve months from 30 June 2014 which indicates that the Group will have sufficient liquidity during the next twelve months from cash flows generated by operations and existing credit facilities. In preparing the forecasted cash flows analysis, the Group believed that there will be no early repayment of the borrowings in the next twelve months. Furthermore, Legend Holdings Limited (“Legend Holdings”) has provided financial assistance to the Group in an amount no less than RMB4.6 billion. Finally, the Group assumed that continued fleet expansions would be funded by existing available credit facilities. All the analysis indicates that the Group will have the financial resources to settle borrowings and payables that will be due in the next twelve months.

2.2 BASIS OF PREPARATION AND CONSOLIDATION

The Financial Information have been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) promulgated by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provision, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared on a historical cost convention, except for available-for-sale investments, that have been measured at fair value. The Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000), except when otherwise indicated.

The consolidated statements of profit or loss, consolidated statements of comprehensive income/(loss), consolidated statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of Reorganisation.

Business combinations not under common control were accounted for using acquisition method such that the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date of such control ceases.

All inter-group transaction and balances have been eliminated on consolidation.

3.1 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not adopted the following new and revised IFRSs, which have been issued but are not yet effective, in the Financial Information.

IFRS 9	<i>Financial Instruments</i> ⁵
IFRS 11 Amendments	Amendments to IFRS 11 <i>Joint Arrangements — Accounting for Acquisition of interests in Joint Operations</i> ²
IFRS 14	<i>Regulatory Deferral Accounts</i> ³
IFRS 15	<i>Revenue from Contracts with Customers</i> ⁴
IAS 16 and IAS 38 Amendments	Amendments to IAS 16 and IAS 38 — <i>Clarification of Acceptance Methods of Depreciation and Amortisation</i> ³
IAS 16 and IAS 41 Amendments	Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants ²
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits — Defined Benefit Plans: Employee Contributions</i> ¹
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in December 2012 ¹
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued in December 2013 ¹

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for first annual IFRS financial statements beginning on or after 1 January 2016 and therefore not applicable to the Group

³ Effective for financial statements for a period beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's consolidated statements of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are not classified as held for sale in accordance with IFRS 5 as they are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Company, liabilities assumed by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income/ (loss). If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is insignificant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the same third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (or the entity is the sponsoring employers if the Group is itself such a plan);
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Rental vehicles

Rental vehicles are depreciated over the estimated holding period on a straight line basis. The initial estimated holding period of such rental vehicles is generally 2.5-3 years. The Group also estimates the residual value of the rental vehicles at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values for rental vehicles are based on factors including model, age, mileage and location.

The Group makes periodic adjustments to the depreciation rates of rental vehicles in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. Such adjustments are accounted for as changes in accounting estimates. During the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014, rental vehicles were depreciated at rates ranging from 11.7% to 18.7% per annum, from 11.7% to 23.2% per annum, from 11.4% to 20.9% per annum from 11.4% to 24.0% per annum respectively.

When an item of rental vehicle is classified as held for resale, it is not depreciated and is accounted for as held for sale, as further explained in the accounting policy for "Inventories".

Other property, plant and equipment

Other property, plant and equipment primarily include buildings, office furniture and equipment, certain in-car accessories that can be separated from rental vehicles and leasehold improvements.

Depreciation is calculated on the straight-line basis to write off the cost of each item of other property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings.....	2.22% to 2.86%
Office furniture and equipment.....	20% to 33.33%
In-car accessories.....	20% to 33.33%
Leasehold improvements.....	20% to 100%

Where parts of an item of other property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of other property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortiation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Lessee, other than legal title, are accounted for as finance leases.

At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in other property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives or holding period of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms. Where the Group is the lessor, the asset held should be presented as a receivable at an amount equal to the net investment in the lease. The finance lease income is recognised in accordance with the policy set out by "Revenue recognition" below.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income/ (loss) and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income/ (loss) and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income/ (loss).

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, finance lease payables, amount due to shareholders and related parties, interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses recognised in the statement of profit or loss do not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories comprise used rental vehicles for sale, fuels and spare parts and are stated at the lower of cost and net realisable value. Cost of used rental vehicles for sale is calculated on specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the vehicles to their present location and condition. Cost of fuels and spare parts are based on purchase costs and are determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income/ (loss) or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and is released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) *Operating lease rental income*

Revenue contracts with a lease term of less than 90 days are classified as short term rental contracts and those with a lease term of 90 days or longer are classified as long term rental contracts. The minimum lease payment is recognised as revenue over the lease period on a straight line basis.

Customer loyalty award credits granted in rendering of operating leases services is accounted for as a separate component of the lease transaction in which they are granted. The consideration received in the lease transaction is allocated between the loyalty award credits and the other components of the lease. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

(b) *Finance lease income*

The Group records revenue attributable to finance leases over the lease term on a systematic and rational basis so as to produce a constant rate of return on the net investment in the finance lease.

(c) *Sales of rental vehicles*

Sales of rental vehicles are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the rental vehicles sold.

(d) *Royalty and franchise income*

Royalty and franchise income are recognised on an accrual basis in accordance with the terms of the relevant agreements.

(e) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

(f) *Other service income*

Other revenue generally derives from repair services, leasing of parking spaces, advertisement income and referral fee from other vehicle rental companies, and is recognised upon the provision of services.

Share-based payments

Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("Equity-Settled Transactions").

The cost of Equity-Settled Transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

The cost of Equity-Settled Transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension obligations

The group companies operating in Mainland China participate in defined contribution retirement benefit plans organised by the relevant government authorities for its employees in Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognised as employee benefit expenses when incurred.

Housing benefits

Employees of the group companies operating in Mainland China participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive loss or profit or loss is also recognised in other comprehensive loss or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income/ (loss) and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income/ (loss) relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases and, in respect of finance leases, determining the appropriate discount rate implicit in the lease to discount minimum lease payments. In respect of leases classified as finance leases, it has not been possible to reliably estimate lessors' residual values and management has been required to independently estimate an appropriate discount rate. The accounting policy for leases is set out in Note 3.2.

The Group entered into sale-leaseback arrangements with certain financial institutions (the "Lenders") to obtain financing. Under such arrangements, the Group received the sales proceeds which represented the principal upon the lease inception, and would make monthly installments during the lease term. The Group is subject to substantially the entire benefits and risks incidental to the ownership of such rental vehicles through leaseback. Under the sale-leaseback agreements, ownership of the underlying vehicles is transferred to the lenders upon the lease inception, and the Group is entitled to obtain their ownership for nil consideration at the end of the lease term. The leaseback was a finance lease due to the transfer of ownership back to the Group at the end of the lease term. The Group accounted for such arrangements as long term borrowing collateralised by rental vehicles and no gains or losses was recognised from these sale leaseback transactions.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of rental vehicles

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's rental vehicles. This estimate is based on the estimated holding period of such rental vehicles. Management will increase the depreciation charge where useful lives are less than previously estimated, or will write off or write down technically obsolete or damaged rental vehicles that have been abandoned or sold. Actual holding period may differ from estimated useful lives. Periodic review could result in a change in useful lives and residual values which impact depreciation charges in the future periods.

The Group's management determines the estimated residual values at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values for rental vehicles are based on factors including make, age, mileage and location. Management will increase the depreciation charge where residual values are less than previously estimated values, or will write off or write down technically obsolete or damaged rental vehicles that have been abandoned or sold. Actual value at the time of disposal may differ from estimated residual values. Periodic review could result in a change in residual values and therefore depreciation charge in the future periods. The net carrying value of rental vehicles were RMB2,413,847,000, RMB3,541,029,000, RMB4,023,956,000, and RMB3,957,570,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in used car market conditions. Management reassesses these estimates at each reporting date. The net carrying value of inventories were RMB10,996,000, RMB39,400,000, RMB330,304,000 and RMB188,963,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of trade receivables. The identification of impairment of trade receivables requires management judgment and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the trade receivables and bad and doubtful debt expenses/write-back in the period in which the estimate has been changed. The net carrying value of trade receivables were RMB34,454,000, RMB88,414,000, RMB208,426,000 and RMB415,527,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

Deferred revenue

The amount of revenue attributable to the credit award earned by the customers of the Group's loyalty program is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate was estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed. The carrying value of deferred revenue were RMB417,000, RMB1,439,000, RMB2,691,000 and RMB3,633,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

Useful lives and residual values of other property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of other property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on the changes in circumstances. The net carrying value of other property, plant and equipment were RMB60,125,000, RMB71,774,000, RMB89,226,000 and RMB218,184,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets were RMB630,000, RMB2,171,000, RMB3,142,000, and RMB4,449,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

Impairment of non-financial assets (other than goodwill)

The carrying value of non-financial assets other than goodwill is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policies as disclosed in the relevant parts in note 3.2 to the Financial Information. The recoverable amount of the non-financial assets other than goodwill is the greater of the fair value less costs to sell and value in use, the calculations of which involve the use of estimates. The net carrying value of non-financial assets (other than goodwill) was RMB2,507,037,000, RMB3,670,075,000, RMB4,258,476,000, and RMB 4,327,135,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying value of goodwill was RMB227,000, RMB1,723,000, RMB5,650,000 and RMB 6,561,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

5. OPERATING SEGMENT INFORMATION

The Group's principal business is the provision of car rental and other services to its customers. For management purposes, the Group operates in one business unit based on its services, and has one reportable segment which is the provision of car rental and other services.

Information about geographical area

Since all of the Group's revenue was generated from the car rental and other services in Mainland China and all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented in accordance with IFRS 8 - *Operating Segments*.

Information about major customers

None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during each of three years in the period ended 31 December 2013. Revenue of approximately RMB 295,055,000, accounting for 15.8% of the Group's revenue was derived from a single customer for six months' period ended 30 June 2014.

6. REVENUE, OTHER INCOME/(EXPENSES)

Revenue, which is also the Group's turnover, mainly represents the value of car rental service rendered and the net invoiced value of rental vehicles sold, net of business tax and discounts allowed.

An analysis of revenue, other income/(expenses) is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue					
Short-term rental income.....	629,818	1,208,561	1,714,485	793,443	1,081,099
Long-term rental income.....	143,742	328,211	448,903	201,601	245,349
Finance lease income	2,235	13,012	21,709	9,100	19,411
Sales of used rental vehicles.....	43,199	50,631	494,903	142,366	480,677
Franchise related income.....	—	—	—	—	9,078
Others.....	214	8,607	22,715	3,545	26,400
	<u>819,208</u>	<u>1,609,022</u>	<u>2,702,715</u>	<u>1,150,055</u>	<u>1,862,014</u>
Other income/(expenses), net					
Interest income from bank deposit.....	1,106	2,225	3,284	1,527	5,291
Loan interest income from a related party	809	131	—	—	—
Exchange gain/(loss)	—	(7,071)	22,711	12,249	(16,077)
Government grants*	128	1,573	1,834	823	1,675
Gain/(loss) on disposals of items of other property, plant and equipment....	7	(163)	872	—	738
Others.....	(372)	(4,863)	(7,997)	(1,571)	886
	<u>1,678</u>	<u>(8,168)</u>	<u>20,704</u>	<u>13,028</u>	<u>(7,487)</u>

* There were no unfulfilled conditions and other contingencies attaching of government assistance that had been recognised.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on bank and other loans wholly repayable within five years	139,466	269,424	333,876	151,696	153,283
Interest on finance leases	940	64	—	—	—
Others.....	235	549	735	193	353
	<u>140,641</u>	<u>270,037</u>	<u>334,611</u>	<u>151,889</u>	<u>153,636</u>

8. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/ (crediting):

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of sales of used vehicles.....	48,860	48,032	522,126	144,145	463,730
Depreciation of rental vehicles	258,023	535,979	690,027	307,119	341,429
Depreciation of other property plant, and equipment	10,354	19,358	23,076	12,845	13,683
Recognition of prepaid land lease payments.....	—	169	169	84	84
Amortisation of other intangible assets**.....	2,229	3,088	6,595	3,196	4,289
Minimum lease payments under operating leases in respect of offices and stores	18,052	34,253	50,144	22,691	25,273
Minimum lease payments under operating leases in respect of rental vehicles.....	—	—	18,118	—	17,762
Wages and salaries	118,789	207,605	332,469	168,432	199,085
Equity-settled share option expenses (note 30).....	—	—	101,148	—	26,952
Pension scheme contribution*.....	24,570	56,004	79,991	36,734	45,930
Insurance expenses.....	102,519	118,192	157,259	79,770	75,103
Repair and maintenance	14,680	69,580	120,139	56,672	49,841
Exchange loss/(gain)	—	7,071	(22,711)	(12,249)	16,077
Auditors' remuneration.....	6,199	1,840	2,851	2,151	2,849
Impairment on trade receivables	711	4,864	14,667	3,018	1,480
(Gain)/loss on disposal of items of other property, plant and equipment.....	(7)	163	(872)	—	(738)
Advertising and promotion expenses	88,399	106,002	112,813	44,381	23,814
Provision for impairment loss on inventories	—	—	1,462	—	(1,062)

* Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes and ministered and operated by the local municipal government.

** The amortisation of other intangible assets for the Relevant Periods are included in "Administrative expenses" in the consolidated statements of profit or loss.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors' and chief executives' remuneration for the Relevant Periods disclosed pursuant to the Listing Rules of the Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
- salaries, allowances, and benefits in kind	—	61	183	91	91
- equity-settled share option expense	—	—	—	—	—
- pension scheme contributions	—	18	56	27	29
	—	79	239	118	120

The names of the directors and their remuneration for the Relevant Periods are as follows:

(a) *Independent non-executive directors*

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) *An executive director and chief executive and non-executive directors*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
An executive director and chief executive					
- Lu Zhengyao ("Mr.Lu")	—	79	239	118	120
Non-executive directors					
- Narasimhan Brahmadesam Srinivasan...	—	—	—	—	—
- Liu Erhai	—	—	—	—	—
- Zhu Linan	—	—	—	—	—
- Li Hui	—	—	—	—	—
	—	79	239	118	120

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group during the Relevant Periods.

There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Period.

(c) *Five highest paid individuals*

The five highest paid individuals for the Relevant Periods are all non-directors and non-chief executive. Details of remuneration of the non-director and non-chief executive highest paid employees are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefits in kind.....	1,043	1,478	1,752	853	1,079
Performance related bonus	231	456	476	146	101
Equity-settled share option expense	—	—	10,576	—	5,514
Pension scheme contributions	200	340	388	185	138
	<u>1,474</u>	<u>2,274</u>	<u>13,192</u>	<u>1,184</u>	<u>6,832</u>

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(Unaudited)	
Nil to HK\$1,000,000.....	5	5	5	5	5
Over HK\$1,000,000	—	—	—	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Relevant Periods, share options were granted to the above non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the Relevant Periods is included in the above non-director and non-chief executive highest paid employees' remuneration disclosure.

10. INCOME TAX

The major components of income tax expenses/ (credits) of the Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax:					
Mainland China	2,379	2,654	8,958	3,087	13,610
Deferred tax (note 28).....	(1,741)	(2,705)	(1,534)	(1,678)	(3,855)
Total tax charge/(credit) for the year/period	<u>638</u>	<u>(51)</u>	<u>7,424</u>	<u>1,409</u>	<u>9,755</u>

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

The provision for current income tax in PRC is based on a statutory rate of 25% of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

No Hong Kong profits tax on the Group's subsidiary has been provided at the rate of 16.5% as there is no assessable profit arising in Hong Kong during the Relevant Periods.

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) before tax	(150,587)	(132,354)	(215,941)	3,059	228,087
Tax at PRC statutory tax rate of 25%	(37,647)	(33,089)	(53,985)	765	57,022
Tax effect of tax rate difference between PRC and oversea entities.....	—	4,693	18,537	(1,334)	11,453
Impact/(utilization) of unrecognised deferred tax assets	36,271	24,272	40,927	1,304	(60,839)
Expenses not deductible for tax	<u>2,014</u>	<u>4,073</u>	<u>1,945</u>	<u>674</u>	<u>2,119</u>
Total charge/(credit) for the year/period ..	<u>638</u>	<u>(51)</u>	<u>7,424</u>	<u>1,409</u>	<u>9,755</u>

The effective tax rate of the Group were (0.42%), 0.04%, (3.44%), 46.05% and 4.27% for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTED TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings/(loss) per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the reorganization and the basis of the presentation and consolidation as disclosed in note 2.2.

12. RENTAL VEHICLES

	<u>Total</u>
	<u>RMB'000</u>
At 1 January 2011:	
Cost.....	987,230
Accumulated depreciation.....	<u>(69,715)</u>
Net carrying amount.....	<u>917,515</u>
At 1 January 2011, net of accumulated depreciation.....	917,515
Additions.....	1,774,872
Acquisition of subsidiaries (note 32).....	53,426
Disposals and transfers to inventories.....	(48,860)
Transfers to finance leases.....	(25,083)
Depreciation provided during the year.....	<u>(258,023)</u>
At 1 January 2012, net of accumulated depreciation.....	<u>2,413,847</u>
At 31 December 2011 and at 1 January 2012:	
Cost.....	2,725,446
Accumulated depreciation.....	<u>(311,599)</u>
Net carrying amount.....	<u>2,413,847</u>
At 1 January 2012, net of accumulated depreciation.....	2,413,847
Additions.....	1,764,454
Disposals and transfers to inventories.....	(69,813)
Transfers to finance leases.....	(31,480)
Depreciation provided during the year.....	<u>(535,979)</u>
At 1 January 2013, net of accumulated depreciation.....	<u>3,541,029</u>
At 31 December 2012 and at 1 January 2013:	
Cost.....	4,361,760
Accumulated depreciation.....	<u>(820,731)</u>
Net carrying amount.....	<u>3,541,029</u>

	Total
	RMB'000
At 1 January 2013, net of accumulated depreciation.....	3,541,029
Additions.....	1,888,999
Acquisition of subsidiaries (note 32).....	170,383
Disposals and transfers to inventories	(806,301)
Transfers to finance leases.....	(80,127)
Depreciation provided during the year	<u>(690,027)</u>
At 1 January 2014, net of accumulated depreciation.....	<u>4,023,956</u>
At 31 December 2013 and at 1 January 2014:	
Cost.....	5,015,742
Accumulated depreciation.....	<u>(991,786)</u>
Net carrying amount	<u>4,023,956</u>
At 1 January 2014, net of accumulated depreciation.....	
Additions.....	887,204
Disposals and transfers to inventories	(337,026)
Transfers to finance leases.....	(275,135)
Depreciation provided during the period	<u>(341,429)</u>
At 30 June 2014, net of accumulated depreciation.....	<u>3,957,570</u>
At 30 June 2014:	
Cost.....	4,944,262
Accumulated depreciation.....	<u>(986,692)</u>
Net carrying amount	<u>3,957,570</u>

Vehicles with carrying values of RMB661,405,000, RMB599,514,000, RMB582,663,000 and RMB415,759,000 as of 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, were pledged as securities for certain of the Group's interest-bearing loans (note 26).

The Group accounts for the acquisition of certain rental vehicles as finance leases (note 27). The carrying amounts of the Group's rental vehicles held under finance leases at the end of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Rental vehicles.....	26,793	—	—	—
Accumulated depreciation.....	<u>(7,049)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>19,744</u>	<u>—</u>	<u>—</u>	<u>—</u>

The depreciation of rental vehicles under finance leases was RMB4,219,000 and RMB1,688,000 for the years ended 31 December 2011 and 2012, respectively. The titles of the rental vehicles held under finance leases were transferred to the Group in 2012 after the settlement of the finance lease payables. These vehicles were disposed later in 2012.

13. FINANCE LEASE RECEIVABLES

Certain rental vehicles have been leased out through finance leases entered into by the Group. These leases have remaining terms ranging generally from three to five years. Finance lease receivable is comprised of the following:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Net minimum lease payments receivable	39,926	87,980	146,171	304,779
Unearned finance income	(10,275)	(22,508)	(35,132)	(68,817)
Total net finance lease receivables	<u>29,651</u>	<u>65,472</u>	<u>111,039</u>	<u>235,962</u>
Less: current portion.....	<u>13,441</u>	<u>36,207</u>	<u>42,362</u>	<u>94,819</u>
Non-current portion	<u>16,210</u>	<u>29,265</u>	<u>68,677</u>	<u>141,143</u>

Future minimum lease payments to be received under non-cancellable finance lease arrangements as of 31 December 2011, 2012 and 2013 and 30 June 2014 are as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	16,346	45,390	49,056	104,953
In the second to fifth years, inclusive	<u>23,580</u>	<u>42,590</u>	<u>97,115</u>	<u>199,826</u>
	<u>39,926</u>	<u>87,980</u>	<u>146,171</u>	<u>304,779</u>

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as of 31 December 2011, 2012 and 2013 and 30 June 2014 are as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	13,441	36,207	42,362	94,819
In the second to fifth years, inclusive	<u>16,210</u>	<u>29,265</u>	<u>68,677</u>	<u>141,143</u>
	<u>29,651</u>	<u>65,472</u>	<u>111,039</u>	<u>235,962</u>

14. PREPAYMENTS

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for rental vehicles.....	<u>125,959</u>	<u>41,723</u>	<u>54,660</u>	<u>64,453</u>

15. OTHER PROPERTY, PLANT AND EQUIPMENT

	In-car accessories	Leasehold improvement	Office furniture and equipment	Buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011:					
Cost	7,601	1,363	7,266	—	16,230
Accumulated depreciation	(1,261)	(852)	(917)	—	(3,030)
Net carrying amount	<u>6,340</u>	<u>511</u>	<u>6,349</u>	<u>—</u>	<u>13,200</u>
At 1 January 2011, net of accumulated depreciation	6,340	511	6,349	—	13,200
Additions	13,713	11,635	15,394	16,333	57,075
Acquisition of subsidiaries (note 32)	—	—	307	—	307
Depreciation provided during the year.....	(4,032)	(3,870)	(2,452)	—	(10,354)
Disposals	(1)	—	(102)	—	(103)
At 31 December 2011, net of accumulated depreciation	<u>16,020</u>	<u>8,276</u>	<u>19,496</u>	<u>16,333</u>	<u>60,125</u>
At 31 December 2011 and at 1 January 2012					
Cost	21,314	12,998	22,720	16,333	73,365
Accumulated depreciation	(5,294)	(4,722)	(3,224)	—	(13,240)
Net carrying amount	<u>16,020</u>	<u>8,276</u>	<u>19,496</u>	<u>16,333</u>	<u>60,125</u>

	In-car accessories	Leasehold improvement	Office furniture and equipment	Buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012, net of accumulated depreciation	16,020	8,276	19,496	16,333	60,125
Additions	13,325	9,390	9,026	—	31,741
Acquisition of subsidiaries (note 32)	—	—	8	—	8
Depreciation provided during the year	(6,672)	(7,375)	(4,970)	(341)	(19,358)
Disposals	(727)	—	(15)	—	(742)
At 31 December 2012, net of accumulated depreciation	<u>21,946</u>	<u>10,291</u>	<u>23,545</u>	<u>15,992</u>	<u>71,774</u>
At 31 December 2012 and at 1 January 2013					
Cost	33,912	22,388	31,686	16,333	104,319
Accumulated depreciation	(11,966)	(12,097)	(8,141)	(341)	(32,545)
Net carrying amount	<u>21,946</u>	<u>10,291</u>	<u>23,545</u>	<u>15,992</u>	<u>71,774</u>
At 1 January 2013, net of accumulated depreciation	21,946	10,291	23,545	15,992	71,774
Additions	6,345	7,317	20,432	—	34,094
Acquisition of subsidiaries (note 32)	—	1,922	4,695	—	6,617
Depreciation provided during the year	(5,456)	(7,473)	(9,806)	(341)	(23,076)
Disposals	—	—	(183)	—	(183)
At 31 December 2013, net of accumulated depreciation	<u>22,835</u>	<u>12,057</u>	<u>38,683</u>	<u>15,651</u>	<u>89,226</u>
At 31 December 2013 and at 1 January 2014					
Cost	40,257	31,627	56,598	16,333	144,815
Accumulated depreciation	(17,422)	(19,570)	(17,915)	(682)	(55,589)
Net carrying amount	<u>22,835</u>	<u>12,057</u>	<u>38,683</u>	<u>15,651</u>	<u>89,226</u>

	In-car accessories	Leasehold improvement	Office furniture and equipment	Buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014, net of accumulated depreciation	22,835	12,057	38,683	15,651	89,226
Additions	1,385	8,566	4,455	131,237	145,643
Depreciation provided during the period ..	(3,802)	(3,051)	(6,659)	(171)	(13,683)
Disposals	—	(2,867)	(135)	—	(3,002)
At 30 June 2014, net of accumulated depreciation	<u>20,418</u>	<u>14,705</u>	<u>36,344</u>	<u>146,717</u>	<u>218,184</u>
At 30 June, 2014					
Cost	41,642	37,326	62,123	148,681	289,772
Accumulated depreciation	(21,224)	(22,621)	(25,779)	(1,964)	(71,588)
Net carrying amount	<u>20,418</u>	<u>14,705</u>	<u>36,344</u>	<u>146,717</u>	<u>218,184</u>

The Group has pledged its building to secure the Group's finance lease payables in 2011 (note 27). The net carrying amount was RMB16,333,000, RMB15,992,000, RMB15,651,000, and RMB15,480,000 as of December 2011, 2012 and 2013 and 30 June 2014.

As of 30 June 2014, the Group was in the process of obtaining the property rights certificates of certain of the Group's buildings with a net carrying amount of approximately RMB 131,237,000.

16. PREPAID LAND LEASE PAYMENTS

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year/period	—	7,583	7,414	7,245
Additions during the year/period	7,583	—	—	—
Recognised during the year/period	—	(169)	(169)	(84)
Carrying amount at end of the year/period ...	7,583	7,414	7,245	7,161
Current portion included in prepayments, deposits and other receivables	(169)	(169)	(169)	(169)
Non-current portion	<u>7,414</u>	<u>7,245</u>	<u>7,076</u>	<u>6,992</u>

These leasehold lands are situated in Mainland China and are held under a medium lease.

As of 31 December 2011, the prepaid land lease had been pledged to secure the Group's finance lease obligations (note 27). As of 31 December 2013 and 30 June 2014, certain of the prepaid land lease had been pledged to secure the Group's certain interest-bearing loans (note 26).

17. GOODWILL

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cost at beginning of the year/period	108	227	1,723	5,650
Acquisition of subsidiaries (note 32).....	119	1,496	3,927	911
Cost and net carrying amount at end of the year/period	<u>227</u>	<u>1,723</u>	<u>5,650</u>	<u>6,561</u>

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating unit for impairment testing to the balances of goodwill as of 30 June 2014:

Vehicle rental cash-generating unit

The recoverable amount of the vehicle rental cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. No growth has been projected beyond the five years and the discount rate applied to the cash flow projections is 16.5%.

Assumptions were used in the value in use calculation of the above cash-generating unit for 31 December 2011, 2012 and 2013 and 30 June 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted income — The basis used to determine the value assigned to the income is the average income achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of vehicle rental industry and discount rate are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

	Software	Customer relationship	Vehicle rental business licenses	Auto repair service business licenses	License plates	Entitlements for license plates	Trademark use right	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011:									
Cost.....	4,822	—	12,200	—	4,158	—	—	—	21,180
Accumulated amortisation.....	(1,104)	—	(241)	—	—	—	—	—	(1,345)
Net carrying amount	3,718	—	11,959	—	4,158	—	—	—	19,835
At 1 January 2011, net of accumulated amortisation									
Cost.....	3,718	—	11,959	—	4,158	—	—	—	19,835
Additions	3,583	—	—	—	4,930	—	—	—	8,513
Acquisition of subsidiaries (note 32).....	—	180	—	—	—	6,666	—	100	6,946
Amortisation provided during the year	(1,444)	(29)	(713)	—	—	—	—	(43)	(2,229)
At 31 December 2011, net of accumulated depreciation	5,857	151	11,246	—	9,088	6,666	—	57	33,065
At 31 December 2011 and at 1 January 2012:									
Cost.....	8,405	180	12,200	—	9,088	6,666	—	100	36,639
Accumulated amortisation.....	(2,548)	(29)	(954)	—	—	—	—	(43)	(3,574)
Net carrying amount	5,857	151	11,246	—	9,088	6,666	—	57	33,065
At 1 January 2011, net of accumulated amortisation									
Cost.....	5,857	151	11,246	—	9,088	6,666	—	57	33,065
Additions.....	4,347	—	—	—	11,371	—	—	—	15,718
Acquisition of subsidiaries (note 32).....	—	—	—	690	—	10,887	—	—	11,577
Transfer to license plates.....	—	—	—	—	13,554	(13,554)	—	—	—
Amortisation provided during the year	(2,277)	(38)	(716)	—	—	—	—	(57)	(3,088)
At 31 December 2012, net of accumulated depreciation	7,927	113	10,530	690	34,013	3,999	—	—	57,272
At 31 December 2012 and at 1 January 2013:									
Cost.....	12,752	180	12,200	690	34,013	3,999	—	100	63,934
Accumulated amortisation.....	(4,825)	(67)	(1,670)	—	—	—	—	(100)	(6,662)
Net carrying amount	7,927	113	10,530	690	34,013	3,999	—	—	57,272
At 1 January 2013, net of accumulated amortisation									
Cost.....	7,927	113	10,530	690	34,013	3,999	—	—	57,272
Additions.....	6,220	—	752	—	20,803	—	—	—	27,775
Acquisition of subsidiaries (note 32).....	—	—	29,550	1,572	28,690	—	7,030	—	66,842
Transfer to license plates.....	—	—	—	—	3,999	(3,999)	—	—	—
Amortisation provided during the year	(3,427)	(37)	(1,511)	(683)	—	—	(937)	—	(6,595)
At 31 December 2013, net of accumulated depreciation	10,720	76	39,321	1,579	87,505	—	6,093	—	145,294
At 31 December 2013 and at 1 January 2014:									
Cost.....	18,972	180	42,502	2,262	87,505	—	7,030	100	158,451
Accumulated amortisation.....	(8,252)	(104)	(3,181)	(683)	—	—	(937)	(100)	(13,157)
Net carrying amount	10,720	76	39,321	1,579	87,505	—	6,093	—	145,294
At 1 January 2014, net of accumulated amortisation									
Cost.....	10,720	76	39,321	1,579	87,505	—	6,093	—	145,294
Additions.....	4,859	—	56	—	4,980	—	—	—	9,895
Acquisition of subsidiaries (note 32).....	—	—	—	481	—	—	—	—	481
Amortisation provided during the period	(2,410)	(19)	(934)	(223)	—	—	(703)	—	(4,289)
At 30 June 2014, net of accumulated depreciation	13,169	57	38,443	1,837	92,485	—	5,390	—	151,381
At 30 June 2014									
Cost.....	23,831	180	42,558	2,743	92,485	—	7,030	100	168,927
Accumulated amortization	(10,662)	(123)	(4,115)	(906)	—	—	(1,640)	(100)	(17,546)
Net carrying amount	13,169	57	38,443	1,837	92,485	—	5,390	—	151,381

19. DEPOSITS FOR FINANCE LEASES

Deposits for finance leases are non-interest bearing cash deposits paid to acquire rental vehicles under finance lease arrangements as lessee and will be returned upon the expiry of the finance lease contracts.

20. INVENTORIES

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Used rental vehicles held for sale	—	21,781	302,714	159,956
Fuel	10,996	17,431	24,029	24,801
Others	—	188	3,561	4,206
	<u>10,996</u>	<u>39,400</u>	<u>330,304</u>	<u>188,963</u>

21. TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	35,343	94,167	228,846	437,427
Impairment provision	(889)	(5,753)	(20,420)	(21,900)
	<u>34,454</u>	<u>88,414</u>	<u>208,426</u>	<u>415,527</u>

The Company generally does not provide credit term to short-term rental customers. The credit period for long-term rental customers and finance lease customers is generally one to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	33,697	68,918	166,547	374,751
3 to 6 months	757	17,535	22,814	28,859
6 to 12 months	—	1,961	19,065	11,917
Over 1 year	—	—	—	—
	<u>34,454</u>	<u>88,414</u>	<u>208,426</u>	<u>415,527</u>

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/ period	178	889	5,753	20,420
Impairment losses recognised	711	4,864	14,667	1,480
Balance at end of the year/period.....	<u>889</u>	<u>5,753</u>	<u>20,420</u>	<u>21,900</u>

An aged analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	11,433	24,986	124,492	350,832
Past due but not impaired:				
Less than 3 months past due	8,436	18,435	47,091	43,736
3 months to 1 year past due	1,485	23,716	33,232	10,782
Over 1 year past due	—	—	—	—
	<u>21,354</u>	<u>67,137</u>	<u>204,815</u>	<u>405,350</u>

Receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	104,172	147,514	156,980	201,909
Other receivables	6,306	19,366	55,181	231,105
Deductible VAT input	—	—	76,791	113,376
Deposits for finance leases	—	—	28,180	28,180
Rental deposits.....	9,323	8,082	13,515	33,784
Others	12,675	11,746	11,575	7,447
	<u>132,476</u>	<u>186,708</u>	<u>342,222</u>	<u>615,801</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances.....	646,007	919,696	843,665	869,201
Time deposits	—	—	—	248,416
	646,007	919,696	843,665	1,117,617
Restricted bank balances*.....	(8,762)	(9,324)	(1,830)	(53,129)
Cash and cash equivalents.....	<u>637,245</u>	<u>910,372</u>	<u>841,835</u>	<u>1,064,448</u>

The cash and bank balances of the Group denominated in RMB amounted to RMB646,007,000, RMB523,848,000 and RMB673,970,000 and RMB822,903,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

* Restricted bank balances represented restricted cash held as credit cards facilities, restricted deposit for performance guarantee, pledged deposit and the settlement of vehicle rental revenue via the Company's point-of-sale machines, respectively. The Group pledged certain deposit to secure the Group's interest-bearing loans (note 26). The net carrying amount of pledged deposit as at 30 June 2014 was RMB53,129,000.

24. TRADE PAYABLES

An aged analysis of outstanding trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Within 3 months	3,328	10,137	11,729	10,413
3 to 6 months.....	1,018	2,324	1,846	6,454
Over 6 months	1,593	1,431	227	1,419
	<u>5,939</u>	<u>13,892</u>	<u>13,802</u>	<u>18,286</u>

The trade payables are non-interest-bearing.

25. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits by customers — rental deposits.....	57,405	76,666	130,242	139,183
Payroll payable	31,565	43,131	58,955	53,600
Other payables	85,111	129,251	128,413	197,568
	<u>174,081</u>	<u>249,048</u>	<u>317,610</u>	<u>390,351</u>

Other payables and accruals are non-interest-bearing.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December				As at 30 June						
	2011		2012		2013		2014				
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000		
Current:											
Short-term loans — guaranteed	8.15-8.30	2012	216,950	5.70-10.50	2013 or On demand	834,019	6.00-7.50	2014 or On demand	702,567	2015 or On demand	413,386
Current portion of sale and leaseback obligations — secured and guaranteed	7.60-11.20	2012	182,415	6.15-7.65	2013	299,004	6.77-7.07	2014	208,640	2015	135,460
Current portion of long-term bank loans — guaranteed	6.40-12.30	2012 or On demand	614,151	6.15-11.39	2013	832,218	5.84-7.32	2014 or On demand	1,085,735	2015 or On demand	867,523
Current portion of long-term other loans											
— guaranteed	11.50	On demand	500,000	11.50	On demand	500,000	5.69-9.50	2014 or On demand	140,700	2015 or On demand	1,079,270
— secured and guaranteed	11.80-12.80	2012	10,931	8.04-12.30	2013	11,432	11.00	On demand	90,726	—	—
— secured	8.90-12.80	2012	17,300	8.04-12.30	2013	19,657	8.04-12.30	2014 or On demand	19,208	2015	34,590
			<u>1,541,747</u>			<u>2,496,330</u>			<u>2,247,576</u>		<u>2,530,229</u>
Non-current:											
Bank loans — guaranteed	7.00-8.00	2013-2015	580,280	6.15-7.07	2014-2015	411,116	5.84-7.32	2015	206,830	2015-2016	657,982
Other loans — guaranteed	—	—	—	—	—	—	5.69-7.60	2015	1,298,500	2015-2016	948,154
Other loans — secured	8.90-12.80	2013-2014	29,198	8.07-12.30	2014-2015	25,499	8.04-12.30	2015	6,242	2016-2017	95,225
Other loans — secured and guaranteed	8.90-12.80	2013	11,618	—	—	—	—	—	—	—	—
Sale and leaseback obligations											
— secured and guaranteed	7.60-8.80	2013-2014	163,317	6.77-7.07	2014	61,530	6.77-7.07	2015	51,727	—	—
			<u>784,413</u>			<u>498,145</u>			<u>1,563,299</u>		<u>1,701,361</u>
			<u>2,326,160</u>			<u>2,994,475</u>			<u>3,810,875</u>		<u>4,231,590</u>

	As at 31 December			As at
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Analysed into:				
Bank loans and repayable:				
within one year or on demand	831,101	1,666,237	1,788,302	1,280,909
in the second year	445,717	336,760	206,830	657,982
in the third to fifth years, inclusive	134,563	74,356	—	—
	<u>1,411,381</u>	<u>2,077,353</u>	<u>1,995,132</u>	<u>1,938,891</u>
Other borrowings repayable:				
within one year or on demand	528,231	531,089	250,634	1,113,860
in the second year	28,245	19,233	1,304,742	1,025,094
in the third to fifth years, inclusive	12,571	6,266	—	18,285
	<u>569,047</u>	<u>556,588</u>	<u>1,555,376</u>	<u>2,157,239</u>
Sale and leaseback obligations:				
within one year or on demand	182,415	299,004	208,640	135,460
in the second year	100,535	61,530	51,727	—
in the third to fifth years, inclusive	62,782	—	—	—
	<u>345,732</u>	<u>360,534</u>	<u>260,367</u>	<u>135,460</u>
	<u>2,326,160</u>	<u>2,994,475</u>	<u>3,810,875</u>	<u>4,231,590</u>

As of 31 December 2011, 2012 and 2013 and 30 June 2014, the Group's overdraft bank facilities amounted to RMB2,488,121,000, RMB2,886,692,000, RMB2,707,336,000 and RMB2,933,608,000 respectively, of which RMB1,524,962,000, RMB2,507,232,000, RMB2,707,242,000 and RMB2,733,514,000 had been utilised respectively.

Bank and other loans with the following amounts outstanding as of the relevant periods were secured/guaranteed by the followings:

As at 31 December			30 June	Lender
2011	2012	2013	2014	
RMB'000	RMB'000	RMB'000	RMB'000	
1,770,655	2,493,857	3,433,332	3,674,270	Guaranteed by Legend Holdings*
140,726	83,496	—	—	Guaranteed by Legend Holdings* and Mr. Lu
—	—	—	200,000	Guaranteed by China Zheshang Bank and Legend Holdings ultimately*
22,549	11,432	—	—	Secured by certain of rental vehicles and guaranteed by Legend Holdings* (a)
46,498	45,156	25,450	79,325	Secured by certain of rental vehicles (a)
345,732	360,534	260,367	135,460	Secured by certain of the Group's rental vehicles, prepaid land leases and guaranteed by Legend Holdings* under sale and leaseback arrangement (a), (b)
—	—	1,000	1,000	Guaranteed by CAR Beijing
—	—	90,726	91,045	Secured by certain finance lease income and guaranteed by CAR Beijing
—	—	—	50,490	Secured by certain pledged deposits (c)
<u>2,326,160</u>	<u>2,994,475</u>	<u>3,810,875</u>	<u>4,231,590</u>	

* On 1 July 2012, Legend Holdings undertook that it will provide financial assistance to the Group in an amount no less than RMB4.6 billion. The financial assistance will be in the form of loans made to the Group either directly or indirectly by Legend Holdings, or loans provided by any banks or non-bank financial institutions to the Group secured by guarantees provided by Legend Holdings. As of 31 December 2011, 2012, 2013 and 30 June 2014, borrowings in an amount of RMB2,279,662,000, RMB2,949,319,000, RMB3,693,699,000 and RMB4,009,730,000, respectively, less administration fee, have been guaranteed by Legend Holdings.

- (a) Bank and other borrowings of RMB414,779,000, RMB417,122,000, RMB285,817,000 and RMB214,185,000 as at 31 December 2011, 2012, 2013 and 30 June 2014 were secured by certain of the Group's rental vehicles, the total carrying amount of which at 31 December 2011, 2012 and 2013 and 30 June 2014 were RMB661,405,106, RMB599,514,000, RMB582,663,000 and RMB415,759,000, respectively (note 12).
- (b) Such borrowings at 30 June 2014 were also secured by certain of the Group's prepaid land lease, the total carrying amount of which at 30 June 2014 was RMB7,161,000 (note 16).
- (c) Other borrowings of RMB50,490,000 as at 30 June 2014 were secured by certain of the Group's pledged deposits, the total carrying amount of which at 30 June 2014 was RMB53,129,000 (note 23).

Certain borrowing arrangements require CAR Beijing to maintain certain financial reporting or other covenants with which CAR Beijing has not fully complied. Consequently, a total of RMB735,193,000, RMB926,153,000, RMB1,075,947,000 and RMB846,030,000 became on demand for repayment at 31 December, 2011, 2012 and 2013 and 30 June 2014, respectively.

27. FINANCE LEASE PAYABLES

The total future minimum lease payments under finance leases and their present values were as follows:

Minimum lease payments

	As at 31 December			As at
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Amounts payable:				
Within one year.....	3,337	—	—	—
In the second to fifth years, inclusive	—	—	—	—
Total minimum finance lease payments	3,337	—	—	—
Future finance charges.....	(64)	—	—	—
Total net finance lease payables	3,273	—	—	—
Portion classified as current liabilities	(3,273)	—	—	—
Non-current portion	—	—	—	—

Present value of minimum lease payments

	As at 31 December			As at
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Amounts payable:				
Within one year.....	3,273	—	—	—
In the second to fifth years, inclusive	—	—	—	—
Total minimum finance lease payments	3,273	—	—	—

Such obligations were guaranteed by Mr. Lu and secured by the prepaid land leases (note 16) and a building (note 15) of the Group, respectively.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year/period are as follows:

Deferred tax assets

	<u>Accumulated losses</u>	<u>Others</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At 1 January 2011	498	23	521
Charged to the statement of profit or loss during the year	(498)	912	414
Acquisition.....	—	(305)	(305)
At 31 December 2011 and at 1 January 2012	—	630	630
Charged to the statement of profit or loss during the year	2,098	452	2,550
Acquisition.....	(780)	(229)	(1,009)
At 31 December 2012 and at 1 January 2013	1,318	853	2,171
Charged to the statement of profit or loss during the year	(102)	1,073	971
At 31 December 2013 and at 1 January 2014	1,216	1,926	3,142
Charged to the statement of profit or loss during the period	444	863	1,307
At 30 June 2014	<u>1,660</u>	<u>2,789</u>	<u>4,449</u>

The Group had unused tax losses available for offsetting against future profits in respect of certain subsidiaries of RMB126,840,000, RMB156,869,000 and RMB330,676,000 and RMB131,608,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, and the deferred tax assets have not been recognised.

No deferred tax assets have been recognised in respect of these losses due to the unpredictability of future available taxable profit of the subsidiaries to set against the unused tax losses. The available period of the unused tax losses will expire in one to five years for offsetting against future taxable profits.

The Group had temporary differences of RMB17,092,000, RMB31,683,000, RMB27,080,000 and RMB12,334,000 that have not been recognised as deferred tax assets due to the uncertainty of their utilisation as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries
	RMB'000
At 1 January 2011	4,580
Charged to the statement of profit or loss during the year	(1,327)
Acquisition	<u>3,966</u>
At 31 December 2011 and at 1 January 2012	7,219
Charged to the statement of profit or loss during the year	(155)
Acquisition	<u>2,843</u>
At 31 December 2012 and at 1 January 2013	9,907
Charged to the statement of profit or loss during the year	(563)
Acquisition	<u>11,255</u>
At 31 December 2013 and at 1 January 2014	20,599
Charged to the statement of profit or loss during the period	(2,548)
Acquisition	<u>120</u>
At 30 June 2014.....	<u><u>18,171</u></u>

There was no significant unrecognised deferred tax liability as at 31 December 2011, 2012 and 2013 and 30 June 2014 for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. For the Group, the applicable rate is 10%.

As of 31 December 2011, 2012 and 2013, and 30 June 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 April 2014 by China Auto Rental Holdings Inc. ("CARH") with an authorised share capital of US\$260,000 divided into 5,200,000,000 shares of US\$0.00005 each. On the date of incorporation, 1 ordinary share at par value of US\$0.00005 was allotted and issued as fully paid by CARH. On 12 June 2014, the Company further issued and allotted 373,444,013 shares to CARH at par value.

30. SHARE OPTION SCHEME

CARH, the immediate shareholder of the Company, operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants within the Group who contribute to the success of the Group's operation. Eligible participants of the Scheme include the directors and other employees of the Group. The Scheme became effective on 18 December 2013.

The maximum number of share options currently permitted to be granted under the Scheme is in aggregate 14,035,595 shares, including the Tranche A Options granted for a total number of 7,017,798 shares and the Tranche B Options granted for a total number of 7,017,797 shares. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

On 18 December, 2013, 7,017,798 Tranche A options and 7,017,797 Tranche B options have been granted with exercise price of US\$0.29, and US\$0.87, respectively. The exercise prices of share option were determined by the directors. The Tranche A Options granted were fully vested on 31 December 2013 with no further service conditions attached, and the Tranche B Options granted become vested on 31 December, 2014, 2015, 2016 and 2017, respectively, in four equal batches.

In March 2014, CARH further adopted the 2014 share option scheme ("2014 CARH Pre-IPO Share Option Scheme") which was approved by a board resolution of CARH passed on 1 March 2014 and further approved by a resolution passed by CARH shareholders on 1 March 2014. The options granted pursuant to the 2014 CARH Pre-IPO Share Option Scheme granted will become vested on 1 May, 2015, 2016, 2017 and 2018, respectively, in equal proportions.

As part of the reorganization, the Company was incorporated in the Cayman Islands on 25 April 2014. The Company subsequently became a wholly-owned subsidiary of CARH and the holding company of the Group. In connection with the above restructuring, CARH cancelled the 2013 CARH Pre-IPO Share Option Scheme and the 2014 CARH Pre-IPO Share Option Scheme and the Company adopted a new share option scheme (the "2014 Pre-IPO Share Option Scheme") as a replacement. The replacement share option scheme was approved by a board resolution of CARH and the Company, respectively, on 13 June 2014.

The cancelled and the replacement options granted under the relevant share option scheme involve exactly the same conditions including exercise prices and vesting periods, and were treated as modification with the incremental fair value being recognised over the vesting period of replacement share-based payment award.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the Relevant Periods:

	Weighted average exercise price	Number of options
	US\$ per share	
At 1 January 2013	—	—
Granted during the year.....	0.58	<u>14,035,595</u>
At 31 December 2013	0.58	<u>14,035,595</u>
Granted during the period.....	0.87	<u>1,232,428</u>
At 30 June 2014	0.60	<u><u>15,268,023</u></u>

The exercise prices and exercise periods of the share options outstanding as at the reporting date are as follows:

Number of options	Exercise price US\$ per share	Exercise period
7,017,798	0.29	From completion of a Qualified IPO to 31 December 2023
7,017,797	0.87	From completion of a Qualified IPO to 31 December 2023
1,232,428	0.87	From completion of a Qualified IPO to 1 May 2024
<u>15,268,023</u>		

The total fair value of the share options granted during the year ended 31 December 2013 and six months ended 30 June 2014 was approximately RMB218,632,000, of which the Group recognised a share option expenses of RMB101,148,000 and RMB26,952,000 during the year ended 31 December 2013 and the six months ended 30 June 2014.

The fair value of equity-settled share options granted during the year ended 31 December 2013 and six months ended 30 June 2014 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

CARH share option scheme	Tranche A	Tranche B	2014 CARH Pre-IPO Share Option Scheme
Expected dividend yield (%).....	0.0%	0.0%	0.0%
Expected volatility (%).....	54.0%	54.0%	53.0%
Risk-free interest rate (%).....	3.1%	3.1%	2.63%
Expected life of options (year).....	10	6-10	6-10
Weighted average exercise price (US\$).....	0.29	0.87	0.87
CAR share option scheme	Tranche A	Tranche B	2014 Pre-IPO Share Option Scheme
Expected dividend yield (%).....	0.0%	0.0%	0.0%
Expected volatility (%).....	54.0%	54.0%	53.0%
Risk-free interest rate (%).....	2.54%	2.54%	2.59%
Expected life of options (year).....	9.5	5.5-9.5	6-10
Weighted average exercise price (US\$).....	0.29	0.87	0.87

The expected volatility measured at the standard deviation of expected share price returns is based on statistical analyses of comparable listed companies in the same industry.

No other feature of the options granted was incorporated into the measurement of fair value.

31. RESERVES**(a) *The Group***

The amount of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company. The additions during the Relevant Periods mainly represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective company and contribution from the equity holders of the Company. The deductions during the Relevant Periods represent the excess of the consideration over the fair value of equity interests acquired from certain equity holder of the Company (note 37).

Statutory reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) *The Company*

The amount represents the share option reserve which comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 3.2 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

32. BUSINESS COMBINATION**2011****(a) *Beijing Beichen***

As a part of the Group's business expansion strategy to strengthen its long-term vehicle rental in the PRC, the Group through CAR Beijing, acquired 100% equity interests of Beijing Beichen from Beijing North Star Company Limited, an independent third party, on 11 April 2011 for an aggregate purchase price of RMB54,732,000 which was paid out by the Company in April 2011.

The fair values of the identifiable assets and liabilities of Beijing Beichen as at the date of acquisition were as follows:

	Fair value recognised on acquisitions
	RMB'000
Rental vehicles.....	53,426
Other property, plant and equipment.....	307
Net investment in direct financing leases.....	3,188
Other intangible assets.....	280
Trade receivables.....	1,322
Other receivables.....	3
Other current assets.....	786
Cash and cash equivalents.....	6,061
Other payables.....	(8,269)
Other current liabilities.....	(2,183)
Deferred tax liabilities.....	(308)
Identifiable net assets at fair value acquired.....	54,613
Goodwill.....	119
Total consideration.....	<u>54,732</u>
Satisfied by assuming debt.....	17,670
Satisfied by cash.....	<u>37,062</u>
	<u>54,732</u>

The fair values and gross amount contractual of trade receivable and other receivable as at the date of acquisition amounted to RMB1,322,000 and RMB3,000, respectively.

The transaction costs incurred for this transaction have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid.....	(37,062)
Cash and cash equivalents acquired.....	<u>6,061</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities.....	<u>(31,001)</u>

Since the acquisition, the Beijing Beichen contributed RMB28,256,000 to the Group's turnover and a loss of RMB3,826,000 to the consolidated loss for the year ended 31 December 2011.

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been RMB830,009,000 and RMB148,693,000, respectively.

(b) *Beijing Da Shi Hang*

On 12 December 2011, the Company through CAR Beijing, acquired 100% equity interests of Beijing Da Shi Hang for an aggregate purchase price of RMB6,327,000 in form of cash. On the acquisition date, there were no other assets and liabilities carried by Beijing Da Shi Hang other than cash and entitlements for license plates. The transaction was accounted for as an asset acquisition.

2012

(c) *Guangzhou SZ*

On 5 November 2012, the Company through CAR Beijing, acquired 100% equity interests of Guangzhou SZ for an aggregate purchase price of RMB7,000,000 in form of cash. On the acquisition date, there were no other assets and liabilities carried by Guangzhou SZ other than entitlements for license plates. The transaction was accounted for as an asset acquisition.

(d) *Guangzhou AM, Hangzhou GJ and Xiamen JZ*

As a part of the Group's business expansion strategy to develop auto repair services, the Company, through Beijing Kaipu, acquired 100% equity and voting interests of Guangzhou AM, Hangzhou GJ and Xiamen JZ in 2012 for an aggregate purchase price of RMB2,100,000.

The fair values of the identifiable assets and liabilities of Guangzhou AM, Hangzhou GJ and Xiamen JZ as at the date of acquisition were as follows:

	Fair value recognised on acquisitions
	RMB'000
Other property, plant and equipment	8
Trade receivables	2
Other current assets	33
Cash and cash equivalents	44
Auto repair services business licenses (note 18)	690
Deferred tax liabilities	(173)
Identifiable net assets at fair value acquired	604
Goodwill	1,496
Total consideration	<u>2,100</u>
Satisfied by assuming debt	240
Satisfied by cash	<u>1,860</u>
	<u>2,100</u>

The fair values and gross amount contractual of trade receivable and other receivable as at the date of acquisition amounted to RMB2,000 and RMB32,000, respectively.

The transaction costs incurred for these transactions have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration paid.....	(1,860)
Cash and cash equivalents acquired	<u>44</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u><u>(1,816)</u></u>

Since the acquisition, the Guangzhou AM, Hangzhou GJ and Xiamen JZ contributed intra-group turnover of RMB184,000 and a loss of RMB304,000 to the consolidated loss for the year ended 31 December 2012. The intra-group turnover was eliminated in consolidated financial statements.

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been RMB1,613,113,000 and RMB132,203,000, respectively.

2013

(e) *Nanjing ZH, Shenzhen Fugang, Jinan Shenyuan, Xi'an Antai, Wuhan Kaipu, Zhengzhou ZD, Chengdu SX and Beijing HW*

As a part of the Group's business expansion strategy to develop auto repair services, the Group, through Beijing Kaipu, acquired 100% equity and voting interests of Nanjing ZH, Shenzhen Fugang, Jinan Shenyuan, Xi'an Antai, Wuhan Kaipu, Zhengzhou ZD, Chengdu SX and Beijing HW in 2013 for an aggregate purchase price of RMB5,074,000.

The fair values of the identifiable assets and liabilities of Nanjing ZH, Shenzhen Fugang, Jinan Shenyuan, Xi'an Antai, Wuhan Kaipu, Zhengzhou ZD, Chengdu SX and Beijing HW as at the dates of acquisitions were as follows:

	Fair value recognised on acquisitions
	RMB'000
Other property, plant and equipment.....	364
Auto repair services business licenses (note 18).....	1,572
Trade receivables	33
Cash and cash equivalents.....	9
Other payables and accruals	(10)
Deferred tax liabilities	<u>(393)</u>
Identifiable net assets at fair value acquired.....	1,575
Goodwill	<u>3,499</u>
Total consideration.....	<u><u>5,074</u></u>
Satisfied by cash.....	<u><u>5,074</u></u>

The fair values and gross contractual amounts of trade receivables as at the date of acquisition amounted to RMB33,000.

The transaction costs incurred for these transactions have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration paid.....	(5,074)
Cash and cash equivalents acquired	<u>9</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u>(5,065)</u>

Since the acquisition, the Nanjing ZH, Shenzhen Fugang, Jinan Shenyuan, Xi'an Antai, Wuhan Kaipu, Zhengzhou ZD, Chengdu SX and Beijing HW contributed intra-group turnover of RMB18,787,000 and a loss of RMB4,874,000 to the consolidated loss for the year ended 31 December 2013. The intra-group turnover was eliminated in consolidated financial statements.

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been RMB2,704,036,000 and RMB224,143,000, respectively.

(f) ***RAC SH, RAC BJ, RAC GZ, Shanghai Hertz, Premium and Rent A Car***

On 15 April 2013, the immediate shareholder of the Company, CARH, entered into an equity transfer agreement with certain subsidiaries of Hertz Corporation, to acquire 100% equity interest and voting rights in RAC SH, RAC BJ, RAC GZ, Shanghai Hertz, Premium and Rent A Car (the "Hertz Subsidiaries") by issuing a mandatory convertible note with par value of US\$36,000,000 to Hertz Holdings. The Hertz Subsidiaries are engaged in the vehicle rental business in Mainland China. The acquisition was made as part of the Group's business expansion strategy to develop its vehicle rental business in Mainland China.

On the same date, CARH issued to Hertz Holdings another convertible note in exchange for cash proceeds of US\$100,000,000. In addition, certain shareholders of the Company transferred in aggregate 10% of the ordinary shares of the CARH to Hertz Holdings for a cash consideration of US\$100,000,000 (note 1).

The above transactions were conducted concurrently between the CARH and the shareholders with Hertz Holdings, and were regarded as linked transactions. The transactions were completed on 1 May 2013.

The Hertz Subsidiaries were consolidated into the financial statements of the Group after completion of the acquisition. The goodwill arising from the acquisition has also been pushed down and reflected on the consolidated financial statements of the Group. The purchase consideration of Hertz Subsidiaries, equal to aggregate of identifiable net assets at fair value acquired and goodwill, has been incurred in the CARH and was accounted for as contribution from a shareholder on the consolidated financial statements of the Group.

The fair values of the identifiable assets and liabilities of the Hertz Subsidiaries as at the date of acquisition were as follows:

	Fair value recognised on acquisitions
	RMB'000
Rental vehicles.....	170,383
Other property, plant and equipment.....	6,617
Other intangible assets (note18).....	65,270
Other non-current assets.....	1,545
Trade receivables.....	20,585
Prepayments, deposits and other receivables.....	19,098
Cash and cash equivalents.....	78,753
Other payables and accruals.....	(32,023)
Interest bearing bank and other borrowings.....	(140,167)
Deferred tax liabilities.....	<u>(10,857)</u>
Identifiable net assets at fair value acquired.....	179,204
Cash received from convertible note issuance by CARH.....	622,080
Cash received from ordinary share transfer of ordinary shares held in CARH.....	622,080
Goodwill on acquisition.....	428
Total consideration.....	<u>1,423,792</u>
Satisfied by issuance of convertible notes by CARH.....	780,202
Satisfied by transfer of ordinary shares by certain shareholders of CARH.....	<u>643,590</u>
	<u>1,423,792</u>

The fair values and gross contractual amounts of the trade receivables and other receivables as at the date of acquisition amounted to RMB20,585,000 and RMB19,098,000, respectively.

The transaction costs incurred for these transactions have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration paid.....	—
Cash and cash equivalents acquired.....	<u>78,753</u>
Net inflow of cash and cash equivalents included in cash flows used in investing activities.....	<u>78,753</u>

Since the acquisition, the Hertz Subsidiaries contributed RMB111,467,000 to the Group's turnover and a loss of RMB9,410,000 to the consolidated loss for the year ended 31 December 2013.

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been RMB2,755,153,000 and RMB266,563,000, respectively.

Six months ended 30 June 2014

(g) *Kunming WZ, Qingdao FLH and Dongguan XF*

As a part of the Group's business expansion strategy to develop auto repair services, the Group, through Beijing Kaipu, acquired 100% equity and voting interests of Kunming WZ, Qingdao FLH and Dongguan XF in 2014 for an aggregate purchase price of RMB 1,328,000.

The fair values of the identifiable assets and liabilities of Kunming WZ, Qingdao FLH and Dongguan XF as at the dates of acquisitions were as follows:

	Fair value recognised on acquisitions
	RMB'000
Auto repair services business licenses.....	481
Trade receivables	47
Other receivables	6
Cash and cash equivalents	7
Other payables and accruals	(4)
Deferred tax liabilities	(120)
Identifiable net assets at fair value acquired	417
Goodwill	911
Total consideration.....	<u>1,328</u>
Satisfied by cash.....	<u>1,328</u>

The fair values and the gross contractual amounts of trade receivables and other receivables as at the date of acquisition amounted to RMB 47,000 and RMB 6,000, respectively. The transaction costs incurred for these transactions have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration paid.....	(1,328)
Cash and cash equivalents acquired	<u>7</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u>(1,321)</u>

Since the acquisition, the Kunming WZ, Qingdao FLH and Dongguan XF contributed intra-group turnover of RMB1,096,000, RMB508,000 and RMB95,000 respectively to the consolidated profit for the period ended 30 June 2014. The intra-group turnover was eliminated in consolidated financial statements.

Had the combination taken place at the beginning of the period, the revenue and the profit of the Group for the six months ended 30 June 2014 would have been RMB1,862,094,000 and RM218,322,000, respectively.

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**(a) Major non-cash transactions**

The Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of RMB25,083,000 RMB31,480,000, RMB80,127,000, RMB63,589,000 and RMB275,135,000 for the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 and 2014, respectively.

During the year ended 31 December 2013, the Group acquired 100% equity interest and voting rights in the Hertz Subsidiaries. The consideration was satisfied by the issuance of a mandatory convertible note with par value of US\$36,000,000 by CARH (note 32 (f)), and treated as contribution from a shareholder on the consolidated financial statements of the Group.

34. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by certain assets of the Group, are included in note 12, 15, 16 and 23, respectively, to the Financial Information.

35. OPERATING LEASE ARRANGEMENTS**As lessee**

The Group leases certain of its office properties, stores and parking lots under operating lease arrangements. Leases for offices and stores properties are negotiated for terms ranging from one to six years.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	30,709	52,034	63,139	58,081
In the second to fifth years, inclusive	48,939	56,171	63,197	64,396
After five years.....	18,373	16,534	19,039	20,864
	<u>98,021</u>	<u>124,739</u>	<u>145,375</u>	<u>143,341</u>

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for	<u>107,499</u>	<u>18,150</u>	<u>99,349</u>	<u>115,574</u>

37. RELATED PARTY TRANSACTIONS

a) Related parties

Related parties for the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 were as follows:

Name	Relationship
CARH.....	Immediate shareholder of the Company
Mr. Lu	Chairman, Executive Director and Chief Executive Officer
Ms. Guo.....	A shareholder
Legend Holdings	A then shareholder before 2012 and holds interests in certain limited partners of one shareholder since 2012
LC Fund III, L.P. ("LC Fund III").....	A then shareholder before 2012 and limited partner of one shareholder since 2012
Hertz Holdings	A shareholder
Beijing Shenzhou Deke Technology Development Co., Ltd. ("Deke Beijing")	A company controlled by Mr. Lu
China Youtong Science & Technology (Beijing) Co., Ltd. ("Youtong Beijing")	A company controlled by Mr. Lu
Beijing Huaxia United Automobile Association Co., Ltd. ("UAA Beijing")	A company controlled by Mr. Lu
Beijing Huaxia United Culture and Media Co., Ltd. ("United Media")	A company controlled by Mr. Lu
Beijing Huaxia United Automobile Service Co., Ltd. ("United Service")	A company controlled by Mr. Lu
Beijing Huaxia United Science & Technology Co., Ltd. ("Huaxia United")	A company controlled by Mr. Lu
Beijing Chexing Tianxia Consultancy Co., Ltd. ("Chexing Tianxia")	A company controlled by Mr. Lu
Beijing Huaxia United Auto Network Technology Co., Ltd. ("Huaxia Auto Network")	A wholly owned subsidiary of Legend Holdings A wholly owned subsidiary of LC Fund III before 15 December 2011
Lianhui Langfang	15 December 2011

b) Related party transactions

Apart from related party transactions disclosed in note 26, the Group has the following related party transactions:

(i) Vehicle rental services provided to a related party:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Legend Holdings	63	158	79	—	—

The prices for the above services were determined according to published prices and conditions offered to other customers of the Group.

(ii) Interest expense to a related party:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Legend Holdings	34,046	59,728	3,905	3,905	—

The interest rates of the loans due to related parties were determined by reference to the market rate then negotiated between the Group and a related party.

(iii) Borrowings from related parties:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CARH.....	—	1,013,757	823,358	58,757	195,277
Legend Holdings	760,000	150,000	—	—	—
UAA Beijing	7,514	—	—	—	—
	<u>767,514</u>	<u>1,163,757</u>	<u>823,358</u>	<u>58,757</u>	<u>195,277</u>

(iv) *Repayments of the borrowings from related parties:*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Legend Holdings	400,000	300,000	570,000	570,000	—
Mr. Lu	—	—	43,420	43,420	—
Ms. Guo	—	—	5,994	5,994	—
Huaxia United	—	11,900	36,318	—	—
Deke Beijing	—	1,302	—	—	—
Youtong Beijing	—	34	—	—	—
Huaxia Auto Network	—	—	—	—	133,488
LC Fund III.....	—	—	—	—	54
	<u>400,000</u>	<u>313,236</u>	<u>655,732</u>	<u>619,414</u>	<u>133,542</u>

(v) *Interest income from a related party:*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
UAA Beijing	<u>809</u>	<u>131</u>	<u>—</u>	<u>—</u>	<u>—</u>

The interest rates of the loans due from related parties were determined by reference to the market rate then negotiated between the Group and the related parties.

(vi) *Borrowings to related parties:*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Lianhui Langfang	600	—	—	—	—
Deke Beijing	3,460	—	—	—	—
UAA Beijing	3,351	—	—	—	—
	<u>7,411</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(vii) *Commission charge from a shareholder:*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Hertz Holdings	—	—	4	—	4,098

(viii) *Commission charge to a shareholder:*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Hertz Holdings	—	—	1	—	17

c) Outstanding balances with related parties

	As at 31 December			As at
	2011	2012	2013	30 June
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Current assets:				
Due from shareholders:				
- Legend Holdings	35	—	—	—
- CARH.....	228,183	—	—	—
	<u>228,218</u>	<u>—</u>	<u>—</u>	<u>—</u>
Due from related parties:				
- Deke Beijing	12,070	—	—	—
- Legend Holdings	—	72	119	—
- Youtong Beijing	34	—	—	—
	<u>12,104</u>	<u>72</u>	<u>119</u>	<u>—</u>
Current liabilities:				
Due to related parties:				
- Legend Holdings	—	629,278	—	—
- Huaxia United	48,218	36,318	—	—
- UAA Beijing	8,253	—	—	—
- LC Fund III	—	54	54	—
- Mr. Lu	43,420	43,420	—	—
- Huaxia Auto Network	138,688	133,488	133,488	—
	<u>238,579</u>	<u>842,558</u>	<u>133,542</u>	<u>—</u>
Due to shareholders:				
- CARH.....	—	805,956	1,597,568	—*
- Ms. Guo	5,994	5,994	—	—
- Legend Holdings	761,879	—	—	—
- LC Fund III.....	54	—	—	—
	<u>767,927</u>	<u>811,950</u>	<u>1,597,568</u>	<u>—</u>

* CARH has waived such receivables due from the Company in April 2014.

Amounts due to Legend Holdings were unsecured and matured in April 2013 and bore interests at floating rates between 7.04% to 7.87%, 5.65% to 7.87% and 5.84% to 9.50% as of 31 December 2011, 2012 and 2013, respectively.

As at 31 December 2011, amounts due from UAA Beijing were unsecured such amount has been collected in 2012 and subject to interest at 8% per annum.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, other balances with related parties and shareholders were unsecured, non-interest bearing and repayable on demand.

On 15 December 2011, the Group acquired the equity interests of CAR Hong Kong and Lianhui Langfang whose main assets and liabilities were prepaid land lease prepayments, building and amounts due to related parties, respectively. Since CAR Hong Kong and Lianhui Langfang were acquired from a non-controlling shareholder as an asset deal, and there was an excess of the net assets acquired amounting to RMB6,652,000 based on the total fair value of the assets acquired minus the total fair value of the liabilities assumed, such amount was accounted for as distribution to a shareholder.

In addition, Lianhui Langfang made available the Group premises to operate its call center in the city of Langfang, PRC, for nil consideration. The Group recorded imputed rental expenses amounting to RMB1,311,000 based on the prevailing market rates as deemed contribution for the years ended 31 December 2011.

d) Other transactions with related parties

On 29 February 2012, the Group entered into debt restructuring agreements (the "Agreements") with UAA Beijing, Huaxia Auto Network, Huaxia United and Deke Beijing. According to the Agreements, UAA Beijing and Huaxia Auto Network transferred their receivables due from the Company amounting to RMB8,172,000 and RMB5,200,000, respectively, to Deke Beijing and the Company offset such outstanding related party balances against the same amount due from Deke Beijing. There was no gain or loss resulting from the transaction. After that, the amounts due to UAA Beijing, Huaxia Auto Network, Huaxia United and Deke Beijing, were nil, nil, RMB11,900,000 and RMB1,302,000, respectively. The Company issued Huaxia United and Deke Beijing promissory notes of the outstanding amounts which are repayable upon demand.

e) Compensation of key management personnel of the Group:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB	RMB	RMB	RMB	RMB
Short term employee benefits	843	1,529	1,921	1,071	912
Equity-settled share option expenses	—	—	7,051	—	4,229
	<u>843</u>	<u>1,529</u>	<u>8,972</u>	<u>1,071</u>	<u>5,141</u>

Further details of directors' and the chief executive's emoluments are included in note 9 to the Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each Relevant Period are as follows:

As at 30 June 2014

Financial assets

	Loans and receivables
	RMB'000
Finance lease receivable — non-current	141,143
Rental deposits	3,224
Restricted cash — non-current	53,129
Trade receivables	437,427
Financial assets included in prepayments, deposits and other receivables (note 22).....	413,892
Finance lease receivable — current	94,819
Cash and cash equivalents	1,064,488
	<u>2,208,122</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	18,286
Financial liabilities included in other payables and accruals (note 25)	390,351
Interest-bearing bank loans and other borrowings — current	2,530,229
Deposits received for vehicle rental	16,611
Interest-bearing bank loans and other borrowings — non-current	1,701,361
	<u>4,656,838</u>

As at 31 December 2013

Financial assets

	Loans and receivables
	RMB'000
Finance lease receivable — non-current	68,677
Rental deposits	2,292
Restricted cash — non-current	1,830
Trade receivables	228,846
Financial assets included in prepayments, deposits and other receivables (note 22)	185,242
Finance lease receivable — current	42,362
Due from a related party	119
Cash and cash equivalents	841,835
	<u>1,371,203</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	13,802
Financial liabilities included in other payables and accruals (note 25)	317,610
Interest-bearing bank loans and other borrowings — current	2,247,576
Due to related parties	133,542
Due to shareholders	1,597,568
Deposits received for vehicle rental	19,291
Interest-bearing bank loans and other borrowings — non-current	1,563,299
	<u>5,892,688</u>

As at 31 December 2012

Financial assets

	Loans and receivables
	RMB'000
Finance lease receivable — non-current	29,265
Rental deposits	7,416
Deposits for finance leases	28,180
Restricted cash — non-current	1,830
Trade receivables	94,167
Finance lease receivable — current	36,207
Financial assets included in prepayments, deposits and other receivables (note 22).....	39,194
Due from related parties	72
Restrict cash — current	7,494
Cash and cash equivalents	910,372
	<u>1,154,197</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	13,892
Financial liabilities included in other payables and accruals (note 25)	249,048
Interest-bearing bank loans and other borrowings — current	2,496,330
Due to shareholders	842,558
Due to related parties	811,950
Deposits received for vehicle rental	16,034
Interest-bearing bank loans and other borrowings — non-current	498,145
	<u>4,927,957</u>

As at 31 December 2011

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Finance lease receivable — non-current	16,210	—	16,210
Rental deposits	4,372	—	4,372
Deposits for finance leases	28,180	—	28,180
Restricted cash	8,762	—	8,762
Trade receivables	35,343	—	35,343
Financial assets included in prepayments, deposits and other receivables (note 22)	28,304	—	28,304
Finance lease receivable — current	13,441	—	13,441
Due from related parties	12,104	—	12,104
Due from shareholders	228,218	—	228,218
Available-for-sale investments	—	148	148
Cash and cash equivalents	637,245	—	637,245
	<u>1,012,179</u>	<u>148</u>	<u>1,012,327</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	5,939
Financial liabilities included in other payables and accruals (note 25)	174,081
Interest-bearing bank loans and other borrowings — current	1,541,747
Finance lease payable — current	3,273
Due to related parties	238,579
Due to shareholders	767,927
Deposits received for vehicle rental	9,270
Interest-bearing bank loans and other borrowings — non-current	784,413
	<u>3,525,229</u>

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, amounts due from shareholders, finance lease receivable, held-to-maturity investments, financial liabilities included in other payables and accruals, amounts due to related parties and interest-bearing bank loans and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income/ (loss), are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of the non-current portion of deposits, finance lease receivables and payables, interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed approximate to their carrying amounts. The Group's own non-performance risk for finance lease payables, and interest-bearing bank loans and other borrowings as at 30 June 2014 was assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:**Group*

As at 31 December 2011

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments:				
Equity investments	148	—	—	148

The Group did not have any financial assets measured at fair value as at 31 December 2012 and 2013, and 30 June 2014.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, finance leases, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks as summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank loans and loans from related parties with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods, to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/loss before tax (through the impact on floating rate borrowings):

	Increase/ (decrease) in basis points	Increase / (decrease) in profit before tax**	Increase / (decrease) in equity*
		RMB'000	RMB'000
30 June 2014			
RMB	(500)	20,666	—
RMB	500	(20,666)	—
31 December 2013			
RMB	(500)	20,316	—
RMB	500	(20,316)	—
31 December 2012			
RMB	(500)	15,603	—
RMB	500	(15,603)	—
31 December 2011			
RMB	(500)	12,162	—
RMB	500	(12,162)	—

* Excluding retained earnings

** Increase in profit before tax and decrease in loss before tax/(decrease) in profit before tax and (increase) in loss before tax.

Foreign currency risk

The Group has transactional currency exposures, which mainly arise from borrowings by operating units in currencies other than the functional currencies of the units.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the RMB-US\$ exchange rates, with all other variables held constant, of the Group's profit/loss before tax due to changes in the carrying values of monetary assets and liabilities and equity due to changes in foreign currency exchange reserve.

	Fluctuation In foreign exchange rate	Decrease / (increase) in profit before tax**	Increase / (decrease) in equity*
	%	RMB'000	RMB'000
30 June 2014			
If RMB weakens against US\$.....	(5)	(6,023)	—
If RMB strengthens against US\$	5	6,023	—
31 December 2013			
If RMB weakens against US\$.....	(5)	(8,447)	—
If RMB strengthens against US\$	5	8,447	—
31 December 2012			
If RMB weakens against US\$.....	(5)	(19,792)	—
If RMB strengthens against US\$	5	19,792	—
31 December 2011			
If RMB weakens against US\$.....	(5)	—	—
If RMB strengthens against US\$	5	—	—

* Excluding retained earnings

** Increase in profit before tax and decrease in loss before tax/(decrease) in profit before tax and (increase) in loss before tax.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial lease receivable, amounts due from related parties, amounts due from shareholders, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21.

Liquidity risk

The Group monitors its cash flow positions on a regular basis to ensure that the cash flows of the Group are positive and closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available, and obtaining borrowing loans from banks and other financial institutions.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods based on the contractual undiscounted payments is as follows:

Group

	30 June 2014			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	18,286	—	—	18,286
Financial liabilities included in other payables and accruals.....	390,351	—	—	390,351
Interest-bearing bank loans and other borrowings — current	2,909,615	—	—	2,909,615
Due to shareholders	—	—	—	—
Due to related parties	—	—	—	—
Deposits received for vehicle rental	—	16,611	—	16,611
Interest-bearing bank loans and other borrowings — non-current	—	1,754,269	—	1,754,269
	<u>3,318,252</u>	<u>1,770,880</u>	<u>—</u>	<u>5,089,132</u>
	31 December 2013			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	13,802	—	—	13,802
Financial liabilities included in other payables and accruals.....	317,610	—	—	317,610
Interest-bearing bank loans and other borrowings — current	2,469,474	—	—	2,469,474
Due to shareholders	1,597,568	—	—	1,597,568
Due to related parties	133,542	—	—	133,542
Deposits received for vehicle rental	—	19,291	—	19,291
Interest-bearing bank loans and other borrowings — non-current	—	1,778,928	—	1,778,928
	<u>4,531,996</u>	<u>1,798,219</u>	<u>—</u>	<u>6,330,215</u>

	31 December 2012			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	13,892	—	—	13,892
Financial liabilities included in other payables and accruals.....	249,048	—	—	249,048
Interest-bearing bank loans and other borrowings — current	2,691,895	—	—	2,691,895
Due to related parties	842,558	—	—	842,558
Due to shareholders	811,950	—	—	811,950
Deposits received for vehicle rental	—	16,034	—	16,034
Interest-bearing bank loans and other borrowings — non-current	—	522,238	—	522,238
	<u>4,609,343</u>	<u>538,272</u>	<u>—</u>	<u>5,147,615</u>

	31 December 2011			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	5,939	—	—	5,939
Financial liabilities included in other payables and accruals.....	174,081	—	—	174,081
Interest-bearing bank loans and other borrowings — current	1,764,408	—	—	1,764,408
Finance lease payable	3,273	—	—	3,273
Due to related parties	238,579	—	—	238,579
Due to shareholders	767,927	—	—	767,927
Deposits received for vehicle rental	—	9,270	—	9,270
Interest-bearing bank loans and other borrowings — non-current.....	—	794,223	14,480	808,703
	<u>2,954,207</u>	<u>803,493</u>	<u>14,480</u>	<u>3,772,180</u>

Capital management

The preliminary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a net debt/asset ratio, which is net debt divided by total assets. Net debt includes bank loans and other borrowings, and amount due to Legend Holdings, less cash and cash equivalents. The gearing ratios as at each of the statement of financial position dates were as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loan — current ...	1,541,747	2,496,330	2,247,576	2,530,229
Interest-bearing bank loan — non-current	784,413	498,145	1,563,299	1,701,361
Due to Legend Holdings.....	761,879	629,278	—	—
Cash and cash equivalents	(637,245)	(910,372)	(841,835)	(1,064,488)
Net debt	<u>2,450,794</u>	<u>2,713,381</u>	<u>2,969,040</u>	<u>3,167,102</u>
Total assets.....	<u>3,767,873</u>	<u>5,058,295</u>	<u>6,167,071</u>	<u>6,986,684</u>
Net debt/asset ratio	<u>65%</u>	<u>54%</u>	<u>48%</u>	<u>45%</u>

41. EVENTS AFTER THE REPORTING PERIOD

On 3 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into 5 ordinary shares, and the par value of the share was changed from US\$0.00005 per share to US\$0.00001 per share. Immediately after the share split, the authorized share capital of the Company became US\$260,000 divided into 26,000,000,000 ordinary shares of par value of US\$0.00001 each and issued share capital became 1,867,220,070 share of par value of US\$0.00001 each.

On 31 July 2014, the options were conditionally granted to three members of the senior management and 18 other grantees under the 2014 Pre-IPO Share Option Scheme. In light of the share split, the total number of Pre-IPO Share Options were adjusted to 98,623,555 Shares.

Except as disclosed elsewhere in this report, there is no material subsequent event undertaken by the Company or by the Group after 30 June 2014.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2014.

Yours faithfully,

Ernst & Young
Certified Public Accountants
 Hong Kong

The following information does not form a part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" and "Appendix I — Accountants' Report."

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following pro forma adjusted consolidated net tangible assets of the Group have been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as at June 30, 2014 as if it had taken place on June 30, 2014.

The pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at June 30, 2014 or any future date. It is prepared based on our consolidated net tangible assets as at June 30, 2014 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the company as at June 30, 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	(HK\$ equivalent) (Note 4)
Based on an Offer Price of HK\$8.50 per Share	1,982,054	2,743,414	4,725,468	2.06	2.59
Based on an Offer Price of HK\$7.50 per Share	1,982,054	2,414,463	4,396,517	1.92	2.41

Notes:

- The consolidated net tangible assets attributable to owners of the Company as at June 30, 2014 is arrived at after deducting the intangible assets and goodwill of RMB151,381,000 and RMB6,561,000 from the audited consolidated equity attributable to owners of the Company of RMB2,139,996,000 as at June 30, 2014, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$8.50 or HK\$7.50 per Share after deduction of the underwriting fees and other related expenses payable by the Company and 426,341,000 Shares expected to be issued under the Global Offering, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 2,293,561,070 Shares are in issue assuming that the share split on July 3, 2014, pursuant to which each ordinary share was subdivided into 5 ordinary shares and Global Offering had been completed on June 30, 2014 and an Offer Price of HK\$7.50 per Share, being the low end of the Offer Price range and an Offer Price of HK\$8.50 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK\$1.2572.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2014.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the additional unaudited pro forma financial information of our Group.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

8 September 2014

To the Directors of CAR Inc.

We have completed our assurance engagement to report on the compilation of pro forma financial information of CAR Inc. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 June 2014 and related notes (the “Pro Forma Financial Information”) as set out on pages II-1 of the prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering and placing of shares of the Company on the Group’s financial position as at 30 June 2014 as if the transaction had taken place at 30 June 2014. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 30 June 2014, on which an accountant’s report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountant’s responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering and placing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the global offering and placing of shares of the Company, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 25, 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on August 18, 2014. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

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An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

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The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the

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relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think

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fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

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If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

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(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from May 13, 2014.

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The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on April 25, 2014. Our registered office address is at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Accordingly, our Company's corporate structure and Articles are subject to the relevant laws of Cayman Islands. A summary of our Articles is set out in Appendix III to this prospectus.

Our registered place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 13, 2014 with the Registrar of Companies in Hong Kong. Ms. Ka Man SO and Ms. Sze Ting CHAN have been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Our Company's head office is located as at the date of this prospectus at 2F, Lead International Building, 2A Zhonghuan South Road, Wangjing, Chaoyang District, Beijing, PRC. The telephone number of the head office is +86-10-58209999.

2. Changes in Share Capital

On April 25, 2014, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorized share capital of the Company is US\$260,000 divided into 5,200,000,000 ordinary shares of par value of US\$0.00005 each. As at the date of the Company's incorporation, one Ordinary Share was issued to CARH as sole member of the Company.

On June 12, 2014, the Company further issued 373,444,013 Ordinary Shares to CARH.

On June 15, 2014, the Company adopted the 2014 Pre-IPO Share Option Scheme I and the 2014 Pre-IPO Share Option Scheme II. 2014 Pre-IPO Share Option Scheme I was subsequently amended on July 30, 2014. 98,623,555 options have been granted to certain senior management and employees of the Company under the Pre-IPO Share Option Schemes and none of the share options granted under the Pre-IPO Share Option Schemes has been exercised by any grantee.

On July 3, 2014, we effected a share split, pursuant to which each Ordinary Share was subdivided into 5 Ordinary Shares, and the par value of the shares was changed from US\$0.00005 per Share to US\$0.00001 per Share. Immediately after the share split, the authorized shares capital of the Company became US\$260,000 divided into 26,000,000,000 Ordinary Shares of par value US\$0.00001 each and the issued share capital became 1,867,220,070 Ordinary Shares of par value US\$0.00001 each.

In accordance with the Pre-IPO Reorganization Agreement, immediately before the Listing, the Company will conduct, among other steps, the issuance of 355,137,265, 8,295,895, 53,723,770, 294,223,775, 24,800,000, 12,500,000, 688,068,025 and 430,471,340 Shares to each of Hertz Holdings, Grand Joy, Sky Sleek, Haode Group, Amplewood, Grandsun, Grand Union and Amber Gem at par value. Our company will then repurchase all the Shares held by CARH at par value using the proceeds of the new issuance of Shares to the above shareholders.

See "Our History, Reorganization and Corporate Structure — Pre-IPO Reorganization" to this prospectus for details of the Pre-IPO Reorganization.

Save for aforesaid and as mentioned in the paragraph headed "Resolutions in Writing of Our Shareholders Passed on August 18, 2014" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in Writing of Our Shareholders Passed on August 18, 2014

- (i) Pursuant to the resolutions in writing of our Shareholders passed on August 18, 2014:
 - (a) our Company approved and adopted the Memorandum of Association and Articles, which will come into effect upon the Listing;
 - (b) conditional upon (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in the Shares to be issued pursuant to the Pre-IPO Reorganization, the Global Offering and the exercise of the Over-allotment Option and the Shares to be issued upon the exercise of the Pre-IPO Share Options; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators) (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
 - (i) the Global Offering was approved and our Directors were authorized to effect the same and to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the proposed listing of the Shares on the Stock Exchange as mentioned in this prospectus was approved and our Directors were authorized to implement such listing;
 - (iii) the Over-allotment Option was approved and the Directors were authorized to effect the same and to allot and issue up to 63,951,000 Shares upon the exercise of the Over-allotment Option; and
 - (c) a general unconditional mandate was granted to our Directors to, inter alia, issue, allot and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors shall not exceed the aggregate of:
 - (i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the Pre-IPO Share Options); and
 - (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The total nominal value of the Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to:

- (a) a rights issue;
- (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles;
- (c) any specific authority granted by the Shareholders in general meeting; or
- (d) the exercise of the Pre-IPO Share Options or any arrangement which may be regulated under Chapter 17 of the Listing Rules.

This general mandate to issue Shares will expire at the earliest of:

- (1) the conclusion of our next annual general meeting;
 - (2) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
 - (3) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the Pre-IPO Share Options).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules and all applicable laws. Such mandate will expire at the earliest of:

- (i) the conclusion of our next annual general meeting;
 - (ii) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
 - (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;
- (e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the Pre-IPO Share Options).

4. Reorganization

The companies comprising our Group underwent the Corporate Reorganization in preparation for the listing of the Shares on the Hong Kong Stock Exchange and will conduct Pre-IPO Reorganization immediately before Listing. Please refer to the section headed “Our History, Reorganization and Corporate Structure” in this prospectus for further details.

5. Changes in the Share Capital of Our Subsidiaries

The following changes in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- (a) On September 7, 2012, Haoke Leasing (Shanghai) Limited was incorporated in the PRC with a registered capital of US\$49,000,000 and the capital in the amount of US\$49,000,000 was contributed by Haik Leasing (China) Limited.
- (b) On September 18, 2012, Jinan Shenyuan Auto Repair Co., Ltd. was incorporated in the PRC with a registered capital of RMB500,000 and the capital in the amount of RMB500,000 was contributed by Beijing Kaipu Parking Management Co., Ltd..

- (c) On September 19, 2012, Shenzhou Usedcar (China) Limited was incorporated in Hong Kong with an initial authorized share capital of HK\$10,000 divided into 10,000 ordinary shares. The initial issued share capital was HK\$1.00 divided into 1 ordinary share.

On May 15, 2014, Shenzhou Usedcar (China) Limited allotted one ordinary share to CAR Investment for a cash consideration of HK\$1.00.

On May 15, 2014, Shenzhou Usedcar (China) Limited bought back its own issued one ordinary share from CARH at a cash consideration of HK\$1.00, which was paid out using the proceeds of the allotment of its one ordinary share to CAR Investment on May 15, 2014.

- (d) On January 30, 2013, Shanghai China Auto Used Car Dealing Co., Ltd. was incorporated in the PRC with a registered capital of US\$2,000,000 and the capital in the amount of US\$2,000,000 was contributed by Shenzhou Usedcar (China) Limited.
- (e) On March 11, 2013, Guangzhou Zhuoyue Auto Rental Co., Ltd. (previously known as Hertz Rent A Car (Guangzhou) Co., Ltd.) was incorporated in the PRC with a registered capital of RMB19,000,000 and the capital in the amount of RMB19,000,000 was contributed by Premium Auto Rental.
- (f) On March 19, 2013, Changsha China Auto Repair Co., Ltd. was incorporated in the PRC with a registered capital of RMB500,000 and the capital in the amount of RMB500,000 was contributed by Beijing Kaipu Parking Management Co., Ltd..
- (g) On April 2, 2013, Beijing China Auto Junhao Used Automobile Dealing Co., Ltd. was incorporated in the PRC with a registered capital of RMB1,000,000 and the capital in the amount of RMB1,000,000 was contributed by Shanghai China Auto Used Car Dealing Co., Ltd..
- (h) On April 3, 2013, Beijing China Auto Changtong Used Automobile Dealing Co., Ltd. was incorporated in the PRC with a registered capital of RMB1,000,000 and the capital in the amount of RMB1,000,000 was contributed by Shanghai China Auto Used Car Dealing Co., Ltd..
- (i) On April 3, 2013, Lianhui Auto (Langfang) Co., Ltd. increased the registered capital to RMB378,827,609 and the increased capital of RMB163,539,192 was from the capital reserves.
- (j) On April 24, 2013, Premium Auto Rental was incorporated in Hong Kong with an initial authorized share capital of US\$1,000,000 divided into 1,000,000 ordinary shares. The initial issued share capital was US\$1.00 divided into 1 ordinary share.

On July 3, 2013, Premium Auto Rental allotted 1,391 ordinary shares to Hertz Holdings for a total consideration of US\$5,008,100.76.

On July 17, 2013, Premium Auto Rental allotted 5,122 ordinary shares to Hertz Holdings for a total consideration of US\$18,441,043.92.

On September 6, 2013, Premium Auto Rental allotted 3,486 ordinary shares to Hertz Holdings for a total consideration of US\$12,384,437.53.

On September 17, 2013, all 10,000 ordinary shares of Premium Auto Rental were transferred to CARH as part of the exchange for the issuance of US\$36 Million Convertible Note.

On May 15, 2014, Premium Auto Rental allotted 10,000 ordinary shares to CAR Investment for a cash consideration of US\$1.00.

On May 15, 2014, Premium Auto Rental bought back its own issued 10,000 ordinary shares from CARH at a cash consideration of US\$1.00, which was paid out using the proceeds of the allotment of its 10,000 ordinary shares to CAR Investment on May 15, 2014.

- (k) On June 19, 2013, Chongqing Kaipu Auto Repair Service Co., Ltd. was incorporated in the PRC with a registered capital of RMB500,000 and the capital in the amount of RMB500,000 was contributed by Beijing Kaipu Parking Management Co., Ltd..
- (l) On July 12, 2013, Shanghai Kaipu Auto Repair Service Co., Ltd. was incorporated in the PRC with a registered capital of RMB500,000 and the capital in the amount of RMB500,000 was contributed by Beijing Kaipu Parking Management Co., Ltd..
- (m) In July 2013, Haike Leasing (Beijing) Limited increased the registered capital from US\$49,000,000 to US\$199,000,000 and the increased capital in the amount of US\$150,000,000 was contributed by Haike Leasing (China) Limited.
- (n) On August 7, 2013, Beijing Shenzhou Changda Auto Service Co., Ltd. was incorporated in the PRC with a registered capital of RMB3,000,000 with capital contributions of RMB1,950,000 and RMB1,050,000 from Beijing Kaipu Parking Management Co., Ltd. and LIU Cheng respectively.
- On March 28, 2014, LIU Cheng transferred 35% of equity interest to Beijing Kaipu Parking Management Co., Ltd., and Beijing Shenzhou Changda Auto Service Co., Ltd. thereby becomes a wholly-owned subsidiary of the Company.
- (o) On September 6, 2013, 4 ordinary shares of RAC HK were allotted to Hertz Holdings for a total consideration of HK\$85,250,000.
- On September 11, 2013, all 6 ordinary shares held by Hertz Holdings were transferred to Premium Auto Rental (China) Limited for a total consideration of HK\$124,250,001.
- On September 11, 2013, 1 ordinary share was allotted to Premium Auto Rental for a total consideration of HK\$24,389,250.
- (p) On November 26, 2013, Sanya Kaipu Auto Repair Service Co., Ltd. was incorporated in the PRC with a registered capital of RMB500,000 and the capital in the amount of RMB500,000 was contributed by Beijing Kaipu Parking Management Co., Ltd..
- (q) On December 10, 2013, Tianjin Youpin Auto Rental Co., Ltd. was incorporated in the PRC with a registered capital of RMB50,000,000 with capital contributions of RMB10,000,000 and RMB40,000,000 from Beijing Kaipu Parking Management Co., Ltd. and Beijing China Auto Rental Co., Ltd. respectively.
- (r) On December 12, 2013, Tianjin China Auto Rental Co., Ltd. was incorporated in the PRC with a registered capital of RMB50,000,000 with capital contributions of RMB10,000,000 and RMB40,000,000 from Beijing Kaipu Parking Management Co., Ltd. and Beijing China Auto Rental Co., Ltd. respectively.
- (s) On December 16, 2013, Haikou Shenzhou Changxing Travel Service Co., Ltd. was incorporated in the PRC with a registered capital of RMB500,000 and the capital in the amount of RMB500,000 was contributed by Guangzhou China Auto Rental Co., Ltd..
- (t) On January 27, 2014, China Auto Rental (Tianjin) Co., Ltd. was incorporated in the PRC with a registered capital of US\$100,000,000 and the capital in the amount of US\$100,000,000 was contributed by CAR Hong Kong.
- (u) On February 16, 2014, Chongqing Zhoukai Auto Sales Consulting was incorporated in the PRC with a registered capital of RMB3,000,000 and the capital in the amount of RMB3,000,000 was contributed by Beijing Kaipu Parking Management Co., Ltd..
- (v) On April 18, 2014, Haike (Pingtan) Information Technology Co., Ltd. was incorporated in the PRC with a registered capital of RMB100,000,000 and the capital in the amount of RMB100,000,000 was contributed by Haike Leasing (Fujian) Limited.

- (w) On April 22, 2014, Lhasa China Auto Rental Co., Ltd was incorporated in the PRC with a registered capital of RMB100,000,000 and the capital in the amount of RMB100,000,000 was contributed by Beijing China Auto Rental Co., Ltd..
- (x) On May 15, 2014, CAR Hong Kong allotted 20,000 ordinary shares to CAR Investment for a cash consideration of US\$1.00 for the purpose of CAR Hong Kong's subsequent buy-back of its 20,000 issued ordinary shares from CARH.
- On May 15, 2014, CAR Hong Kong bought back its own issued 20,000 ordinary shares from CARH at a cash consideration of US\$1.00, which was paid out using the proceeds of the allotment of its 20,000 ordinary shares to CAR Investment on May 15, 2014.
- (y) On May 15, 2014, Main Star Global Limited allotted one ordinary share to CARH for a cash consideration of US\$1,920 and two ordinary shares to CAR Investment for a cash consideration of US\$2.00.
- On May 15, 2014, Main Star Global Limited bought back its own issued two ordinary shares from CARH at a cash consideration of US\$2.00, which was paid out using the legally available fund of Main Star Global Limited.
- (z) On July 3, 2014, Suzhou China Auto Rental Co., Ltd. was incorporated in the PRC with a registered capital of RMB1,000,000 and the capital in the amount of RMB1,000,000 was contributed by Beijing China Auto Rental Co., Ltd..

6. Particulars of Our Subsidiaries

Particulars of our subsidiaries are set out at Note 1 of Section II to the Accountants' Report in Appendix I to this prospectus.

7. Restriction on Share Repurchase

(a) *Provisions of the Hong Kong Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing of our Shareholders passed on August 18, 2014, a general unconditional mandate (the "Buyback Mandate") was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding Shares which may be issued upon the exercise of the Over-allotment Option or the Pre-IPO Share Options), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Hong Kong Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Hong Kong Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

(iv) *Status of Repurchased Shares*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Hong Kong Stock Exchange other than in exceptional circumstances. In addition, the Hong Kong Stock Exchange may prohibit a repurchase of securities on the Hong Kong Stock Exchange if a listed company has breached the Listing Rules.

(v) *Reporting Requirements*

Certain information relating to repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vi) *Core Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) ***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) ***Funding of repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits of our Company or from the proceeds of a fresh issue of shares made for the purpose of the purchase or, if authorized by the Articles and subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles and subject to the Cayman Islands Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Buyback Mandate is exercised in full.

(d) ***Share capital***

Exercise in full of the Buyback Mandate, on the basis of 2,293,561,070 Shares in issue immediately after the listing of the Shares (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Options), could accordingly result in up to 229,356,107 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

(e) ***General***

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares since its incorporation.

No core connected person of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering, then, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or Pre-IPO Share Options, the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be 229,356,107 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). The percentage shareholding of our Controlling Shareholder will increase to approximately 33.3% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. In the opinion of the Directors, the above-mentioned increase of shareholding may give rise to an obligation for Grand Union to make a mandatory offer under the Takeovers Code. The Directors have no present intention to exercise the proposed Buyback Mandate to such an extent as would give rise to such an obligation.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue may only be implemented with the approval of the Stock Exchange to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, under the circumstances, there would be insufficient public float.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company and our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the Investment Agreement;
- (b) the Shareholders' Agreement;
- (c) the Pre-IPO Reorganization Agreement;
- (d) a cornerstone investment agreement dated August 19, 2014 entered into among our Company, Ivy Emerging Markets Equity Fund, Ivy International Growth Fund, Waddell & Reed Advisors International Growth Fund, Ivy Funds Variable Insurance Portfolio International Growth, Ivy Investment Management Company and the Joint Bookrunners, pursuant to which Ivy Emerging Markets Equity Fund, Ivy International Growth Fund, Waddell & Reed Advisors International Growth Fund and Ivy Funds Variable Insurance Portfolio International Growth agreed to subscribe for our Shares in the aggregate amount of US\$30 million;
- (e) a cornerstone investment agreement dated August 19, 2014 entered into among our Company, Gaoling Fund, L.P., YHG Investment, L.P. and the Joint Bookrunners, pursuant to which Gaoling Fund, L.P. and YHG Investment, L.P. agreed to subscribe for our Shares in the aggregate amount of US\$30 million;




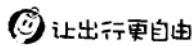

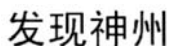
- (f) a cornerstone investment agreement dated August 19, 2014 entered into among our Company, Falcon Edge Global Master Fund, LP and the Joint Bookrunners, pursuant to which Falcon Edge Global Master Fund, LP agreed to subscribe for our Shares in the amount of US\$30 million;
- (g) a cornerstone investment agreement dated August 19, 2014 entered into among our Company, Davis Selected Advisers, L.P. and the Joint Bookrunners, pursuant to which Davis Selected Advisers, L.P. agreed to subscribe for our Shares in the amount of US\$20 million;
- (h) a cornerstone investment agreement dated August 19, 2014 entered into among our Company, China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司) and the Joint Bookrunners, pursuant to which China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司) agreed to subscribe for our Shares in the amount of US\$20 million;
- (i) the Hong Kong Underwriting Agreement; and
- (j) the lock-up undertaking dated September 4, 2014 made as a deed by Haode Group, Sky Sleek, Grand Joy, Amplewood, Grandsun, Amber Gem and Hertz Holdings in favour of our Company and the Joint Bookrunners.

2. Intellectual Property Rights of Our Group

As at the Latest Practicable Date, we have registered or have applied for the registration of the following material intellectual property rights.

Trademarks

As at the Latest Practicable Date, we have registered for the following material trademarks:

No.	Trademark	Owner	Class	Registration No.	Registration Date — Expiry Date	Place of Registration	Status
1		CAR Beijing	39	6447015	September 14, 2010 — September 13, 2020	PRC	Valid
2		CAR Beijing	39	8492496	January 7, 2012 — January 6, 2022	PRC	Valid
3		CAR Beijing	39	9563526	June 28, 2012 — June 27, 2022	PRC	Valid
4		CAR Beijing	39	8479593	November 7, 2011 — November 6, 2021	PRC	Valid
5		CAR Beijing	39	8479777	July 28, 2011 — July 27, 2021	PRC	Valid
6		CAR Beijing	39	9622340	July 21, 2012 — July 20, 2022	PRC	Valid

No.	Trademark	Owner	Class	Registration No.	Registration Date — Expiry Date	Place of Registration	Status
7		CAR Beijing	39	8479598	July 28, 2011 — July 27, 2021	PRC	Valid
8	猪游控	CAR Beijing	39	9622376	July 21, 2012 — July 20, 2022	PRC	Valid
9	神州租车	CAR Beijing	39	9563575	October 28, 2012 — October 27, 2022	PRC	Valid
10		CAR Beijing	35	01615771	December 16, 2013 — December 15, 2023	Taiwan	Valid
11		CAR Beijing	39	01616090	December 16, 2013 — December 15, 2023	Taiwan	Valid
12	神州小川	CAR Beijing	39	01602933	October 1, 2013 — September 30, 2023	Taiwan	Valid
13	神州租车	CAR Beijing	35	01609751	November 16, 2013 — November 15, 2023	Taiwan	Valid
14	神州租车	CAR Beijing	39	01602934	October 1, 2013 — September 30, 2023	Taiwan	Valid
15		CAR Beijing	39	N/072920	November 28, 2013 — November 28, 2020	Macau	Valid
16	神州	CAR Beijing	39	N/072921	November 28, 2013 — November 28, 2020	Macau	Valid

As at the Latest Practicable Date, we have applied for registration of the following material trademarks:

No.	Trademark	Applicant	Class	Application Date	Intended Place of Registration	Status
1	神州云租车	CAR Beijing	39	April 17, 2013	PRC	Pending
2		CAR Beijing	35	August 14, 2013	PRC	Pending
3		CAR Beijing	36	August 14, 2013	PRC	Pending
4		CAR Beijing	39	August 14, 2013	PRC	Pending
5	短租宝	CAR Beijing	39	August 28, 2013	PRC	Pending
6	神州云	CAR Beijing	39	October 29, 2013	PRC	Pending
7		CAR Beijing	35	December 13, 2013	PRC	Pending
8		CARH	35	January 15, 2014	PRC	Pending
9		CARH	39	January 15, 2014	PRC	Pending

Domain Names

As at the Latest Practicable Date, our material domain names are as follows:

No.	Domain Names	Registrant	Date of Registration	Expiry Date
1	4001616666.com	CAR Beijing	August 9, 2012	August 9, 2015
2	4001616666cdn.com	CAR Beijing	December 26, 2012	December 26, 2015
3	rentauto.net	CAR Beijing	April 13, 2005	April 13, 2019
4	zhunxinche.com	CAR Beijing	July 14, 2012	July 14, 2015
5	zhunxinchecdn.com	CAR Beijing	December 26, 2012	December 26, 2015
6	zuche.com	CAR Beijing	February 21, 2002	February 21, 2020
7	zuchecdn.com	CAR Beijing	May 29, 2012	May 29, 2015
8	4009198888.cn	Shanghai Usedcar	July 25, 2013	July 25, 2015

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interest — interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-Allotment Option or the Pre-IPO Share Options), the interest or short position of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed, are as follows:

Name	Nature of interest	Relevant Company (including associated corporation)	Number of Shares	Approximate percentage of interest in our Company immediately after the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options)
Charles Zhengyao LU (陸正耀) ⁽¹⁾	Beneficial interest	The Company	347,947,545	15.2%

Note:

(1) Upon completion of the Global Offering, Haode Group will hold 294,223,775 Shares. It is wholly-owned by Lucky Milestone Limited, a Bahamas company, which is in turn ultimately wholly owned by Cititrust Private Trust (Cayman) Limited, as trustee of The Lu's Family Trust. The Lu's Family Trust is an irrevocable trust constituted under the laws of the Cayman Islands with Mr. Lu's wife (Ms. Guo) as the settlor and certain family members of Mr. Lu as the beneficiaries. Mr. Lu is deemed to be interested in 294,223,775 Shares held by Haode Group.

Upon completion of the Global Offering, Sky Sleek will hold 53,723,770 Shares. Sky Sleek is wholly owned by Mr. Lu's wife, Ms. Guo. Therefore, Mr. Lu is deemed to be interested in 53,723,770 Shares held by Sky Sleek.

(b) *Particulars of service contracts*

Our executive Director and four Non-executive Directors have each entered into a service contract with our Company on May 15, 2014, and our four Independent Non-executive Directors have also each entered into a service contract with our Company on August 18, 2014. The initial term of the service contract is three years commencing from the execution date (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's prior notice in writing.

(c) **Directors' remuneration**

An aggregate of approximately RMB0.24 million and RMB0.12 million was paid to our Directors as remuneration for the year ended December 31, 2013 and the six months ended June 30, 2014 respectively (including fees, salaries, contribution to pension schemes, housing allowances, other allowances and benefits-in-kind and discretionary bonuses).

All four of our Independent Non-executive Directors have been appointed for a term of three years. The director's remuneration fee for each of our Independent Non-executive Directors is US\$100,000 per annum.

Under the arrangement currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the year ending December 31, 2014 will be approximately RMB0.86 million.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

Further details of the terms of the above service contracts are set forth in the paragraph headed "Particulars of service contracts" in the subsection headed "Directors" in this Appendix.

2. Substantial Shareholders

- (a) For information on the persons who will, immediately following the completion of the Global Offering, (without taking into account any Shares which may be issued upon the exercise of the Over-Allotment Option or Pre-IPO Share Options), have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, please see "Substantial Shareholders" of this prospectus.
- (b) Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-Allotment Option or Pre-IPO Share Options), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

3. Agency Fees or Commissions Received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the member of the Group.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of our Directors or experts referred to under the heading "Consents of Experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

5. Related Party Transactions

Please refer to Note 37 of Section II to the Accountants' Report in Appendix I to this prospectus for details of the related party transactions. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

D. PRE-IPO SHARE OPTION SCHEMES

1. 2014 Pre-IPO Share Option Scheme I

On December 18, 2013, the 2013 CARH Pre-IPO Share Option Scheme was approved and adopted by the shareholders of CARH for the benefit of its directors, senior managements and employees. As a result of the Corporate Reorganization, the 2014 Pre-IPO Share Option Scheme I was approved and adopted by our Shareholders on June 15, 2014 (and was further amended on July 30, 2014) for the benefit of our Directors, senior management and employees to replace the 2013 CARH Pre-IPO Share Option Scheme (see summary of terms and other details below).

Summary of Terms

The following is a summary of the principal terms of the 2014 Pre-IPO Share Option Scheme I which was adopted by the Shareholders' resolutions dated June 15, 2014 (the "2014 Scheme I Adoption Date") and further amended on July 30, 2014. The terms of our 2014 Pre-IPO Share Option Scheme I are not subject to the provisions of Chapter 17 of the Listing Rules as our 2014 Pre-IPO Share Option Scheme I will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer. The total number of Shares subject to the 2014 Pre-IPO Share Option Scheme I represents not more than 10% of the issued share capital of the Company immediately upon the completion of the Global Offering but excluding any Shares which may be issued upon the exercise of the Pre-IPO Share Options.

(a) Purpose

The 2014 Pre-IPO Share Option Scheme I is a share incentive scheme and is established to, among others, promote the success and enhance the value of the Company by linking the personal interests of the members of the Board and the employees to those of the Company's shareholders, and is intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board and the employees upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

(b) *Who may Join*

The eligible participants under the 2014 Pre-IPO Share Option Scheme I include the following:

- (i) any director (including executive director, non-executive director and independent non-executive director) of any member of the Group from time to time; and
- (ii) any employee or officer of any member of the Group.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the offer is duly signed by the Grantee or accepted in accordance with such terms and conditions and procedures as set out in the 2014 Pre-IPO Share Option Scheme I, with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company stated therein (receipt of which shall be deemed to be acknowledged by the Company upon receipt of the duplicate letter comprising acceptance of the offer letter duly signed by the Grantee) by way of consideration for the grant thereof, is received by the Company. Such remittance shall not be refundable.

Any offer may be accepted in respect of less than the number of Shares to which the offered option relates. To the extent that the offer is not accepted within five days from the offer date in accordance with paragraph (c) below, it will be deemed to have been irrevocably declined.

(c) *Offer and Grant of Option*

An offer shall be made to a participant by letter in duplicate in such form as our Board may from time to time determine, requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the 2014 Pre-IPO Share Option Scheme I and shall remain open for acceptance by the participant to whom an offer is made for a period of five days from the offer date.

(d) *Maximum Number of Shares*

There are in total three tranches of options to be granted under the 2014 Pre-IPO Share Option Scheme I with 7,017,798 shares of the Company under tranche A ("**Tranche A Options**"), 7,017,797 shares of the Company under tranche B ("**Tranche B Options**") and 4,456,688 shares of the Company under tranche C ("**Tranche C Options**"). Therefore, the total number of shares of the Company subject to the 2014 Pre-IPO Share Option Scheme I is 18,492,283, representing approximately 5.0% of the aggregate of the shares of the Company in issue on the 2014 Scheme I Adoption Date.

The total number of Shares subject to the 2014 Pre-IPO Share Option Scheme I may be adjusted upon the occurrence of any alteration in the capital structure of the Company as provided by the paragraph (i) below.

(e) *Exercise Price*

Subject to any alteration in the capital structure of the Company by way of capitalization of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of share capital of the Company (see sub-paragraph (i) below for further details), the exercise price for Tranche A Options is US\$0.29 and for Tranche B Options and Tranche C Options is US\$0.87.

(f) *Rights are Personal to Grantee*

An option is personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or enter into any agreement so to do, except for (i) the transmission of an option on the death of the Grantee to his personal representatives(s) according to the terms of the 2014 Pre-IPO Share Option Scheme I, or (ii) the transfer of any option to any trustee, acting in its capacity as such trustee, of any trust of which the Grantee is a beneficiary.

A Grantee may exercise his or her option in whole or in part.

(g) *Exercise of Options and Duration of the 2014 Pre-IPO Share Option Scheme I*

A Grantee may exercise his or her option in whole or in part by giving notice in accordance with such instructions from the Company pursuant to the grant letter stating that the option is thereby exercised and specifying the number of Shares to be subscribed and by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given.

Except as provided otherwise and subject to the terms and conditions upon which such option was granted, the vesting period for any option granted to a Grantee under the 2014 Pre-IPO Share Option Scheme I will be stated in the grant letter through which the offer is made, and in particular, all Tranche A options will vest on the date of grant, Tranche B options will vest in equal proportions of 25% over a total vesting period of four years, being December 31st of 2014-2017. The Tranche C options granted to Yaxiao LIU will vest in equal proportions of one third over a total vesting period of three years, being July 31st of 2015-2017, while options granted to other grantees will vest in equal proportions of 25% over a period of four years, being July 31st of 2015-2018, provided that:

- (i) in the event a Grantee terminates his or her employment or service on account of other than (A) his or her incapacitation or death, or (B) on one or more of the grounds of termination of employment, appointment or directorship specified in paragraph (j)(viii) below, all the Shares subject to such option that are unvested as of the date of such termination shall lapse; and
- (ii) in the event a Grantee terminates his or her employment or service on account of incapacitation or death, such Grantee shall be entitled to immediate vesting for 100% of the remaining Shares subject to such option that remain unvested as of the date of such incapacitation or death. All the remaining Shares subject to such option that are unvested in accordance with the preceding sentence shall lapse.

The options are only exercisable upon the Listing of our Shares on the Stock Exchange. There is no performance target that needs to be achieved by the Grantee before the options can be exercised.

The 2014 Pre-IPO Share Option Scheme I shall be valid and effective for the period of time commencing on the 2014 Scheme I Adoption Date and expiring on the Listing Date, after which period no further options will be granted but the provisions of the 2014 Pre-IPO Share Option Scheme I shall remain in force to the extent necessary to give effect to the exercise of any options which are granted during the life of the scheme or otherwise as may be required in accordance with the provisions of the scheme.

(h) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option will rank pari passu with the fully paid Shares in issue as from the date of exercise of the option and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the option, provided always that when the date of exercise of the option falls on a date upon which the register of members of our Company is closed then the exercise of the option shall become effective on the next available Business Day on which the register of members of our Company is re-opened.

(i) *Effect of Alterations to Capital*

In the event of any alteration in the capital structure of our Company by way of capitalization of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of share capital of our Company, but excluding, for the avoidance of doubt, any alteration in the capital structure of our Company as a result of an issue of Shares or other securities of our Group as consideration in a transaction to which our Company is a party, the auditors or the financial advisers engaged by our Company for such purpose shall determine what adjustment is required to be made to:

- (i) the number of Shares subject to any unexercised option; and/or

- (ii) the exercise price; and/or
- (iii) the method of exercise of the options,

and the auditors or such financial advisers shall certify in writing to the Board that such adjustments are in their opinion fair and reasonable.

Any such adjustments shall give each participant the same proportion of the equity capital of our Company for which such participant was entitled to subscribe for prior to such adjustments, and any adjustments to the advantage of the participants to the exercise price or to the number of Shares subject to the options must be approved by the Shareholders in general meeting. No adjustment may be made to the extent that Shares would be issued at less than their nominal value.

(j) Lapse of Option

An option shall lapse automatically and not be exercisable (to the extent not already vested or vested but not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the termination of employment where the Grantee shall be entitled to exercise the option up to the vested entitlement of such Grantee as at the date of such termination (to the extent he or she is entitled to exercise at the date of termination but not already exercised), failing which it will lapse;
- (iii) the expiry of the period according to the notice issued by our Company in the event of a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders and such offer becomes or is declared unconditional;
- (iv) the expiry of the period according to the notice issued by our Company in the event of a compromise or arrangement (other than by way of scheme of arrangement) between our Company and our Shareholders and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company;
- (v) subject to the scheme of arrangement becoming effective, the expiry of the period according to the notice issued by our Company in the event of a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings;
- (vi) the expiry of the period according to the notice issued by our Company in the event a notice is given by our Company to the Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company;
- (vii) the date on which the Board cancels the option because the option holder commits a breach of paragraph (f) above;
- (viii) the date on which the Grantee (being an employee or director of any member of our Group) ceases to be an employee, an officer or a director by reason of the termination of his or her employment, appointment or directorship on the grounds that he or she has been guilty of serious misconduct or has been convicted of any criminal offense involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily; provided that whether any of the events specified above occur in relation to a Grantee shall be solely and conclusively determined by the Board;
- (ix) the date the Grantee ceases to be a participant (as determined by a board resolution) for any reason;
- (x) the date on which the option is cancelled by the Board with the mutual consent of the Grantee, cancel options previously granted to, but not yet exercised by a Grantee; or
- (xi) the tenth anniversary of the 2014 Scheme I Adoption Date.

(k) *Alteration of the 2014 Pre-IPO Share Option Scheme I*

Subject to the approval of the Shareholders in general meeting, our Board may amend any of the provisions of the 2014 Pre-IPO Share Option Scheme I (including without limitation, amendments in order to comply with changes in legal or regulatory requirements and in order to waive any restrictions, imposed by the provisions of the 2014 Pre-IPO Share Option Scheme I) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date).

(l) *Cancellation of Options*

Our Board may at any time, with the mutual consent of the Grantee, cancel options previously granted to, but not yet exercised by a Grantee. Where our Company cancels options and offers options to the same Grantee, the offer of such new options may only be made with available options to the extent not yet granted (excluding the cancelled options) within the limit referred to in paragraph (d) above.

(m) *Termination of the 2014 Pre-IPO Share Option Scheme I*

The 2014 Pre-IPO Share Option Scheme I will terminate on the tenth anniversary of the 2014 Scheme I Adoption Date, unless terminated earlier.

We may by ordinary resolution in general meeting or the Board at any time terminate the operation of the 2014 Pre-IPO Share Option Scheme I and in such event no further option shall be offered or granted. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the 2014 Pre-IPO Share Option Scheme I.

(n) *Administration of the Board*

The 2014 Pre-IPO Share Option Scheme I shall be subject to the administration of the Board who shall have the right (i) to interpret and construe the provisions of the scheme, (ii) to determine the persons who will be awarded options under the scheme, and the number of options awarded, (iii) to make such appropriate and equitable adjustments to the terms of options granted under the Scheme as it deems necessary and (iv) to make such other decisions or determinations as it shall deem appropriate in the administration of the scheme, and such decision shall be final and binding on all parties.

(o) *Disclosure in Annual and Interim Reports*

We will disclose details of the 2014 Pre-IPO Share Option Scheme I in our annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

Please refer to the section headed “Outstanding Options” below for details of the outstanding share options under the Pre-IPO Share Option Schemes.

2. **2014 Pre-IPO Share Option Scheme II**

On March 1, 2014, the 2014 CARH Pre-IPO Share Option Scheme was approved and adopted by the shareholders of CARH for the benefit of CARH’s chief financial officer. As a result of the Corporate Reorganization, the 2014 Pre-IPO Share Option Scheme II was approved and adopted by our Shareholders on June 15, 2014 for the benefit of its chief financial officer of the Company, as may be appointed by the Company from time to time (the “**Chief Financial Officer**”) to replace the 2014 CARH Pre-IPO Share Option Scheme (see summary of terms and other details below).

Summary of Terms

The following is a summary of the principal terms of the 2014 Pre-IPO Share Option Scheme II which was adopted by the Shareholders' resolutions dated June 15, 2014 (the "2014 Scheme II Adoption Date"). The terms of our 2014 Pre-IPO Share Option Scheme II are not subject to the provisions of Chapter 17 of the Listing Rules as our 2014 Pre-IPO Share Option Scheme II will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer. The total number of Shares subject to the 2014 Pre-IPO Share Option Scheme II represents not more than 10% of the issued share capital of the Company immediately upon the completion of the Global Offering but excluding any Shares which may be issued upon the exercise of the Pre-IPO Share Options.

(a) Purpose

The 2014 Pre-IPO Share Option Scheme II is a share incentive scheme and is established to, among others, promote the success and enhance the value of the Company by linking the personal interests of the Chief Financial Officer to those of the Company's shareholders, and is intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of the Chief Financial Officer upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

(b) Who may Join

The only eligible participant under the 2014 Pre-IPO Share Option Scheme II is the Chief Financial Officer.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the offer is duly signed by the Chief Financial Officer or accepted in accordance with such terms and conditions and procedures as set out in the 2014 Pre-IPO Share Option Scheme II, with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance in favor of the Company stated therein (receipt of which shall be deemed to be acknowledged by the Company upon receipt of the duplicate letter comprising acceptance of the offer letter duly signed by the Chief Financial Officer) by way of consideration for the grant thereof, is received by the Company. Such remittance shall not be refundable.

Any offer may be accepted in respect of less than the number of Shares to which the offered option relates. To the extent that the offer is not accepted within five days from the offer date in accordance with paragraph (c) below, it will be deemed to have been irrevocably declined.

(c) Offer and Grant of Option

An offer shall be made to the Chief Financial Officer by letter in duplicate in such form as our Board may from time to time determine, requiring the Chief Financial Officer to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the 2014 Pre-IPO Share Option Scheme II and shall remain open for acceptance by the Chief Financial Officer to whom an offer is made for a period of five days from the offer date.

(d) Maximum Number of Shares

The total number of shares of the Company subject to the 2014 Pre-IPO Share Option Scheme II is 1,232,428, representing 0.3% of the aggregate of the shares of the Company in issue on the 2014 Scheme II Adoption Date.

The total number of Shares subject to the 2014 Pre-IPO Share Option Scheme II may be adjusted upon the occurrence of any alteration in the capital structure of the Company as provided by the paragraph (i) below.

(e) ***Exercise Price***

Subject to any alteration in the capital structure of the Company by way of capitalization of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of share capital of the Company (see sub-paragraph (i) below for further details), the exercise price of a share of the Company in respect of the option granted under the 2014 Pre-IPO Share Option Scheme II shall be US\$0.87 per share of the Company.

(f) ***Rights are Personal to Grantee***

An option is personal to the grantee and shall not be assignable or transferable. The Chief Financial Officer shall not in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or enter into any agreement so to do, except for (i) the transmission of an option on the death of the grantee to his personal representatives(s) according to the terms of the 2014 Pre-IPO Share Option Scheme II, or (ii) the transfer of any option to any trustee, acting in its capacity as such trustee, of any trust of which the grantee is a beneficiary.

The Chief Financial Officer may exercise his or her option in whole or in part.

(g) ***Exercise of Options and Duration of the 2014 Pre-IPO Share Option Scheme II***

The Chief Financial Officer may exercise his or her option in whole or in part by giving notice in accordance with such instructions from the Company pursuant to the grant letter stating that the option is thereby exercised and specifying the number of Shares to be subscribed; and by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given.

Except as provided otherwise and subject to the terms and conditions upon which such option was granted, the vesting period for any option granted to the Chief Financial Officer under the 2014 Pre-IPO Share Option Scheme II will be stated in the grant letter through which the offer is made, and will vest over a total vesting period of four years in equal proportions of 25% each over a total vesting period of four years, being May 1st of 2015-2018, provided that:

- (i) in the event the Chief Financial Officer terminates his or her employment or service on account of other than (A) his or her incapacitation or death, or (B) on one or more of the grounds of termination of employment or appointment specified in paragraph (j)(viii) below, all the Shares subject to such option that are unvested as of the date of such termination shall lapse; and
- (ii) in the event the Chief Financial Officer terminates his employment or service on account of incapacitation or death, he shall be entitled to immediate vesting for 100% of the remaining Shares subject to such option that remain unvested as of the date of such incapacitation or death. All the remaining Shares subject to such option that are unvested in accordance with the preceding sentence shall lapse.

The options are only exercisable upon the Listing of our Shares on the Stock Exchange. There is no performance target that needs to be achieved by the Chief Financial Officer before the options can be exercised.

The 2014 Pre-IPO Share Option Scheme II shall be valid and effective for the period of time commencing on the 2014 Scheme II Adoption Date and expiring on the Listing Date, after which period no further options will be granted but the provisions of the 2014 Pre-IPO Share Option Scheme II shall remain in force to the extent necessary to give effect to the exercise of any options which are granted during the life of the scheme or otherwise as may be required in accordance with the provisions of the scheme.

(h) ***Ranking of Shares***

The Shares to be allotted and issued upon the exercise of an option will rank pari passu with the fully paid Shares in issue as from the date of exercise of the option and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the option, provided always that when the date of exercise of the option falls on a date upon which the register of members of our Company is closed then the exercise of the option shall become effective on the next available Business Day on which the register of members of our Company is re-opened.

(i) ***Effect of Alterations to Capital***

In the event of any alteration in the capital structure of our Company by way of capitalization of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of share capital of our Company, but excluding, for the avoidance of doubt, any alteration in the capital structure of our Company as a result of an issue of Shares or other securities of our Group as consideration in a transaction to which our Company is a party, the auditors or the financial advisers engaged by our Company for such purpose shall determine what adjustment is required to be made to:

- (i) the number of Shares subject to any unexercised option; and/or
- (ii) the exercise price; and/or
- (iii) the method of exercise of the options,

and the auditors or such financial advisers shall certify in writing to the Board that such adjustments are in their opinion fair and reasonable.

Any such adjustments shall give each participant the same proportion of the equity capital of our Company for which such participant was entitled to subscribe for prior to such adjustments, and any adjustments to the advantage of the participants to the exercise price or to the number of Shares subject to the options must be approved by the Shareholders in general meeting. No adjustment may be made to the extent that Shares would be issued at less than their nominal value.

(j) ***Lapse of Option***

An option shall lapse automatically and not be exercisable (to the extent not already vested or vested but not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the termination of employment where the Chief Financial Officer shall be entitled to exercise the option up to his or her vested entitlement as at the date of such termination (to the extent he is entitled to exercise at the date of termination but not already exercised), failing which it will lapse;
- (iii) the expiry of the period according to the notice issued by our Company in the event of a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders and such offer becomes or is declared unconditional;
- (iv) the expiry of the period according to the notice issued by our Company in the event of a compromise or arrangement (other than by way of scheme of arrangement) between our Company and our Shareholders and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company;
- (v) subject to the scheme of arrangement becoming effective, the expiry of the period according to the notice issued by our Company in the event of a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings;

- (vi) the expiry of the period according to the notice issued by our Company in the event a notice is given by our Company to the Shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company;
- (vii) the date on which the Board cancels the option because the option holder commits a breach of paragraph (f) above;
- (viii) the date on which the Chief Financial Officer ceases to be the Chief Financial Officer by reason of the termination of his appointment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offense involving his integrity or honesty or on any other ground on which he would be entitled to terminate his employment summarily; provided that whether any of the events specified above occur in relation to the Chief Financial Officer shall be solely and conclusively determined by the Board;
- (ix) the date the Chief Financial Officer ceases to be a participant (as determined by a board resolution) for any reason;
- (x) the date on which the option is cancelled by the Board with the mutual consent of the Chief Financial Officer, cancel options previously granted to, but not yet exercised by him; or
- (xi) the tenth anniversary from the 2014 Scheme II Adoption Date.

(k) *Alteration of the 2014 Pre-IPO Share Option Scheme II*

Subject to the approval of the Shareholders in general meeting, our Board may amend any of the provisions of the 2014 Pre-IPO Share Option Scheme II (including without limitation, amendments in order to comply with changes in legal or regulatory requirements and in order to waive any restrictions, imposed by the provisions of the 2014 Pre-IPO Share Option Scheme II) at any time (but not so as to affect adversely any rights which have accrued to the Chief Financial Officer at that date).

(l) *Cancellation of Options*

Our Board may at any time, with the mutual consent of the Chief Financial Officer, cancel options previously granted to, but not yet exercised by the Chief Financial Officer. Where our Company cancels options and offers options to him, the offer of such new options may only be made with available options to the extent not yet granted (excluding the cancelled options) within the limit referred to in paragraph (d) above.

(m) *Termination of the 2014 Pre-IPO Share Option Scheme II*

The 2014 Pre-IPO Share Option Scheme II will terminate on the tenth anniversary of the 2014 Scheme II Adoption Date, unless terminated earlier.

We may by ordinary resolution in general meeting or the Board at any time terminate the operation of the 2014 Pre-IPO Share Option Scheme II and in such event no further option shall be offered or granted. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the 2014 Pre-IPO Share Option Scheme II.

(n) *Administration of the Board*

The 2014 Pre-IPO Share Option Scheme II shall be subject to the administration of the Board who shall have the right (i) to interpret and construe the provisions of the scheme, (ii) to determine the persons who will be awarded options under the scheme, and the number of options awarded, (iii) to make such appropriate and equitable adjustments to the terms of options granted under the Scheme as it deems necessary and (iv) to make such other decisions or determinations as it shall deem appropriate in the administration of the scheme, and such decision shall be final and binding on all parties.

(o) *Disclosure in Annual and Interim Reports*

We will disclose details of the 2014 Pre-IPO Share Option Scheme II in our annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

3. Granting of Pre-IPO Share Options

On June 16, 2014, options to subscribe under the 2014 Pre-IPO Share Option Scheme I for an aggregate of 14,035,595 shares of the Company were conditionally granted to a total of two members of the senior management and 274 other Grantees under Tranche A and Tranche B of the 2014 Pre-IPO Share Option Scheme I and options to subscribe under the 2014 Pre-IPO Share Option Scheme II for an aggregate of 1,232,428 shares of the Company were conditionally granted to our Chief Financial Officer under the 2014 Pre-IPO Share Option Scheme II. On July 31, 2014, the options to subscribe the Tranche C Options under the 2014 Pre-IPO Share Option Scheme I were conditionally granted to three members of the senior management and 18 other grantees under the 2014 Pre-IPO Share Option Scheme I.

4. Outstanding Options

On July 3, 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares. In light of the share split, the total number of Pre-IPO Share Options were adjusted to 98,623,555 Shares, representing approximately 4.3% of the issued share capital of our Company upon completion of the Global Offering (excluding all Shares which may be issued upon the exercise of the Over-allotment Option and the Pre-IPO Share Options), or approximately 4.1% of the enlarged issued share capital of our Company upon full exercise of all the Pre-IPO Share Options on completion of the Global Offering (assuming the Over-allotment Option is not exercised). In addition, the exercise price for Tranche A Options, Tranche B Options, Tranche C Options and Options granted under the 2014 Pre-IPO Share Option Scheme II was adjusted to US\$0.058, US\$0.174, US\$0.174 and US\$0.174, respectively, which represents 94.4%, 83.2%, 83.2% and 83.2% discount to the midpoint of the indicative Offer Price range of HK\$8.00.

Assuming full exercise of the outstanding Pre-IPO Share Options, the shareholding of our Shareholders immediately following the Listing will be diluted by approximately 4.1% if calculated based on 2,392,184,625 Shares, and the consequent impact on the earning per share for the year ended December 31, 2013 is RMB0.004 being the difference between basic and diluted earnings per share assuming the Pre-IPO Reorganization would have been completed. Such assumed number of Shares to be in issue and outstanding throughout the year ended December 31, 2013 solely for purposes of this calculation, comprises of 2,293,561,070 Shares to be in issue immediately after the Global Offering (assuming the Over-allotment Option is not exercised), and 98,623,555 Shares to be issued upon the exercise of the Pre-IPO Share Options.

(a) *Senior Management*

Our senior management have been granted the Pre-IPO Share Options to subscribe for a total of 20,554,445 Shares, representing approximately 0.9% of the issued share capital of our Company upon completion of the Global Offering, but without taking into account any Shares to be issued upon the exercise of the Over-allotment Options and the Pre-IPO Share Options.

Below is a list of the senior management who are Grantees under the Pre-IPO Share Option Schemes:

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Vesting Schedule	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Global Offering ⁽¹⁾
Jenny Zhiya QIAN (錢治亞) ⁽²⁾	No.37 Xueyuan Road Haidian District Beijing PRC	RMB1.00	US\$0.058	816,730	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.04%
		RMB1.00	US\$0.174	2,003,895	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.09%
		RMB1.00	US\$0.174	5,408,440	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.24%
Yifan SONG (宋一凡) ⁽²⁾	No.3 Shangyuan Village Haidian District Beijing PRC	RMB1.00	US\$0.058	816,730	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.04%
		RMB1.00	US\$0.174	1,596,510	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.07%
		RMB1.00	US\$0.174	2,250,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.10%
Yaxiao LIU (劉亞霄) ⁽²⁾	1503, Building 9, No. 1 Xinfeng Street, Xicheng District, Beijing PRC	RMB1.00	US\$0.174	1,500,000	July 31, 2014	1/3 each on July 31st of 2015, 2016 and 2017	10 years from July 31, 2014	0.07%
Wilson LI (李維) ⁽³⁾	Room 303 No. 301-20 Madang Road Luwan District Shanghai PRC	RMB1.00	US\$0.174	6,162,140	June 16, 2014	25% each on May 1st of 2015, 2016, 2017 and 2018	10 years from March 1, 2014	0.27%

Note:

- (1) The above table assumes the Over-allotment Option is not exercised and without taking into account Shares to be issued upon the exercise of the Pre-IPO Share Options.
- (2) Grantee under the 2014 Pre-IPO Share Option Scheme I.
- (3) Grantee under the 2014 Pre-IPO Share Option Scheme II

(b) *Employees holding share options representing more than 1,500,000 Shares*

As of the Latest Practicable Date, other than the four members of our senior management, eleven other employees of our Company had been granted share options representing more than 1,500,000 Shares each under the Pre-IPO Share Option Schemes. In total, the share options granted to these employees amounted to 40,833,135 Shares, representing approximately 1.8% of the issued share capital of our Company upon completion of the Global Offering but without taking into account any Shares to be issued upon the exercise of the Over-allotment Option and the Pre-IPO Share Options.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Below is a list of these employees who had been granted share options representing more than 1,500,000 Shares each under the Pre-IPO Share Option Schemes:

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Vesting Schedule	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Global Offering ⁽¹⁾
Peiqiang WANG (王培強)	Room 2502, Building 128, Yinling Guoji, West Park of South Lake, Wangjing, Chaoyang District, Beijing	RMB1.00	US\$0.058	816,730	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.04%
		RMB1.00	US\$0.174	1,596,510	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.07%
		RMB1.00	US\$0.174	2,250,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.10%
Cheng LIU (劉承)	Room 1202, No.43, Haidian District, Beijing	RMB1.00	US\$0.058	612,550	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.03%
		RMB1.00	US\$0.174	1,145,085	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.05%
		RMB1.00	US\$0.174	1,000,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.04%
Haibin HU (胡海斌)	Room 902, Building 6, Lane 569, Xinhua Road, Changning District, Shanghai	RMB1.00	US\$0.058	612,550	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.03%
		RMB1.00	US\$0.174	1,145,085	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.05%
		RMB1.00	US\$0.174	1,000,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.04%
Zhigang ZHANG (張志剛)	Room 2120, Jiacheng Apartment, No. 611 of Guangzhou Road, Guangzhou City, Guangdong Province	RMB1.00	US\$0.058	612,550	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.03%
		RMB1.00	US\$0.174	1,145,085	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.05%
		RMB1.00	US\$0.174	1,250,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.05%
Guangyu CAO (曹光宇)	Room 301, Unit 1, Building 1 of Pingguo Pai, Yard 2, Huangqu Dong Road, North Chaoyang Road, Chaoyang District, Beijing	RMB1.00	US\$0.058	612,550	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.03%
		RMB1.00	US\$0.174	1,145,085	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.05%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Vesting Schedule	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Global Offering ⁽¹⁾
		RMB1.00	US\$0.174	1,750,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.08%
Xin GUO (郭新)	Room 1207, Building 128, Yinling Guoji, Wangjing, Chaoyang District, Beijing	RMB1.00	US\$0.058	612,550	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.03%
		RMB1.00	US\$0.174	924,875	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.04%
		RMB1.00	US\$0.174	750,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.03%
Min CHEN (陳敏)	Room 1501, 301A, Huading Shijia, West Futong Avenue, Chaoyang District, Beijing	RMB1.00	US\$0.058	13,261,660	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.58%
		RMB1.00	US\$0.174	1,405,935	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.06%
Yandong ZENG (曾獎冬)	No.103, 302 Apartment, Yanbei Yuan, Peking University, Haidian District, Beijing	RMB1.00	US\$0.058	510,460	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.02%
		RMB1.00	US\$0.174	616,585	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.03%
		RMB1.00	US\$0.174	750,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.03%
Ming LIN (林明)	11-1-402, Dingxiu Qingxi Community, Dongxiao Town, Changping District, Beijing	RMB1.00	US\$0.058	510,460	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.02%
		RMB1.00	US\$0.174	616,585	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.03%
		RMB1.00	US\$0.174	750,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.03%
Xin ZHANG (張新)	Room 708, Xiecheng Building, No.8 of West Hubin Road, Siming District, Xiamen City, Fujian Province	RMB1.00	US\$0.058	612,550	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.03%
		RMB1.00	US\$0.174	682,645	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.03%
		RMB1.00	US\$0.174	500,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.02%

Name of Grantee	Address	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Vesting Schedule	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Global Offering ⁽¹⁾
Siu Wan PAU (包小雲)	Room 902, Unit B, No.301 of Huading Shijia, Zone 3 of Wangjing Yuan, Chaoyang District, Beijing	RMB1.00	US\$0.058	408,365	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.02%
		RMB1.00	US\$0.174	726,685	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.03%
		RMB1.00	US\$0.174	500,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.02%

Note:

- (1) The above table assumes that the Over-allotment Option is not exercised and without taking into account Shares to be issued upon the exercise of the Pre-IPO Share Options.

(c) **Other Employees**

As of the Latest Practicable Date, other than the four members of our senior management, no options were granted to any Directors, senior management or connected person of the Company under the Pre-IPO Share Option Schemes. Among these Grantees, other than the four members of our senior management and those employees holding share options representing more than 1,500,000 Shares each disclosed in paragraphs (a) and (b) above, 266 other employees have been granted options under the Pre-IPO Share Option Schemes to subscribe for a total of 37,235,975 Shares, representing approximately 1.6% of the issued share capital of our Company upon completion of the Global Offering but without taking into account any Shares to be issued upon the exercise of the Over-allotment Options and the Pre-IPO Share Options.

The table below shows the details of options granted to other employees under the 2014 Pre-IPO Share Option Scheme I (excluding the details disclosed above relating to the senior management and those employees holding share options representing more than 1,500,000 Shares):

Tranche	Number of Grantees	Consideration Paid for the Grant	Exercise Price	Number of Shares under the Options Granted	Date of Grant	Vesting Schedule	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of the Global Offering ⁽¹⁾
A	212 employees	RMB1.00	US\$0.058	14,272,555	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	0.62%
B	130 employees	RMB1.00	US\$0.174	20,338,420	June 16, 2014	25% each on December 31st of 2014, 2015, 2016 and 2017	10 years from December 20, 2013	0.89%
C	8 employees	RMB1.00	US\$0.174	2,625,000	July 31, 2014	25% each on July 31st of 2015, 2016, 2017 and 2018	10 years from July 31, 2014	0.11%

Note:

- (1) The above table assumes that the Over-allotment Option is not exercised and without taking into account Shares to be issued upon the exercise of the Pre-IPO Share Options.

The shareholding in the Company before and after the full exercise of all the Pre-IPO Share Options will be as follows:

Name of Shareholder	Immediately following the Completion of the Global Offering and Prior to the Exercise in Full of the Pre-IPO Share Options (Assuming the Over-allotment Option is not Exercised)		Immediately following the Completion of the Global Offering and the Exercise in Full of the Pre-IPO Share Options (Assuming the Over-allotment Option is not Exercised)	
	Number of Shares	%	Number of Shares	%
Senior Management				
Jenny Zhiya QIAN (錢治亞)	nil	nil	8,229,065	0.34%
Yifan SONG (宋一凡)	nil	nil	4,663,240	0.19%
Yaxiao LIU (劉亞霄)	nil	nil	1,500,000	0.06%
Wilson LI (李維)	nil	nil	6,162,140	0.26%
Employees holding share options representing more than 1,500,000 Shares				
Peiqiang WANG (王培強)	nil	nil	4,663,240	0.19%
Cheng LIU (劉承)	nil	nil	2,757,635	0.12%
Haibin HU (胡海斌)	nil	nil	2,757,635	0.12%
Zhigang ZHANG (張志剛)	nil	nil	3,007,635	0.13%
Guangyu CAO (曹光宇)	nil	nil	3,507,635	0.15%
Xin GUO (郭新)	nil	nil	2,287,425	0.10%
Min CHEN (陳敏)	nil	nil	14,667,595	0.61%
Yandong ZENG (曾龔冬)	nil	nil	1,877,045	0.08%
Ming LIN (林明)	nil	nil	1,877,045	0.08%
Xin ZHANG (張新)	nil	nil	1,795,195	0.08%
Siu Wan PAAU (包小雲)	nil	nil	1,635,050	0.07%
Other Employees				
Employees of the Group	nil	nil	37,235,975	1.56%
Total	nil	nil	98,623,555	4.12%

Save and except as set out above, no other options have been granted or agreed to be granted by our Company under the Pre-IPO Share Option Schemes.

5. Lock-up Period

Pursuant to the terms of the Pre-IPO Share Options, without the prior approval of the Board, the Grantees shall not, at any time during a period of 180 days from the date on which the Shares first commence trading on the Stock Exchange, in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favor of any third party over or in relation to the Shares subscribed by the Grantee upon the exercise of the Pre-IPO Share Options.

6. Waiver and Exemption

Our Company has applied for and has been granted a waiver from (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the

disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance. Please refer to the section headed “Waiver from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance” in this prospectus for details.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Joint Sponsors

Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, the Shares to be issued pursuant to the Pre-IPO Reorganization and the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Options). Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

4. Preliminary Expenses and Joint Sponsors' Fees

Our estimated preliminary expenses are approximately HK\$150,000, which are payable by our Company.

Each Joint Sponsor will be paid by our Company a fee of US\$1 million to act as a sponsor to the Company in connection with the Listing.

5. Promoter

We do not have any promoter. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) *Cayman Islands*

Under present Cayman Companies Law, there is no stamp duty payable in the Cayman Islands on transfers of Shares if they are executed and remain outside the Cayman Islands.

(c) *People's Republic of China*

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes as described in “Risk Factors — Risk Related to Doing Business in the PRC — We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in our global income becoming subject to 25% PRC enterprise income tax” on pages 49 - 50 of this prospectus. In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. See “Risk Factors — Risk Related to Doing Business in the PRC — You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Offer Shares.” on page 50 of this prospectus.

(d) *Consultation with professional advisors*

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, our Shares.

7. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Morgan Stanley Asia Limited.....	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Credit Suisse (Hong Kong) Limited.....	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young.....	Certified Public Accountants
Roland Berger	Independent industry consultant
Han Kun Law Offices	Company's PRC legal advisor
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law

8. Consents of Experts

Each of the experts whose names are set out in paragraph 7 above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of values and/or valuation certificates and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

9. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - i. no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - ii. no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - iii. no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - iv. no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) save as disclosed in this prospectus, none of the persons named in the section headed "Consents of Experts" in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (d) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since June 30, 2014 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

- (f) the Hong Kong register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. All necessary arrangements have been made to enable the Shares to be admitted to CCASS; and
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Statutory and General Information — E. Other Information — 8. Consents of Experts” in “Appendix IV” to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in “Appendix IV” to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the accountants’ report prepared by Ernst & Young, the text of which is set forth in Appendix I to this prospectus;
- (c) the audited financial statements of the companies comprising the Group for the three years ended December 31, 2011, 2012, 2013 and the six months ended June 30, 2014;
- (d) the report in relation to unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;
- (e) the legal opinions issued by Han Kun Law Offices, our PRC legal advisor, in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (f) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited, our legal advisor as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the 2014 Pre-IPO Share Option Scheme I;
- (h) the 2014 Pre-IPO Share Option Scheme II;
- (i) the list of all the grantees who have been conditionally granted options to subscribe for the Shares under the 2014 Pre-IPO Share Option Scheme I, containing all the details as required under the Hong Kong Listing Rules and Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (j) the material contracts referred to in the section entitled “B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (k) the written consents referred to in the section entitled “E. Other Information — 8. Consents of Experts” in Appendix IV to this prospectus;
- (l) the service contracts referred to in the section headed “C. Further information about our directors and substantial shareholders — 1. Directors — (b) Particulars of service contracts” in Appendix IV to this prospectus; and
- (m) the Cayman Islands Companies Law.

CAR Inc.

神州租車有限公司