2015

神州租車有限公司年度報告
CAR Inc. Annual Report

Incorporated in the Cayman Islands with Limited Liability
於開曼群島註册成立的有限公司

Stock Code 股份代號:699

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of CAR Inc. ("CAR" or the "Company"; together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the year ended 31 December 2015 (the "Reporting Period").

China's macro economy continued to undergo structural reforms in 2015. GDP growth moderated to 6.9% for the year. Consumer spending, on the other hand, maintained very strong growth and contributed 66.4% to the country's GDP. The auto mobility industry is also facing a critical time. New technologies around auto and internet have been reforming the industry, and these trends have been driving significant consumer behavior changes and leading to revolutionary changes in the auto ecosystem.

The Company reported another year of robust financial and operational results in 2015. The solid growth and strong profitability was primarily attributable to the Company's clear business model, continuous innovations and excellent execution. For the full year, the Company delivered rental revenue growth of 53%, adjusted net profit growth of 68%, and a record adjusted net margin of 21.5%.

In the past year, the Company continued to strengthen its leading position and demonstrate strong profitability in short-term rental business. The dominant leadership endows the Company with huge cost advantage and strong pricing power, which leads to sustainable high margin. In 2015, the Company's adjusted EBITDA margin reached 62.8%, representing 6pps growth over 2014. With the significant entry barriers and the Company's unique competitive strategy, the management is confident of maintaining dominant leadership in China's car rental industry.

In 2015, the Company witnessed two trends emerge and quickly develop in China. In first and second-tier cities, car sharing is becoming widely accepted by consumers and is disrupting what was once the major market for car ownership. Simultaneously, third- and fourth-tier cities are becoming the major market for car purchases.

In January 2015, the Company initiated a strategic collaboration with UCAR through a co-branding agreement, and provided on operating fleet under both long-term and short-term rental terms. UCAR provides high quality on-demand chauffeured services. It adopts a B2C model of "professional drivers, professional cars", and its services feature safety, comfort and standardization. UCAR's business model has unique competitive advantages and has a high entry barrier. Through the year, UCAR has grown into a market leader in the mid-to-high-end on-demand chauffeured service sector while its premium customer experience has been highly praised by consumers.

The collaboration enabled us to provide a total solution to customers' auto mobility needs in first- and second-tier cities and capture the growth opportunities in both self-drive and on-demand chauffeured service markets. The collaboration also brings multiple benefits to the Company, including committed long-term financial returns, enhancement in fleet management efficiency, extra license plate resources and massive strategic value. We expect UCAR to continue delivering strong performance as it continues to enhance customer experience and improve efficiency. We believe its healthy development will propel the Company's long-term success.

Meanwhile, the Company has also been actively exploring the used car market. In October 2015, we launched used car B2C network pilot program. We believe this initiative can help us realize higher residual values and better manage the full cycle of our rental business.

In addition to business achievements, the Company also further strengthened its credit profile and diversified its funding sources during the past year, which is crucial for players in a capital-intensive business. In January 2015, all three international credit rating agencies assigned credit ratings of BB+ or equivalent rating to the Company. CAR's $500 million senior bond due 2020 was awarded "Regional Capital Markets Awards 2015: Best High Yield bond" by Global Capital and "Regional Awards: High-Yield Bond" by IFR Asia. The Company also maintained strong funding capabilities in domestic market and had active relationship of loan financing with over 40 commercial banks or financial institutions.

OUTLOOK

Looking into 2016, the Company's management believes that car rental is still in infant stage in China and the penetration rate of car rental is low comparing to developed world, as a result, car rental industry will continue steady organic growth. The management also noted that the demand growth for short-term rental self-drive was partially offset by the fast emerging supply of ride sharing services. In response, the Company is enhancing its execution capabilities and making greater efforts on new customer acquisition. By further leveraging its economies of scale, improving its cost structure and customer experience, the Company is enhancing its competitiveness and profitability.

CAR took an important step in strategic positioning in 2015, demonstrating its determination and capability of expanding along the value chain through technology innovations. The Group is committed to embracing the changes, innovating and improving its business along the auto value chain. It aims to maximize business synergies with a focus on B2C model, and to build auto mobility and big data platforms driven by new technology revolutions.

On behalf of the Board, I would like to express our gratitude to our shareholders and partners for their tremendous support in the past year. We are committed to maintaining close communication with the market and will make every effort to maximize shareholder value. I would also like to express our acknowledgement to our management team and employees for their contributions and efforts, and our appreciation to our customers for their continuous support and recognition.

Charles Zhengyao LU
CAR Inc.
Chairman and CEO

Hong Kong, 8 March 2016

AWARDS AND CORPORATE SOCIAL RESPONSIBILITY

AWARDS:

CAR Inc. has been providing premium mobility services to users with its spirit of "Do our utmost, Aspire to be the best." The Group was honored to receive the following awards in 2014 and 2015:

In 2014

1. The Economic Observer: 2014 Best Low-carbon Business in China
2. 2014 Best C-BPI Brand of China Car Rental Chain Store Industry
3. 2014 Global CEO Conference: 2014 China Internet Life Innovation Award
4. Beijing Morning Post: 2014 Most Stylish Travel APP
5. China National Radio: 2014 Top 10 APP
6. Ta Kung Pao.com: 2014 Best Newly Listed Company
7. BQ Group Travelling Industry Awarding Ceremony on March 15: Best Brand in Car Rental Industry
8. The 10th Best Chinese Brand Building Cases Ranking of 21CN: The Best Chinese Brand Building Case
9. The Beijing Taxi and Automobile Leasing Association: 2014 Company of Integrity in Beijing Car Rental Industry

In 2015

1. DUXES Solutions Powered by Innovation: Outstanding Fleet Lessor of the Year
2. The 4th Finance China Forum Committee: 2015 Best Brand Image
3. Zhaopin.com: 2015 Top 30 Chinese Employers
4. Liepin.com: 2015 Most Popular Employer
5. 21CN: 2015 Best Personal Car Rental Brand
6. 2014 (The 4th) China Public Welfare Committee: 2014 Best Chinese Public Welfare Team Award
7. SEEC ad Hexun.com: 2015 HK-listed Company with Most Investment Potential

CORPORATE SOCIAL RESPONSIBILITY

CAR Inc.-Smart Travel and Technology Innovation

CAR Inc. is on a mission to establish a leading auto mobility platform and a smart travel ecosystem in China. The Group is committed to providing the public with high quality mobility services, as well as ensuring corporate social responsibility in every endeavor through introducing smart innovation elements into the social development process.

Creating an Auto Mobility Ecosystem for a Comfortable Living

As the leading auto mobility service provider in China, benefiting from the rise of self-drive travel and customers' personalized demands, the Group has continued to rapidly adapt to changing needs in the market in order to grasp growth opportunities.

The Group strives to connect internet and travel patterns, as well as uses its own big data and information system advantages to provide the public with the most convenient and suitable "one-stop" travel solutions, enabling travelers to reach their destination in convenience and comfort through smart technologies.

Cultivating our Talents with Empathy

The Group is determined to equip every employee with the proper training and qualifications, so as to not only increase their efficiency and contribution to the Company, but also to improve the overall knowledge and skills of communities that the Group is active in. Every new member of the Group participates in orientation and has a mentor to guide them through each practice. New employees in the training program receive practical guidance after planning and setting up objectives in a systematic way through tailor-made courses, which aims at cultivating elite professionals within the Group. Since 2012, the Company has continuously launched a series of training initiatives, including the management trainee program, "Eyas" program for training store managers nationwide and the "Flying Eagle" program for cultivating talents into qualified branch managers. With various sophisticated training initiatives that utilize innovative and fun training methodologies, alongside a positive learning culture, the Company has built a positive learning environment that benefits all of its employees, and by extension, the communities that they belong to.

AWARDS AND CORPORATE SOCIAL RESPONSIBILITY

Promoting a Safe and Reliable Chauffeured Car Service for Society

Given the Group's position as the leading player in the auto mobility industry, the Company believes that promoting road safety and providing efficient and trustworthy transportation is essential to China's auto industry development. In collaboration with UCAR Technology Inc., its strategic partner, CAR Inc. launched a chauffeured car service under the co-branded name "UCAR" in January 2015. With the new service, UCAR provides its customers with exceptional chauffeured car service featuring safety, comfort, and standardization, while CAR supervises the process and gives feedback on a regular basis, facilitating the continuous optimization of the service and in turn, enhancing user stickiness, improving brand awareness, and increasing fleet management efficiency. In June 2015, UCAR Technology Inc. introduced its 5-Star Safety Plan, further upgrading its safety standards of driver guarantee, health guarantee, technology guarantee, privacy guarantee, and "compensation paid before insurance settlement" guarantee. Cars are equipped with OBD facility to enable real-time monitoring and control, and ensure the passengers' safety.

Caring for the Community

CAR Inc. recognizes the importance of contributing to the community and is dedicated to bringing value and support to business, education as well as transportation communities. In addition to donating money directly, the Group has also launched the Good Books Reading Plan in joint efforts with UCAR Technology Inc. and publishers, allowing its customers to read selected books while travelling via its services. In the future the Group will continue to emphasize the value of "Caring While Traveling" and make a greater contribution to the community.

FINANCIAL HIGHLIGHTS

	For the years ended 31 December		
	2015	2014	Year-over-year change
	(in RMB millions, except otherwise stated)		%
Rental revenue	**4,399**	2,866	53%
Total revenue	**5,003**	3,520	42%
Gross profit	**2,091**	1,239	69%
Gross profit margin(2)	**47.5%**	43.2%	+4.3pp
Net profit(3)	**1,401**	436	221%
Adjusted EBITDA(1)	**2,764**	1,629	70%
Adjusted EBITDA margin(2)	**62.8%**	56.8%	+6.0pp
Adjusted net profit(1)	**944**	562	68%
Adjusted net profit margin(2)	**21.5%**	19.6%	+1.9pp
Basic EPS (RMB)	**0.59**	0.22	168%

Notes:

(1) Adjusted EBITDA and adjusted net profit are non-IFRS measures. Please refer to page 23 Non-IFRS financial reconciliation for details.

(2) These margins are presented as a percentage of rental revenue.

(3) Please refer to pages 18 and 23 of this annual report for details.

BUSINESS REVIEW AND STRATEGIES

China's GDP growth moderated to 6.9% for the year. Both industrial production and fixed investment growth came in on the soft side. Consumer spending, on the other hand, maintained very strong growth in 2015. Consumer spending's contribution to the country's GDP reached 66.4% in 2015, up 15.4 percentage points from 2014. New technology and business innovations around auto and internet are reforming the auto related industry and pushing it to a critical crossroad. Moreover, these trends are driving significant consumer behavior changes, leading to revolutionary changes in the auto value chain. Throughout 2015, we continued to execute our strategy of expanding along the value chain through technology innovations. We dedicated ourselves to becoming China's leading auto mobility provider and transforming our eco-system to best position ourselves for long-term success.

In 2015, the Group reported yet another year of robust financial and operational results as we demonstrated solid growth and strong profitability. We strive to provide a best-in-class customer experience and optimize our cost structure. Through the solid performance of our short-term rental business and the successful collaboration with UCAR Technology Inc. ("UCAR"), we were able to capture growth opportunities in the fast growing auto mobility industry in China. For the full year of 2015, rental revenue increased 53% to RMB4,399.3 million. Our profitability and margins continued to improve as we optimized our business mix, improved operating leverage and increased operating efficiency. Net profit was RMB1,401.4 million in 2015. Adjusted net profit increased 68% to RMB943.8 million. Adjusted net profit margin and adjusted EBITDA margin as a percentage of rental revenue increased to 21.5% and 62.8% in 2015, representing year-over-year improvement of 1.9pp and 6.0pp, respectively.

Our total fleet comprised of 91,179 vehicles as at 31 December 2015, compared with 63,522 vehicles as at 31 December 2014. Our operating fleet was 83,168 vehicles as at 31 December 2015, compared with 58,773 vehicles as at 31 December 2014. The strong growth was supported by the rapid development of UCAR's sizable operations and steady growth of our short-term self-drive. During the year, we also continued to downsize the fleet for traditional long-term rentals in an effort to optimize our business mix and improve capital returns. We disposed of 9,284 used vehicles in 2015 and the cost to sales ratio was 101.1%, which continued to demonstrate our capabilities of managing the full cycle of our rental business.

Number of Fleet	**FY2014**	**1Q'15**	**2Q'15**	**3Q'15**	**4Q'15**	**FY2015**
Fleet size as at period end						
Short-term rental	43,836	49,346	54,797	58,789	56,759	56,759
Long-term rental	9,368	14,562	20,960	22,879	22,252	22,252
Finance leasing	5,569	5,159	4,889	4,755	4,157	4,157
Total operating fleet	58,773	69,067	80,646	86,423	83,168	83,168
Retired vehicles awaiting sale	3,497	2,352	2,685	5,565	6,837	6,837
Vehicles held for sale	1,252	1,575	1,388	1,216	1,174	1,174
Total fleet	63,522	72,994	84,719	93,204	91,179	91,179

BUSINESS REVIEWS

In the past year, we continued to strengthen our leading position and demonstrate strong profitability in our short-term rental business. We noted that the demand growth for short-term self-drive was partially offset by the fast emerging supply of ride sharing services, which brought additional convenience for short-distance mobility needs and provided competitive pricing due to the current environment of heavy subsidies. On the other hand, we were able to take advantage of this rapidly growing market through our collaboration with UCAR and by addressing more car ownership replacement demand in short-term self-drive. Our collaboration with UCAR allowed us to realize better synergies through fleet sharing. Our short-term rental fleet grew to 56,759 vehicles as at 31 December 2015 and short-term rental revenue for the full year increased 35% to RMB3,103.5 million. Our average daily rental revenue per short-term rental vehicle ("RevPAC") remained solid at RMB170 in 2015. Our fleet utilization rate further increased to 63.0%, with a deliberate balance to secure more license plates.

As at 31 December 2015, we had 738 directly operated service locations, which included 250 stores and 488 pick-up points, in 74 major cities covering all provinces of China. Our franchisee network has grown to 236 service locations in 186 small cities. Our mobile application continued to gain in popularity. Reservations via our mobile application as a percentage of total reservations increased to 61.2% in 2015 from 35.5% in 2014.

In January 2015, we entered into a strategic collaboration with UCAR. The collaboration brought us sustainable financial returns, additional license plate resources, and better fleet efficiency. Also, it further enhanced our brand recognition and customer retention, created cross-selling opportunities and increased economies of scale. As at 31 December 2015, a total of 19,883 vehicles were rented to UCAR under long-term rental terms. Additionally, we continued to see strong synergies in terms of fleet management. Over 10,000 vehicles were shared with UCAR under short-term rental term during weekdays. For the year ended 31 December 2015, revenue contribution from the UCAR collaboration was RMB1.6 billion. As at 31 December 2015, we held 9.35% of the total issued and outstanding shares of UCAR on a fully diluted basis. We recorded a fair value gain of RMB797.1 million in 2015 for such shareholding. UCAR has also implemented a corporate restructuring (which was completed in January 2016) to transfer its chauffeured car services business to Huaxia United Science & Technology Co., Ltd. (For details, please refer to the Company's announcement dated 18 December 2015 and Note 22 to Financial Statements.) Huaxia United Science & Technology Co., Ltd. has subsequently changed its name to UCAR Inc. (神州優車股份有限公司).

In October 2015, we launched a pilot program of our own used car direct sales and service network. We opened 8 pilot stores in eight third-tier cities at the beginning. These stores ramped up in-line with our expectations and sold an average of 30 used cars each in December 2015. We opened another 6 pilot stores early this year as planned. We are confident that this initiative will enable us to realize higher residual values, better manage the full life cycle of rental vehicles, and capture the vast growth potential in China's used car market. By the end of 2015, we have incurred operating expenses of approximately RMB15 million for this new business initiative.

BUSINESS REVIEW AND STRATEGIES

STRATEGIES

In 2015, we continued to execute our strategy and dedicated ourselves to becoming China's leading auto mobility provider. We have strengthened our leadership in China's car rental market and made solid progress in expanding along the value chain. We are strategically positioning ourselves to best capture the future growth opportunities arising from revolutionary changes in the auto related industry.

During the year, we witnessed two quickly developing trends emerge in China. First, in first- and second-tier cities, car sharing becomes increasingly popular, a trend disrupting what was once the major market for car ownership. Second, in third- and fourth-tier cities, car ownership is still essential in helping consumers upgrade their living standards. We believe there is a huge opportunity incubating in car sharing in higher-tier cities and an underserved vacancy in the used car market in lower-tier cities. At the same time, the slowdown in new car sales also put pressure on used car sales prices.

The Group has evolved its business and embraced the surge in on-demand chauffeured services. In January 2015, we initiated a strategic collaboration with UCAR through a co-branding and fleet rental agreement. In July 2015, we invested in UCAR for a consideration of US$125 million, with a post money valuation of US$1.25 billion. In September 2015, we also participated in UCAR's series B fund raising and invested another US$50 million. We held 9.35% of UCAR shares as at 31 December 2015 on a fully diluted basis. The collaboration with UCAR enabled us to provide a total solution for customers' auto mobility needs in first- and second-tier cities and capture the growth opportunities in both self-drive and on-demand chauffeured service markets. The collaboration brings multiple benefits to us, including committed long-term financial returns, enhancement in fleet management efficiency, extra license plate resources and massive strategic value.

UCAR focuses on the mid-to-high-end sector and adopts an asset-light yet operation-heavy B2C model. We believe its unique business focus and B2C model meet customers' unsatisfied demand for available, reliable and value-for-money chauffeured services in China. Its business model has unique competitive advantages and has a high entry barrier. We are delighted to observe that UCAR has grown into a market leader in the mid-to-high-end on-demand chauffeured service sector while its premium customer experience has been highly praised by consumers. It ranked No. 1 nationwide in customer satisfaction and monthly customer retention rate, according to recent third party surveys. In the past year, UCAR demonstrated outstanding operational performance and healthy cash flow. Its clear business model was also widely recognized by the capital market. UCAR raised US$800 million in two fund raising rounds and its valuation reached US$3.55 billion. In regards to government regulation, China's Ministry of Transport issued a draft guidance for the chauffeured service industry in October 2015, which we believe will benefit UCAR positively as its business model is generally already in compliance. We expect UCAR to deliver strong financial results as it continues to enhance customer experience and optimize efficiency.

As China's leading car rental company and largest supplier of used cars, we have been exploring China's used car market. Along with the increase in car ownership for the past several years, China's used car market has entered into a period of rapid development. As consumers upgrade their living standards and customer behavior evolves, the used car market in lower-tier cities will see accelerated growth in the next few years. We have accumulated extensive experience in used car disposal over the past three years and have a deep understanding of customers' desire for reliable and value for money products and services. We launched our used car B2C pilot program in October 2015, focusing on third- and fourth-tier cities. We believe this initiative will enable us to realize higher residual values, better manage a full life cycle of rental vehicles and capture the growth potential in China's used car market.

Looking ahead to 2016, we expect to see continuous healthy growth, strong profitability and great opportunities to develop along the value chain. We are committed to strengthening technology innovations and enhancing our operating efficiency.

1. REVENUES AND PROFITABILITY ANALYSIS

Rental revenue

	Year ended 31 December			
	2015		2014	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Short-term rentals	**3,103,486**	**70.5%**	2,295,752	80.1%
Long-term rentals	**1,201,185**	**27.3%**	466,418	16.3%
Finance lease	**30,294**	**0.7%**	46,825	1.6%
Other revenue	**64,286**	**1.5%**	57,215	2.0%
Total rental revenue	**4,399,251**	**100.0%**	2,866,210	100.0%

Short-term rental metrics

	FY14	**1Q'15**	**2Q'15**	**3Q'15**	**4Q'15**	**FY15**
Average daily fleet[1]	37,755	47,099	47,117	53,949	55,186	50,869
ADRR[2] (RMB)	272	275	276	271	261	270
Utilization rate[3] (%)	62.2%	63.7%	64.1%	64.5%	60.1%	63.0%
RevPAC[4] (RMB)	170	175	177	175	157	170

Notes:

(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. "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.

(2) Average daily rental rate or ADRR 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.

(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.

(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.

Our total rental revenue increased 53% to RMB4,399.3 million for the year ended 31 December 2015 from RMB2,866.2 million for the same period of 2014.

- *Short-term rentals*. Revenue from short-term rentals increased 35% year-over-year to RMB3,103.5 million for the year ended 31 December 2015, mainly driven by the growing short-term rental fleet size. Short-term rental revenue consisted of revenue from both traditional self-drive and the daily sharing fleet with UCAR under short-term rental contract. Our RevPAC remained stable at RMB170 for the year ended 31 December 2015, compared with RMB170 for the year of 2014. Utilization rate was 63.0% for the year ended 31 December 2015, as we continue to deliberately balance between our fleet expansion for securing license plates and our financial results.

- *Long-term rentals*. Revenue from long-term rentals increased 158% year-over-year to RMB1,201.2 million for the year ended 31 December 2015. The long-term fleet size increased to 22,252 vehicles as at 31 December 2015 from 9,368 vehicles as at 31 December 2014. As at 31 December 2015, we further increased the fleet size for UCAR to 19,883 vehicles. We also continued to downsize the fleet for traditional long-term rentals in order to improve capital returns and make the best use of our license plate resources.

- *Finance lease*. Revenue from finance leases decreased 35% to RMB30.3 million for the year ended 31 December 2015 from RMB46.8 million for the same period of 2014. Since the beginning of 2015, we have changed the used car financing program for franchisees from 2-year financial leases to a 1-year installment program.

- *Other revenue*. Other revenue was RMB64.3 million for the year ended 31 December 2015 compared with RMB57.2 million for the same period of 2014. The increase was primarily driven by the increase of insurance claims for in-house repair and maintenance.

Depreciation of rental vehicles and direct operating expenses of rental services

	Year ended 31 December			
	2015		2014	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Depreciation of rental vehicles	**939,364**	**21.4%**	670,163	23.4%
Direct operating expenses				
– Payroll costs	**380,005**	**8.6%**	354,533	12.4%
– Store expenses	**163,120**	**3.7%**	123,925	4.3%
– Insurance fees	**235,205**	**5.3%**	151,582	5.3%
– Repair and maintenance fees	**164,988**	**3.8%**	98,409	3.4%
– Fuel expenses	**80,475**	**1.8%**	78,336	2.7%
– Others	**338,726**	**7.8%**	182,091	6.4%
Total direct operating expenses	**1,362,519**	**31.0%**	988,876	34.5%
Total costs of car rental business	**2,301,883**	**52.4%**	1,659,039	57.9%

Depreciation of rental vehicles. As a percentage of rental revenue, depreciation expenses decreased from 23.4% for the year ended 31 December 2014 to 21.4% for the year ended 31 December 2015. The decrease was primarily driven by (i) an increase in the average discount on new car purchases for the rental fleet due to our enhanced bargaining power with automobile manufacturers (OEMs), (ii) a higher concentration of core car models, and was offset by (iii) changes in the residual value of certain vehicle models, and (iv) an upgrade in the vehicle mix due to the increased size of UCAR fleet.

Direct operating expenses of rental services. As a percentage of rental revenue, direct operating expenses decreased from 34.5% for the year ended 31 December 2014 to 31.0% for the year ended 31 December 2015. The decrease was primarily due to greater operating leverage, higher efficiency in managing UCAR fleet and continuous improvement in operational efficiency.

Sales of used vehicles (revenue & cost)

	Year ended 31 December	
	2015	2014
	RMB	*RMB*
	(in thousands, except percentages)	
Revenue from sales of used vehicles	**603,468**	654,226
Cost of sales of used vehicles	**609,966**	621,982
Cost as a % of revenue (sales of used vehicles)	**101.1%**	95.1%
Number of used vehicles sold	**9,284**	10,185
– Inclusive of used vehicles sold to franchisees via installment program	**1,561**	—
Number of used vehicles disposed to franchisees through finance lease	**—**	5,298
Total number of used vehicles disposed	**9,284**	15,483

The Group disposed of 9,284 used vehicles for the year ended 31 December 2015, compared with 15,483 for the year ended 31 December 2014. With the UCAR collaboration, we were able to extend the holding period for certain vehicle models by continuing operation in UCAR fleet. In the past year, we also extended the holding period of core models to mostly 3 years to mitigate residual risk. As a result of the new initiative of used car B2C platform, the number of retired vehicles awaiting for sale increased to 6,837 as at 31 December 2015.

Cost of sales of used vehicles amounted to 101.1% and 95.1% of revenue from the sales of used vehicles for the years ended 31 December 2015 and 2014, respectively. The cost of sales of used vehicles represents the net book value of the sold rental vehicles from our fleet.

The results continued to demonstrate our proven and enhancing capabilities at managing the full cycle of rental vehicles, which includes used vehicle disposal and the effective estimation of residual values.

Gross profit

	Year ended 31 December	
	2015	2014
	RMB	*RMB*
	(in thousands, except percentages)	
Gross profit of car rental business	**2,097,368**	1,207,171
Gross profit margin of car rental business	**48%**	42%
Gross profit/(loss) of sales of used vehicles	**(6,498)**	32,244
Gross profit/(loss) margin of sales of used vehicles	**(1)%**	5%
Total gross profit	**2,090,870**	1,239,415
Total gross profit margin as a % of rental revenue	**48%**	43%

Total gross profit of the car rental business increased 74% to RMB2,097.4 million for the year ended 31 December 2015 from RMB1,207.2 million for the year ended 31 December 2014. Our gross profit margin of the car rental business as a percentage of rental revenue increased to 48% for the year ended 31 December 2015 from 42% for the year ended 31 December 2014, primarily due to greater operating leverage, lower fleet costs, improved operational efficiency and reduced costs related to the suspended fleet.

Selling and distribution expenses

	Year ended 31 December			
	2015		2014	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	**20,006**	**0.5%**	18,261	0.6%
Advertising expenses	**44,711**	**1.0%**	53,260	1.9%
Share-based compensation	**1,300**	**0.0%**	2,199	0.1%
Others	**13,490**	**0.3%**	18,990	0.7%
Total	**79,507**	**1.8%**	92,710	3.3%

Selling and distribution expenses decreased 14% from RMB92.7 million for the year ended 31 December 2014 to RMB79.5 million for the year ended 31 December 2015. As a percentage of rental revenue, selling and distribution expenses decreased from 3.3% in 2014 to 1.8% in 2015. The decrease was mainly due to our established brand recognition, an increase in mobile transactions and greater operating leverage.

Administrative expenses

	Year ended 31 December			
	2015		2014	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	**186,429**	**4.2%**	140,681	4.9%
Office expenses	**59,181**	**1.3%**	42,783	1.5%
Rental expenses	**22,873**	**0.5%**	21,447	0.7%
Share-based compensation	**84,273**	**1.9%**	77,642	2.7%
Others	**112,852**	**2.6%**	67,554	2.4%
Total	**465,608**	**10.5%**	350,107	12.2%

Administrative expenses increased 33% to RMB465.6 million for the year ended 31 December 2015 from RMB350.1 million for the year ended 31 December 2014. The increase in payroll costs was related to improved IT and R&D capabilities. The comparatively higher office expenses were mainly due to the new operation center in Tianjin. As a percentage of rental revenue, administrative expenses decreased from 12.2% in 2014 to 10.5% in 2015. The change was in line with our business expansion and reflected economies of scale and greater operating leverage.

Other income and expenses, net

	Year ended 31 December	
	2015	2014
	(RMB in thousands)	
Interest income from bank deposit	**25,248**	34,620
Unrealized exchange loss	**(253,481)**	(16,941)
Realized exchange gain/(loss)	**61,615**	(2,623)
Fair value gain on redeemable preference shares in UCAR	**797,095**	—
(Loss)/gain on disposals of items of other property, plant and equipment	**(72)**	(49)
Others	**39,416**	11,188
Total	**669,821**	26,195

The net gain in other income and expenses was RMB669.8 million for the year ended 31 December 2015, compared with RMB26.2 million for the year ended 31 December 2014. The net gain in 2015 was mainly due to a fair value gain on the preference shares of UCAR of RMB797.1 million related to our subscription of preference shares in UCAR (for details, please refer to Note 22 under Notes to Financial Statements), combined with interest income of RMB25.2 million, a realized foreign exchange gain of RMB61.6 million, and was partially offset by the recognition of an unrealized foreign exchange loss of RMB253.5 million on USD-denominated liabilities.

Finance costs. Finance costs increased 77% to RMB546.8 million for the year ended 31 December 2015 from RMB309.5 million for the year ended 31 December 2014, primarily due to the Company's higher debt position, which was partially offset by lower average funding costs.

Profit before tax. Profit before tax increased 225% to RMB1,668.7 million for the year ended 31 December 2015 from RMB513.3 million for the year ended 31 December 2014.

Income tax expenses. Income tax expenses increased to RMB267.3 million for year ended 31 December 2015 from RMB77.2 million for the year ended 31 December 2014 due to the increased profitability of the Group.

Profit after tax. As a result of the aforementioned factors, we recorded a net profit of RMB1,401.4 million and RMB436.1 million for the years ended 31 December 2015 and 2014, respectively.

Adjusted net profit. Adjusted net profit was RMB943.8 million and RMB562.4 million for the years ended 31 December 2015 and 2014, respectively. As a percentage of rental revenue, adjusted net profit margin increased to 21.5% in 2015 from 19.6% in 2014.

Adjusted EBITDA. Adjusted EBITDA was RMB2,763.5 million and RMB1,628.8 million for the years ended 31 December 2015 and 2014, respectively. As a percentage of rental revenue, adjusted EBITDA margin increased to 62.8% in 2015 from 56.8% in 2014.

Key performance indicators ("KPIs")

The KPIs of the Company can generally be categorized into profitability, cost control and service quality. Profitability mainly refers to RevPac, gross profit and net profit. Cost control refers to costs controllable by the operation of the branch offices and stores, including fuel cost, store and branch operation related costs, vehicle dispatch cost, etc. Service quality refers to the assessment scores given to a service location based on their level of compliance with the central operation policies, customer satisfaction scores and the number of complaints received. Company-level profitability is the main KPI for the management and support departments while city-level profitability, cost control and services quality are the key KPIs for the operation and frontline departments. With the development of company and constant review of the performance assessment system, the Company is fine-tuning the KPIs from time to time to accommodate for the best interests of the employees and the Company.

2. FINANCIAL POSITIONS

	As at 31 December	
	2015	2014
	(RMB in millions)	
Total assets	**16,342.4**	9,842.3
Total liabilities	**9,243.1**	4,252.7
Total equity	**7,099.3**	5,589.6
Cash and cash equivalents	**1,987.9**	1,352.4
Restricted cash	**53.1**	53.1
Available-for-sale investments	**—**	1,070.0
Total cash	**2,041.0**	2,475.5
Interest bearing bank and other borrowings - current	**1,154.4**	2,778.9
Interest bearing bank and other borrowings - non-current	**2,168.7**	831.8
Senior notes	**5,190.6**	—
Total debt	**8,513.7**	3,610.7
Net debt (total debt less total cash)	**6,472.7**	1,135.2
Total debt/adjusted EBITDA (times)	**3.1x**	2.2x
Net debt/adjusted EBITDA (times)	**2.3x**	0.7x

Cash

In 2015, we financed our business operations and fleet expansions primarily through cash generated from operations, bank and other borrowings, and the net proceeds we received from the issuance of our senior notes in February and August 2015.

We continued to generate strong operating cash flows and maintain strong liquidity during the year. As at 31 December 2015, we had cash and cash equivalents of RMB1,987.9 million and restricted cash of RMB53.1 million.

Trade receivables and Due from related parties

Trade receivables were RMB239.4 million and RMB216.3 million as at 31 December 2015 and 2014, respectively. The slight increase in trade receivables was mainly due to the introduction of installment plan for the sale of used vehicles to franchisees in 2015. The comparatively low increase in trade receivables compared with the high increase in total revenue indicated the continuous improvement in trade receivables management.

Due from related parties, which relates to the trade receivables from UCAR, was RMB475.9 million and RMB20.1 million as at 31 December 2015 and 2014, respectively. Fleet rent to UCAR carries a 90-day payment term and UCAR has been paying on schedule. (For details, please refer to Note 39 to Financial Statements.)

Capital expenditures

The majority of our capital expenditure was for vehicle acquisitions. During the year ended 31 December 2015, we purchased approximately RMB5,219.8 million of rental vehicles, which is inclusive of payment for rental vehicles that have not commenced service. We also spent approximately RMB248.1 million on purchases of other property, plant and equipment, prepaid land lease payment and other intangible assets.

Borrowings

As at 31 December 2015, we had a total debt of RMB8,513.7 million, compared with RMB3,610.7 million as at 31 December 2014. We have not taken any new loans with guarantees from Legend Holdings Corporation in the past 18 months. Meanwhile, we have further diversified the funding tenors and optimized asset and liability matching by acquiring new loans of 2 to 3 years tenor with mostly amortized repayment schedule and tapping into the bond market. As at 31 December 2015, the current debt portion was RMB1,154.4 million, representing 13.6% of total debt. Based on the repayment schedule as at 31 December 2015, we had a total amount of approximately RMB618.1 million to be repaid in the first quarter of 2016.

We further strengthened our credit profile and diversified our funding sources in 2015, while maintaining balanced leverage ratios and credit metrics. We have expanded our funding sources to include onshore loans, offshore bonds, offshore USD loans and offshore CNH loans. In January 2015, three major international credit rating agencies, Moody's, S&P, and Fitch assigned credit ratings of Ba1, BB+, and BB+ to us respectively, with stable rating outlook. In February 2015, we issued our inaugural Reg S/144A US$500 million 6.125% senior unsecured notes due in 2020. In August 2015, we completed our second international bond offering, an issuance of US$300 million 6.00% senior notes due 2021. Both bonds achieved considerable oversubscription. In August 2015, we entered into an unsecured 3-year onshore RMB syndicated term loan facility of RMB1.3 billion with eight banks, seven of which are foreign banks. This is a milestone transaction for us to further expand our RMB borrowing capabilities beyond domestic banks. As at 31 December 2015, we had active relationships of loan financing with over 40 commercial banks or financial institutions.

We have been paying close attention in asset and liability management, including liquidity risks and currency risks. We were exposed to currency mismatch since we started raising debt denominated in USD in 2015. We have been monitoring our foreign currency exposures and analyzing market conditions very closely. As at 31 December 2015, we had not used any hedging instrument yet. Our management recognized the recent development and further depreciation of RMB and strong performance of USD. We will continue to closely evaluate market conditions and ensure appropriate measures, including hedging and liability management, are implemented should the need arise.

Pledge of assets

Please refer to Note 36 to financial statements for details.

Capital management

Currencies in which debts are held as at each reporting period:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**2,472,890**	3,610,689
Others	**6,040,842**	—
	8,513,732	3,610,689

Currencies in which cash and cash equivalents are held as at each reporting period:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**1,496,585**	1,215,481
Others	**491,293**	136,954
	1,987,878	1,352,435

We are subject to foreign currency exposures. All 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.

For further information regarding our capital management policies, please refer to Note 42 to financial statements.

Contingent Liabilities

As at 31 December 2015, there were no significant contingent liabilities.

NON-IFRS FINANCIAL RECONCILIATION

	For the year ended 31 December	
	2015	2014
	(RMB in thousands, except percentages)	
A. Adjusted net profit		
Net Profit	**1,401,396**	436,113
Adjusted for:		
Share-based compensation	**86,001**	80,632
Fair value gain on preference shares	**(797,095)**	—
Foreign exchange loss related to corporate reorganization	**—**	18,050
IPO-related expenses	**—**	27,557
Unrealized foreign exchange loss related to USD denominated liabilities	**253,481**	—
Adjusted net profit	**943,783**	562,352
Adjusted net profit margin (as a percentage of rental revenue)	**21.5%**	19.6%
B. Adjusted EBITDA		
Reported EBITDA calculation		
Profit before tax	**1,668,727**	513,327
Adjusted for:		
Finance costs	**546,849**	309,466
Interest income from bank deposit	**(25,248)**	(34,620)
Depreciation of rental vehicles	**939,364**	670,163
Depreciation of other property, plant and equipment	**37,910**	29,279
Amortization of other intangible assets	**10,332**	9,390
Amortization of prepaid land lease payment	**1,252**	169
Impairments on trade receivables	**41,942**	5,434
Reported EBITDA	**3,221,128**	1,502,608

	For the year ended 31 December	
	2015	2014
	(RMB in thousands, except percentages)	
Reported EBITDA margin (as a percentage of rental revenue)	**73.2%**	52.4%
Adjusted EBITDA calculation		
Reported EBITDA	**3,221,128**	1,502,608
Adjusted for:		
Share-based compensation	**86,001**	80,632
Fair value gain on preference shares	**(797,095)**	—
Foreign exchange loss related to corporate reorganization	**—**	18,050
IPO-related expenses	**—**	27,557
Unrealized foreign exchange loss related to USD denominated liabilities	**253,481**	—
Adjusted EBITDA	**2,763,515**	1,628,847
Adjusted EBITDA margin (as a percentage of rental revenue)	**62.8%**	56.8%

The Group employed certain non-IFRS financial measures in measuring the performance of the Group. The presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. The Group believes that, used in conjunction with IFRS financial measures, these non-IFRS financial measures provide meaningful supplemental information regarding the Group's performance, and both management and investors benefit from referring to these non-IFRS financial measures in assessing the Group's performance and when planning and forecasting future periods. The Group's management believes that adjusted EBITDA, defined as earnings before interest, income tax expenses, depreciation and amortization, share-based compensation, impairment on trade receivables, foreign exchange loss related to corporation reorganization (details of which are set out in the section entitled "Our History, Reorganization and Corporate Structure" in our prospectus dated 8 September 2014) and IPO related expenses, is a useful financial metric to assess the Group's operating and financial performance.

EXECUTIVE DIRECTOR

Charles Zhengyao LU (陸正耀), aged 46, was appointed as the Company's executive Director, Chief Executive Officer and Chairman of the Board on 25 April 2014. Mr. Lu is currently a member of the Nomination Committee of the company. He is responsible for the implementation of board resolutions, making company's strategy plans, making decisions 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 China Auto Rental Holdings Inc. ("CARH"), the Company's holding company prior to IPO since 27 September 2007. Mr. Lu has been appointed as a chairman of the board of UCAR Technology Inc. ("UCAR"), a substantial shareholder of the Company, since 5 June 2015. Mr. Lu has over 22 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 majoring in industrial electric automation. He received an Executive Master of Business Administration degree from Peking University in July 2010.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Linan ZHU (朱立南), aged 53, was appointed as the Company's Non-executive Director on 29 April 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 18 November 2010. Mr. Zhu has over 19 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 (the predecessor of Legend Holding Corporation ("Legend Holdings")) since April 2001 and held various positions including executive vice president and president. He has been a director of Right Lane Limited (a wholly-owned subsidiary of Legend Holdings, "Right Lane") since June 2006. Both of Legend Holdings and Right Lane are regarded as substantial shareholders of the Company. Other than that, Mr. Zhu has been a director and president of Legend Capital Co., Ltd. (君聯資本管理股份有限公司) (formerly known as Beijing Legend Capital Co., Limited (北京君聯資本管理有限公司)) since November 2003. For companies listed on the Hong Kong Stock Exchange, Mr. Zhu has served as a non-executive director of Lenovo Group Limited (Stock Code: 0992) since April 2005 and has served as a director and president of Legend Holdings (Stock Code: 3396) since February 2014. He was a non-executive director of Peak Sport Products Co., Limited (Stock Code: 1968) from April 2009 to June 2014. 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.

James Peter MUELLER, aged 48, has been appointed as a non-executive director of the Company with effect from October 13, 2015. He has been senior vice president of sales, marketing and revenue management for Hertz International, Ltd. (an affiliate of Hertz Holdings Netherlands B.V., a substantial shareholder of our Company) since July 2015, where he is responsible for international corporate sales and travel distribution, marketing activities, revenue management strategies and ancillary revenues. Mr. Mueller has over 21 years of extensive experience in the travel industry. Mr. Mueller had held various positions at Northwest Airlines/Delta Airlines from1993 to 2009, including managing director, vice president of global cargo sales and managing director, Asia. From 2009 to 2012, Mr. Mueller was vice president, Asia Pacific at United Airlines. From 2012 to January 2014, Mr. Mueller was vice president, Atlantic and Pacific Sales at United Airlines. From February 2012 to July 2015, Mr. Mueller was senior vice president for global sales at Etihad Airways. Mr. Mueller received a bachelor's degree in economics from Saint John's University in Minnesota in1989 and a master's degree in business administration in finance from the University of Minnesota in 1993.

Xiaogeng LI (李曉耕), aged 40, has been appointed as a Non-executive Director of the Company and a member of the Remuneration Committee with effect from 17 November 2015. Ms. Li has over 11 years of experience in the information technology industry. She is currently the vice president of UCAR, where she is primarily responsible for strategic investment. Prior to joining UCAR, Ms. Li served as the president and an executive director of Uniware Technology Co., Ltd., a software company providing big data analysis services, from March 2004 to September 2014. She was an assistant to the president at Tom.com Internet Group from August 2003 to January 2004 and an associate in the investment banking department at China International Capital Corporation Limited from July 1998 to September 2001. Ms. Li graduated from Beijing University of Aeronautics and Astronautics with a bachelor of economics degree in July 1998 where she majored in international finance. She also received a Master of Science degree in accounting and finance from London School of Economics and Political Science in July 2003 and a doctor's degree in economics, majoring in world economy, from the Graduate School of the Chinese Academy of Social Sciences in July 2014.

Zhen WEI (魏臻), aged 44, has been appointed as a Non-executive Director of the Company with effect from 13 January 2016. He is a managing director of Warburg Pincus Asia LLC, an affiliate of Amber Gem Holdings Limited, a substantial shareholder of the Company and is primarily responsible for investments in the consumer and healthcare sectors in China. Prior to joining Warburg Pincus Asia LLC, Mr. Wei was with the investment banking division of Morgan Stanley in Hong Kong, and McKinsey & Company in Shanghai. Mr. Wei is a non-executive director of AAG Energy Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited, Stock Code: 2686), and a non-executive director of each of China Kidswant Investment Holdings Co. Ltd, ANE Logistics Co., Ltd., Sunnywell Group and ZTO Express (Cayman) Inc. Mr. Wei received a bachelor of science degree from the University of Texas at Austin in 1995, and a master's degree in business administration from Harvard Business School in 2002.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sam Hanhui SUN (孫含暉), aged 43, has served as the Company's Independent Non-executive Director since 18 August 2014. Mr. Sun is currently the Chairman of Audit and Compliance Committee of the Company. 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 21 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 Holdings Limited 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. From January 2010 to May 2015, Mr. Sun 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 Holdings Limited. Since December 2015, Mr. Sun has served as an independent director and the chairman of the audit committee of Yirendai Ltd.,a company listed on the New York Stock Exchange (Stock Code: YRD). 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 56, has served as the Company's Independent Non-executive Director since 18 August 2014. Mr. Ding is currently the Chairman of Remuneration Committee of the Company. 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 29 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 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.

Lei LIN (林雷), aged 48, has served as the Company's Independent Non-executive Director since 18 August 2014. Mr. Lin is currently members of Audit and Compliance Committee and Nomination Committee of the company. 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 21 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 was 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 to December 2014, and currently he is the chairman of Sinotrust International Information and Consulting (Beijing) Co., Ltd. since January 2015. 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 directors 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 admitted as a vice president of China Association of Market Information and Research in December 2012, 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 Applied Economic Mathematics from Renmin University of China in July 1990.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Joseph CHOW (周凡), aged 52, has been appointed as an Independent Non-executive Director, a member of the Audit and Compliance Committee, the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company with effect from 13 January 2016. He has over 20 years of experience in corporate finance, financial advisory and management and has held senior executive and managerial positions in various public and private companies. Mr. Chow was recently a managing director of Moelis & Company and was previously a managing director at Goldman Sachs (Asia) L.L.P. Prior to that, he served consecutively as an independent financial consultant, as the chief financial officer of Harbor Networks Limited, as the chief financial officer of China Netcom (Holdings) Company Limited, as a director of strategic planning of Bombardier Capital, Inc., as a vice president of international operations of Citigroup, as a corporate auditor of GE Capital, as an independent director of Synutra International, Inc. and China Lodging Group, Limited. Mr. Chow is currently an independent director of China Biologic Products, Inc., which is a company listed on NASDAQ, and an independent non-executive director of Intime Retail (Group) Company Limited and China ZhongDi Dairy Holdings Company Limited (both companies are listed on the Stock Exchange). Mr. Chow graduated from Nanjing Institute of International Relations with a bachelor's degree in political science in 1984. He also received a master of business administration degree from the University of Maryland at College Park in 1993.

SENIOR MANAGEMENT

Jenny Zhiya QIAN (錢治亞), aged 39, was appointed as the Company's executive vice-president and chief operating officer on 15 May 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 27 September 2007, and is also a founding member of the Group. Ms. Qian has over 18 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 42, was appointed as the Company's executive vice-president and the chief information officer on 30 July 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 16 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 38, was appointed as the Company's executive vice-president and the Chief Financial Officer on 15 May 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 1 May 2014. Mr. Li has over 16 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 39, was appointed as the Company's executive vice-president on 15 May 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 27 September 2007, and is also a founding member of the Group. Ms. Song has over 17 years of industry experience. Before joining us, she was a member of the technical support department at Beijing 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 42, was appointed as our company secretary on 30 July 2014. Ms. So has over 17 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") has committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Board is of the view that during the year ended 31 December 2015, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provision A.2.1, details will be set out below.

A. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2015.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

B. BOARD OF DIRECTORS

As at 31 December 2015, the Board comprised of 9 members, consisting of 1 Executive Director, 4 Non-executive Directors and 4 Independent Non-executive Directors as set out below:

Executive Director:

Mr. Charles Zhengyao LU *(Chairman of the Board, Chief Executive Officer and Member of Nomination Committee)*

Non-executive Directors:

Mr. Linan ZHU
Mr. Hui LI
Mr. James Peter MUELLER
Ms. Xiaogeng LI *(Member of Remuneration Committee)*

Independent Non-executive Directors:

Mr. Sam Hanhui SUN *(Chairman of Audit and Compliance Committee)*
Mr. Wei DING *(Chairman of Remuneration Committee)*
Mr. Li ZHANG *(Chairman of Nomination Committee and Members of Audit and Compliance Committee and Remuneration Committee)*
Mr. Lei LIN *(Members of Audit and Compliance Committee and Nomination Committee)*

Mr. Hui LI resigned as a Non-executive Director on 13 January 2016. Mr. Zhen WEI was appointed as a Non-executive Director on 13 January 2016.

Mr. Li ZHANG resigned as an Independent Non-executive Director, Chairman of Nomination Committee and Members of Audit and Compliance Committee and Remuneration Committee on 13 January 2016. Mr. Joseph CHOW was appointed as an Independent Non-executive Director, Chairman of Nomination Committee and Members of Audit and Compliance Committee and Remuneration Committee on 13 January 2016.

The biographical information of the Directors and relationships among the members of the Board are set out in the section headed "Profile of Directors and Senior Management" in this annual report.

(1) Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

Currently, the Chairman of the Board and Chief Executive Officer of the Company are held by Mr. Charles Zhengyao LU. While this constitutes a deviation from code provision A.2.1 as set out in the CG Code, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. Lu acts as the Chairman of the Board and the Chief Executive Officer of the Company. 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) decisions to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises four Independent Non-executive Directors out of nine Directors, which is more than the Listing Rules requirement of one-third, they 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 the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises of 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 the 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 the Group in order to assess whether separation of the roles of the Chairman of the Board and Chief Executive Officer is necessary.

(2) Independent Non-executive Directors

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

(3) Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the directors of the Company is appointed for a specific term of 3 years and is subject to retirement by rotation once every 3 years under the Company's Articles of Association (the "Articles of Association").

(4) Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board make decisions objectively in the interests of the Company.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operations and management of the Company are delegated to the management.

(5) Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2015, the Directors complied with the code provision A.6.5 of the CG Code and all Directors, namely, Mr. Charles Zhengyao LU, Mr. Linan ZHU, Mr. Erhai LIU, Mr. Hui LI, Mr. Narasimhan Brahmadesam SRINIVASAN, Mr. James Peter MUELLER, Ms. Xiaogeng LI, Mr. Sam Hanhui SUN, Mr. Wei DING, Mr. Li ZHANG and Mr. Lei LIN, received regular briefings and updates on the Group's business/operations/corporate governance matters which are relevant to their duties and responsibilities.

According to records provided by the Directors, a summary of training or briefings received by the Directors for the year ended 31 December 2015 is as follows:

Name of Director	**Training***
Mr. Charles Zhengyao LU	2
Mr. Linan ZHU	1
Mr. Erhai LIU (resigned on 17 November 2015)	1
Mr. Hui LI (resigned on 13 January 2016)	2
Mr. Narasimhan Brahmadesam SRINIVASAN (resigned on 13 October 2015)	1
Mr. James Peter MUELLER (appointed on 13 October 2015)	2
Ms. Xiaogeng LI (appointed on 17 November 2015)	1
Mr. Sam Hanhui SUN	2
Mr. Wei DING	1
Mr. Li ZHANG (resigned on 13 January 2016)	2
Mr. Lei LIN	2

* Each of the Directors has been notified by the Company on the key proposed changes to the corporate governance code and corporate governance report; environmental, social and governance (ESG) reporting.

C. BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit and Compliance Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and of the Stock Exchange and are available to shareholders upon request.

The Remuneration Committee reviews the policy for the remuneration of the independent directors and senior management and approves the terms of directors' service contracts.

The Nomination Committee determines the policy for the nomination of directors and recommends candidates for directorship during the year.

The Audit and Compliance Committee reviews the quarterly, interim and annual results, reviews risk management and internal control systems and other corporate governance practice of the Company.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" in this annual report.

(1) Audit and Compliance Committee

The Board has established an Audit and Compliance Committee in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. During the year, the terms of reference of the Audit and Compliance Committee were revised to reflect the amendments to the CG Code relating to internal control and risk management which came into effect on 1 January 2016. The revised terms of reference were made available on the websites of the Stock Exchange and the Company.

The main duties of the Audit and Compliance Committee are to assist the Board in reviewing the Company's financial information and relationship with external auditors; overseeing and monitoring the Company's risk management, financial reporting system, internal control procedures and corporate governance functions; reporting to the Board any suspected frauds, irregularities, failures of the risk management or internal control systems; meeting with the internal and external auditors or senior management to discuss the audit plans; and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit and Compliance Committee is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code and such functions include the following: (a) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (b) reviewing and monitoring the training and continuous professional development of Directors and senior management; (c) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; (d) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board and reporting to the Board on matters; (e) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and (f) reviewing and monitoring the Company's compliance with the Company's whistleblowing policy.

During the year ended 31 December 2015, the Audit and Compliance Committee held five meetings to review the quarterly, half-year and annual results of the Company.

(2) Remuneration Committee

The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration (that is, the model described in the code provision B.1.2(c) (ii) of the CG Code is adopted) and on establishing a formal and transparent procedure for developing remuneration policy; making recommendations to the Board on the remuneration of Directors and senior management; and ensuring that no Director or any of his associates will participate in deciding his own remuneration.

During the year ended 31 December 2015, the Remuneration Committee met twice to review the remuneration of the Directors and senior management of the Company.

Pursuant to code provision B.1.5, the annual remuneration (including share options) of the members of the senior management (other than Directors but including chief executive) by band for the year ended 31 December 2015 is set out below:

	Number of individuals
Nil to RMB1,000,000	1
RMB1,000,001 to RMB3,000,000	0
RMB3,000,001 to RMB10,000,000	2
Over RMB10,000,000	2
	5

Details of the remuneration of each of the Directors for the year ended 31 December 2015 are set out in note 8 to the Financial Statements.

(3) Nomination Committee

The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; making recommendations to the Board on the appointment and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer; and assessing the independence of Independent Non-executive Directors and identifying suitable candidates to become Board members.

The Company recognizes and embraces the benefits of having a diverse Board to enhance its performance and has adopted a Board Diversity Policy aiming to set out the approach to achieve diversity on the Board. The implementation of the policy is monitored by the Nomination Committee. In designing the Board's composition, Board diversity has been considered from a number of measurable objectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The current

Board's composition under diversified perspectives is disclosed in the biographical information of the Directors set out in the section headed "Profile of Directors and Senior Management" in this annual report.

The Nomination Committee will continue to observe the Board Diversity Policy and consider potential candidates against the objective criteria set out in the Board Diversity Policy in order to achieve increasing diversity at the Board level.

During the year ended 31 December 2015, the Nomination Committee held three meetings to review the nomination procedures and the composition and diversity of the Board, Nomination Committee, Remuneration Committee and Audit and Compliance Committee and to consider the changes of directors of the Company.

D. ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings of the Company held during the year ended 31 December 2015 are set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit and Compliance Committee**	**Annual General Meeting**
Mr. Charles Zhengyao LU	6/6	3/3	—	—	1/1
Mr. Linan ZHU	4/6	—	—	—	0/1
Mr. Erhai LIU (resigned on 17 November 2015) (Note 1)	4/6	—	2/2	4/5	1/1
Mr. Hui LI (resigned on 13 January 2016)	5/6	—	—	—	0/1
Mr. Narasimhan Brahmadesam SRINIVASAN (resigned on 13 October 2015) (Note 2)	4/5	—	—	—	1/1
Mr. James Peter MUELLER (appointed on 13 October 2015) (Note 3)	1/1	—	—	—	—
Ms. Xiaogeng LI (appointed on 17 November 2015) (Note 4)	—	—	—	—	—
Mr. Sam Hanhui SUN	6/6	—	—	5/5	1/1
Mr. Wei DING	5/6	—	2/2	—	1/1
Mr. Li ZHANG (resigned on 13 January 2016)	5/6	2/3	1/2	—	1/1
Mr. Lei LIN	6/6	3/3	—	5/5	1/1

Notes:

(1) Mr. Erhai LIU resigned as a Non-executive Director on 17 November 2015. Before his resignation, six Board meetings, two Remuneration Committee meetings and five Audit Committee meetings were held during the year.

(2) Mr. Narasimhan Brahmadesam SRINIVASAN resigned as a Non-executive Director on 13 October 2015. Before his resignation, five Board meetings were held during the year.

(3) Mr. James Peter MUELLER was appointed as a Non-executive Director on 13 October 2015. Subsequent to his appointment, one Board meeting was held during the year.

(4) Ms. Xiaogeng LI was appointed as a Non-executive Director on 17 November 2015. Subsequent to her appointment, no Board meeting and Remuneration Committee meeting was held during the year.

During the year ended 31 December 2015, an annual general meeting of the Company was held on 19 May 2015. The Chairman held a meeting with the Non-executive Directors without the senior management present during the year ended 31 December 2015.

E. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditors' Report" in this annual report.

F. AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors in respect of audit services for the year ended 31 December 2015 amounted to RMB4,000,000.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2015 is set out below:

Service Category	**Fees Paid/ Payable RMB'000**
Audit Services	4,000
Non-audit Services	—

G. INTERNAL CONTROLS, AND RISK MANAGEMENT

The Board is responsible for the internal control and risk management systems of the Company and its subsidiaries, reviewing and approving significant policies and reviewing the effectiveness of the internal control and risk management systems. The Board performs continuous monitoring throughout the year and communicates with senior management and the Internal Audit Team regarding matters relating to the internal control and risk management systems. An internal control and risk management is defined as a process effected by the Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following areas:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations
- effectiveness of risk management functions

The internal control and risk management systems are reviewed at least quarterly by the Company's internal control department, the management and the Audit and Compliance Committee.

A review of the effectiveness of the risk management and internal control systems has been conducted during the year ended 31 December 2015 and the Board considers the risk management and internal control systems are effective and adequate.

Management is responsible for setting the appropriate tone from the top, risk assessment, and the design, implementation and maintenance of internal controls, while the Board and its Audit Committee oversee the actions of management and monitor the effectiveness of the established controls. Other teams such as Finance, Legal, and Human Resources provide assistance and expertise to management to assist it in undertaking its responsibilities.

Essential to the internal control system are well defined policies and procedures that are properly documented and communicated to employees. The corporate policies form the basis of all our major guidelines and procedures, and set forth the control standards required for the functioning of our business entities. The policies address legal, regulatory, and operational topics, including, for example, prevention or detection of unauthorised expenditures/payments, safeguarding the Company's assets, data privacy, delegation of authority, information security, and business continuity. A whistle-blowing policy has been put in place to deal with concerns relating to fraudulent or unethical acts or non-compliances with laws and the Company's policies that have or could have significant adverse financial, legal or reputational impacts on the Company.

To assist the Audit and Compliance Committee in its oversight and monitoring activities, the Company maintains an independent Internal Audit function. Internal Audit provides objective assurance to the Audit and Compliance Committee that the system of internal controls is effective and operating as intended. On a regular basis, it conducts audits on financial, operational and compliance controls, and the risk management functions of the Company and its subsidiaries. The annual audits are selected based on a risk assessment to ensure that business activities with higher risk are covered. Relevant members of the management team are responsible for ensuring that control deficiencies highlighted in internal audits are rectified within a reasonable period. Additionally, all employees have responsibility for internal controls within their areas of accountability.

H. COMPANY SECRETARY

Ms. Ka Man SO of Tricor Services Limited, an external service provider, has been engaged by the Company as its company secretary. Her primary contact person at the Company is Ms. Lynn QI, General Legal Counsel of the Company.

I. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

(1) Convening a General Meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Articles of Association by sending a written requisition to the Board or the company secretary. The objects of the meeting must be stated in the written requisition.

(2) Putting Forward Proposals at General Meeting

If a shareholder wishes to propose a person other than a retiring Director for election as a Director of the Company at a general meeting, pursuant to Article 85 of the Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

(3) Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

(4) Contact Details

The contact details of the Company are set out in the Company's website (www.zuche.com) in order to enable the shareholders to make any query that they may have with respect to the Company.

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar. Their details are as follows:

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

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

(5) Articles of Association of the Company

The Articles of Association was adopted pursuant to the written resolutions of sole shareholder of the Company passed on 18 August 2014 and took effect from 19 September 2014. Since then, there have been no changes to the Articles of Association and an up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

J. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The Group operates as the largest car rental company in China, offering comprehensive car rental services including short-term rentals, long-term rentals, finance lease and sales of used rental vehicles. The principal activities of the Group are as follows:

(i) short-term rentals;

(ii) long-term rentals;

(iii) finance lease;

(iv) sales of used rental vehicles.

Details of the principal activities of the principal subsidiaries are set out in note 1 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the reporting period.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the Financial Statements on pages 67 to 166 of this annual report.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group and analysis of the Group's performance using key performance indicators is provided in the Management Discussion and Analysis section on page 18 of this annual report.

Environmental Policies and Performance

Car rental is a mobility solution that reduces car ownership and hence helps solve traffic congestion and carbon dioxide emission. As the largest car rental company in China, our goal is to provide anyone with any car at any time anywhere. With a fleet size of 91,179 cars at the end of 2015, we were able to provide green travel solutions to customers in the 74 major cities across the country. As the electric vehicle technology gets more mature, we also aim to increase the portion of our electric vehicles in our total fleet to operate our business in a more environmental way.

Internally, we encourage green work by promoting paperless communications and the adoption of the Office Administration system where certain approval processes and internal communications were done electronically. We also place recycle boxes at designated area for employees to re-use paper. We have also assigned certain employees to check the conditions of the electric appliances after office hours to maximize savings.

Compliance with Relevant Laws and Regulations

The Company is subject to laws and regulations governing its relationship with its employees, including wage and hour requirements, working and safety conditions, and social insurance, housing funds and other welfare. Employers of People's Republic of China (the "PRC") 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. The Company did not make adequate employee benefit payments as required under applicable PRC labor laws until 31 December 2011, and as of such date, accruals for the underpaid amounts as recorded were RMB9.2 million. The Company has since paid up the cumulative amount of the under-contributed social insurance, housing fund and other employee benefits with increased internal control measures.

In accordance with Road Traffic Safety Law and Provisions on the Registration of Motor Vehicles promulgated by the Ministry of Public Security, all automotive vehicles must be registered and equipped with license plates. As of 31 December 2015, our vehicles have been registered with relevant local administration authorities and are equipped with license plates. 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. The Company is in compliance with local rules on car rental industry in general.

The Group has complied with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Securities and Futures Ordinance (the "SFO") and the Corporate Governance Code (the "CG Code") for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Key Relationships with Stakeholders

Employees

In 2015, the number of our employees has grown from 6,758 to 6,925, which was relatively stable compared with the fast expansion in earlier years. During the past year, the pre-IPO options vested gradually. Employees started to enjoy the fruits planted earlier and were incentivized to enhance the financial performance of the Company. We also focused specifically on improving the performance appraisal system of our front line staff in order to maximize return for the best performing staff.

OEM suppliers

OEM suppliers are one of the most important business partners of the Company. Ongoing communications were maintained to seek deeper business opportunities with suppliers, such as joint marketing efforts and tailor-made car models. We also worked with suppliers to shorten the delivery cycle and to obtain better payment terms.

Creditors

We spent a significant amount of capital expenditure in 2015 to purchase new cars. A large portion of the capital were the borrowings from banks and the proceeds from issuing USD denominated bonds. We have been maintaining a healthy financial position which allowed us to obtain financing when needed.

Key Risks and Uncertainties

The car rental business is capital intensive. 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.

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.

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. As used cars constitute a significant portion of our assets and 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 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 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.

The emergence of the new mobility service options such as ride sharing and car chauffeured services may dilute the needs for car rental services. If we are unable to mitigate the challenges or find new sources of revenues to recover the impact, our results of operations and growth prospects may be affected.

Prospects

Currently, we do not have plans for material investments except purchasing cars for our ordinary course of business. Accordingly, we foresee that our major source of funding will be from the operation cash flow and borrowings form the banks.

Please refer to section headed "Strategies" in this annual report for more details.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2015.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the reporting period are set out in notes 30 and 31 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the reporting period are set out in the consolidated statement of changes in equity on page 71 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had no distributable reserves.

FINANCIAL SUMMARY

A summary of the published results of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 167 of this annual report. This summary does not form part of the audited financial statements.

CHARITABLE CONTRIBUTION

During the year, the Group made charitable contributions totaling RMB1,300,000.

RENTAL VEHICLES, OTHER PROPERTY, PLANT AND EQUIPMENT

Details of movements in rental vehicles, other property, plant and equipment of the Group during the reporting period are set out in note 12 and note 15 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the reporting period are set out in note 27 to the Financial Statements.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange had granted a waiver under Rule 8.08(1) (d) of the Listing Rules to accept a lower public float percentage of the Company's issued share capital (the "Minimum Public Float") subject to:

(i) the Minimum Public Float of 15%; and

(ii) appropriate disclosure of the lower prescribed percentage of public float and confirmation of sufficiency of public float in successive annual reports after listing.

Pursuant to the waiver, the Company has complied with the public float requirement which is at the higher of such percentage (being 21.6%) of shares held by the public immediately after the completion of the issue and allotment by the Company of the Over-allotment Shares. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the waiver.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company (the "Articles of Association") and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The directors of the Company during the reporting period and up to the date of this annual report are:

Executive Director

Mr. Charles Zhengyao LU (Chairman)

Non-executive Directors

Mr. Linan ZHU
Mr. Erhai LIU (resigned on 17 November 2015)
Mr. Hui LI (resigned on 13 January 2016)
Mr. Narasimhan Brahmadesam SRINIVASAN (resigned on 13 October 2015)
Mr. James Peter MUELLER (appointed on 13 October 2015)
Ms. Xiaogeng LI (appointed on 17 November 2015)
Mr. Zhen WEI (appointed on 13 January 2016)

Independent Non-executive Directors

Mr. Sam Hanhui SUN
Mr. Wei DING
Mr. Li ZHANG (resigned on 13 January 2016)
Mr. Lei LIN
Mr. Joseph CHOW (appointed on 13 January 2016)

Each of the Directors is appointed for a specific term of three years and is subject to retirement by rotation once every three years pursuant to the Articles of Association.

Pursuant to Article 84 of the Articles of Association, Mr. Sam Hanhui SUN, Mr. Wei DING and Mr. Lei LIN shall retire by rotation at the annual general meeting of the Company to be held on 17 May 2016 (the "AGM"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out in the section headed "Profile of Directors and Senior Management" in this annual report.

DIRECTORS' SERVICE AGREEMENT AND LETTER OF APPOINTMENT

Our executive Director has entered into a service agreement and each of our three Non-executive Directors and four Independent Non-executive Directors has signed a letter of appointment with the Company. The initial term of the appointment is three years commencing from the execution date of the service agreement or letter of appointment (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 agreement or letter of appointment or by either party giving to the other not less than one month's prior notice in writing.

None of the Directors proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the Independent Non-executive Directors, namely Mr. Sam Hanhui SUN, Mr. Wei DING, Mr. Lei LIN and Mr. Joseph CHOW, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these directors. We consider that our Independent Non-executive Directors have been independent for the period from the date of their appointment to 31 December 2015 and remain so as at the date of this annual report.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests of the Directors and chief executives in the shares of the Company which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Name	Capacity/Nature of Interest	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Mr. Charles Zhengyao LU (陸正耀) (1)	Beneficiary of a Trust, Interest in a Controlled Corporation and Beneficial Owner	366,153,545 (L)	15.29%
Mr. Sam Hanhui SUN (孫含暉) (2)	Beneficial Owner	310,000 (L)	0.01%

L: Long Position

Notes:

(1) Mr. Lu was deemed to be interested in all of the 307,201,775 shares of the Company held by Haode Group Inc. Haode Group Inc. 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. Lichun GUO) as the settlor and certain family members of Mr. Lu as the beneficiaries. Mr. Lu was also deemed to be interested in 53,723,770 shares of the Company held by Sky Sleek Limited, which was wholly owned by Mr. Lu's wife, Ms. Guo. Mr. Lu is interested in 5,228,000 shares as beneficial owner.

(2) Mr. Sun is interested in 310,000 shares as beneficial owner.

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2015.

Save as disclosed above, none of the directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2015.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the following are the persons, other than the directors or chief executives of the Company, who had interests in the shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of Part XV of the SFO:

Name	Capacity/Nature of Interest	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Legend Holdings Corporation[(1)]	Interest in a Controlled Corporation	563,583,025 (L)	23.54%
Right Lane Limited[(1)]	Interest in a Controlled Corporation	563,583,025 (L)	23.54%
Grand Union Investment Fund, L.P.[(1)]	Beneficial Owner	562,668,025 (L)	23.50%
Infinity Wealth Limited[(1)]	Interest in a Controlled Corporation	562,668,025 (L)	23.50%
Amber Gem Holdings Limited[(2)]	Beneficial Owner	262,471,340 (L)	10.96%
Warburg Pincus & Co.[(2)]	Interest in a Controlled Corporation	262,471,340 (L)	10.96%
Warburg Pincus Private Equity XI, L.P.[(2)]	Interest in a Controlled Corporation	262,471,340 (L)	10.96%
Warburg Pincus XI, L.P.[(2)]	Interest in a Controlled Corporation	262,471,340 (L)	10.96%
WP Global LLC[(2)]	Interest in a Controlled Corporation	262,471,340 (L)	10.96%
WP XI Equity Ltd[(2)]	Interest in a Controlled Corporation	262,471,340 (L)	10.96%
Hertz Holdings Netherlands B.V.[(3)]	Beneficial Owner	244,919,265 (L)	10.23%
Hertz Global Holdings, Inc.[(3)]	Interest in a Controlled Corporation	244,919,265 (L)	10.23%
Hertz International Limited[(3)]	Interest in a Controlled Corporation	244,919,265 (L)	10.23%
Hertz Investors, Inc[(3)]	Interest in a Controlled Corporation	244,919,265 (L)	10.23%
Stuurgroep Holding C.V.[(3)]	Interest in a Controlled Corporation	244,919,265 (L)	10.23%
The Hertz Corporation[(3)]	Interest in a Controlled Corporation	244,919,265 (L)	10.23%
Ms. Lichun GUO[(4)(5)]	Founder of a Trust, Interest in a Controlled Corporation and Interest of Spouse	366,153,545 (L)	15.29%
Haode Group Inc.[(5)]	Beneficial Owner	307,201,775 (L)	12.83%
Lucky Milestone Limited[(5)]	Interest in a Controlled Corporation	307,201,775 (L)	12.83%
Cititrust Private Trust (Cayman) Limited[(5)]	Trustee of a Trust	307,201,775 (L)	12.83%
UCAR Technology Inc.	Beneficial Owner	125,400,000 (L)	5.24%
Credit Suisse Group AG[(6)]	Interest in a Controlled Corporation	120,952,816 (L)	5.05%
Credit Suisse Group AG[(6)]	Interest in a Controlled Corporation	50,566,816 (S)	2.11%

L = Long Position
S = Short Position

Notes:

(1) Grand Union Investment Fund, L.P. is an exempted liability partnership which is controlled by a general partner, Infinity Wealth Limited. Infinity Wealth Limited is a wholly-owned subsidiary of Right Lane Limited, which in turn, is wholly-owned by Legend Holdings Corporation. Legion Elite Limited is a wholly-owned subsidiary of Right Lane Limited. Thus, Legend Holdings Corporation and Right Lane Limited were deemed to be interested in 562,668,025 shares and 915,000 shares of the Company held by Grand Union Investment Fund, L.P. and Legion Elite Limited respectively. Infinity Wealth Limited was deemed to be interested in 562,668,025 shares of the Company.

(2) WP XI Equity Ltd owns 77.6% of the equity interest in Amber Gem Holdings Limited ("Amber Gem"); WP XI Equity Ltd is a wholly-owned subsidiary of Warburg Pincus Private Equity XI, L.P., which, in turn, is wholly-owned by Warburg Pincus XI, L.P. Warburg Pincus XI, L.P. is wholly-owned by WP Global LLC, which, in turn, is wholly-owned by Warburg Pincus & Co. Thus, WP XI Equity Ltd, Warburg Pincus Private Equity XI, L.P., Warburg Pincus XI, L.P., WP Global LLC and Warburg Pincus & Co. were deemed to be interested in 262,471,340 shares of the Company held by Amber Gem.

(3) Hertz Holdings Netherlands B.V. 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 Investors, 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 were deemed to be interested in 244,919,265 shares of the Company held by Hertz Holdings Netherlands B.V.

(4) Ms. Guo is the sole shareholder of Sky Sleek Limited. Thus, Ms. Guo was deemed to be interested in 53,723,770 shares of the Company held by Sky Sleek Limited. Ms. Guo was also deemed to be interested in 5,228,000 shares of the Company through the interests of her spouse, Mr. Lu.

(5) Haode Group Inc. 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 and Ms. Guo were deemed to be interested in 307,201,775 shares of the Company held by Haode Group Inc.

(6) Credit Suisse Group AG was deemed to be interested in a long position in 120,952,816 shares and a short position in 50,566,816 shares of the Company by virtue of its control over the following indirect and direct wholly-owned subsidiaries:-

(6.1) Credit Suisse (Hong Kong) Limited, an indirect wholly-owned subsidiary of Credit Suisse Group AG, held a long position in 5,690,000 shares of the Company.

(6.2) Credit Suisse Securities (Europe) Limited, an indirectly wholly-owned subsidiary of Credit Suisse Group AG, held a long position in 38,909,000 shares and a short positon in 15,155,000 shares of the Company.

(6.3) Credit Suisse Securities (USA) LLC, an indirectly wholly-owned subsidiary of Credit Suisse Group AG, held a long position in 76,228,816 shares and a short position in 35,286,816 shares of the Company.

(6.4) Credit Suisse AG, an indirectly wholly-owned subsidiary of Credit Suisse Group AG, held a long position in 125,000 shares and a short position in 125,000 shares of the Company.

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2015.

Save as disclosed above, the Company is not aware of any other person (other than the directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2015.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the reporting period and up to the date of this annual report was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group, none of the Directors and controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended 31 December 2015 and up to the date of this annual report.

CONNECTED TRANSACTIONS

Subscription of Series A Preferred Shares and Series B Preferred Shares in UCAR Technology Inc.

On 1 July 2015, the Company, Sapphire Gem Holdings Limited ("Sapphire Gem"), Beinuo Limited ("Beinuo"), Deqing Investments Limited ("Deqing Investments"), UCAR Technology Inc. ("UCAR"), its subsidiaries and its controlled entities (collectively, "UCAR Group"), Mr. Lu and Haode Investment Inc. ("Haode Investment") entered into a subscription agreement ("Series A Subscription Agreement"), pursuant to which UCAR agreed to issue, and the Company, Sapphire Gem, Beinuo and Deqing Investments agreed to subscribe for an aggregate of 5,000,000 series A preferred shares ("Series A Preferred Shares") for a total consideration of US$250 million, among which, 2,500,000 Series A Preferred Shares were subscribed by the Company for a consideration of US$125 million.

On 16 September 2015, the Company, Tourmaline Gem Holdings Limited ("Tourmaline Gem"), Harmony Bravo Limited ("Harmony"), Mr. Lu and Haode Investment, amongst others, entered into a subscription agreement ("Series B Subscription Agreement") with UCAR Group, pursuant to which UCAR agreed to issue, and the Company, Tourmaline Gem, Harmony and other third parties independent of the Company and its connected persons agreed to subscribe for an aggregate of 4,875,887 series B preferred shares ("Series B Preferred Shares") for a total consideration of US$550 million, among which, 443,263 Series B Preferred Shares were subscribed by the Company for a consideration of US$50 million.

Haode Investment holds 18.74% of the total issued ordinary shares of UCAR and is wholly owned by Ms. Guo, who is the spouse of Mr. Lu. As such, Haode Investment is an associate of Mr. Lu. As Mr. Lu is the executive Director and the chief executive officer of the Company, the entering into of the Series A Subscription Agreement and the Series B Subscription Agreement by the Company constitutes connected transactions of the Company under Rule 14A.28 of the Listing Rules.

Among the related party transactions disclosed in note 39 to the Financial Statements, the following transaction constitutes a continuing connected transaction of the Company and is required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Referral Agreement

As disclosed in the Company's prospectus dated 8 September 2014 (the "Prospectus"), on 1 May 2013, Hertz International Limited ("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, which is for a period of five years. When the Referral Agreement was entered into, Hertz International was an independent third party.

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 centers 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 centers 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.

On 4 August 2014, the shareholders of CARH, the Company, CARH and Hertz International entered into the Pre-IPO Reorganization Agreement, pursuant to which the Company assumed all the rights and obligations of CARH under the Referral Agreement with effect from the date of completion of the Pre-IPO Reorganization as if the Company were a party to the Referral Agreement.

Upon completion of the Global Offering, Hertz Holdings Netherlands B.V. ("Hertz Holdings") became interested in approximately 16.68% of our enlarged issued share capital. Hertz International indirectly holds 100% of the equity interests in Hertz Holdings. Thus, Hertz International, being an associate of Hertz Holdings, constitute a connected person of the Company. The transactions between Hertz International and our Group constitute connected transactions under Chapter 14A of the Listing Rules. As Hertz International was an independent third party when the Referral Agreement was entered into and the Referral Agreement is for a fixed period with fixed terms, this transaction is subject to Rule 14A.60 of the Listing Rules.

For each of the years ended 31 December 2014 and 31 December 2015, the aggregate commission paid by Hertz International to the Company under the Referral Agreement was approximately RMB41,000 and RMB39,000, respectively, and the aggregate commission paid by the Company to Hertz International was approximately RMB6,707,000 and RMB4,813,000, respectively. As the applicable percentage ratio exceeds the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules, the Company is required to comply with the annual review and annual reporting requirements under Rule 14A.60 of the Listing Rules.

The independent non-executive Directors have reviewed the nature and process of the business transactions, discussed about the pricing methodology of the referred transactions, and have confirmed that the above continuing connected transaction was entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing it and on terms that were fair and reasonable and in the interests of the Company and the shareholders as a whole.

To monitor the transactions between the Company and UCAR, the Company has designated a Compliance Committee, which consists of senior managements from business operation, legal and finance departments. The role of the Compliance Committee is to continuously monitor and ensure the management and business operations are independent between the Company and UCAR, and the transactions between the two companies are within arm's length basis.

The Compliance Committee continuously traces and regularly monitors the progress of the continuing connected transactions and report to management of the Company. The Compliance Committee reviews the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. The heads of different departments of the Company will also be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions. Quarterly or as needed, the Compliance Committee will communicate with the Company's Audit and Compliance Committee to report the progress of the continuing connected transactions, and request for approval of new or significant changes of existing transaction terms. Audit and Compliance Committee has also assigned the independent internal audit team to ensure that the Company's internal control measures in respect of the continuing connected transactions remain effective and complete.

The auditor of the Company has issued its letter containing its findings and conclusions in respect of the abovementioned continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules, confirming that (i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transaction has not been approved by the Company's Board, (ii) nothing has come to their attention that causes the auditor to believe that the transaction was not, in all material respects, in accordance with the pricing policies of the Group, and (iii) nothing has come to their attention that causes the auditor to believe that the transaction was not entered into, in all material respects, in accordance with the terms of the relevant agreement governing such transaction. A copy of the auditor's letter has been provided by auditor to the Stock Exchange.

Save for the above, during the reporting period, we have not entered into any connected transaction or continuing connected transaction which should be disclosed in this annual report pursuant to the Listing Rules. The Referral Agreement has been fully disclosed in the Prospectus and there is no change to the terms of the agreement since 19 September 2014 (the "Listing Date"). The Company confirmed that it has complied with the disclosure requirements in relation to the Referral Agreement in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers. The Company arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group during the year ended 31 December 2015.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors or entities connected with the Directors is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2015 and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period and up to the date of this annual report.

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2015, we had 6,925 employees. The remuneration of our employees includes salaries and allowances. We provide training to our staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The frontline staff, such as the staff work at the service locations of the Company nationwide receive salaries mostly based on the KPIs set by headquarters and branch offices. The KPIs include RevPac, net profit, number of car unavailable for services, number of complaints, customer services scores, etc. The management departments and support departments in general receive fixed salaries and performance based bonuses. Their performance bonuses are mostly linked to the overall financial performance of the Company. The Group offers competitive remuneration packages to the Directors, and the Directors' fees are subject to shareholders' approval at general meeting. The packages were set by benchmarking with companies in similar industries and companies with similar size. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Details of the Directors' remuneration during the reporting period are set out in note 8 to the Financial Statements.

RELATIONSHIP WITH EMPLOYEES

We have not experienced any significant disputes with our employees. As of 31 December 2015, none of our employees was represented by any labor union that engages in collective bargaining.

2014 PRE-IPO SHARE OPTION SCHEME I

The Company has adopted the 2014 Pre-IPO Share Option Scheme I by a resolution of its shareholders on 15 June 2014 and amended on 30 July 2014.

On 16 June 2014, pursuant to the 2014 Pre-IPO Share Option Scheme I, options to subscribe 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. On 31 July 2014, options to subscribe for an aggregate of 4,456,688 shares of the Company under Tranche C of 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. On 3 July 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 options granted under the 2014 Pre-IPO Share Option Scheme I were adjusted to 92,461,415. No further option can be granted under the 2014 Pre-IPO Share Option Scheme I.

As at 31 December 2015, the Company had 55,462,150 share options outstanding under the 2014 Pre-IPO Share Option Scheme I. Should they be fully exercised, the Company will receive US$8,367,204 (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy (note 2.4 to the financial statements) amounted to US$30,100,157.

Name of Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Schedule	Option Period	Exercise Price	Outstanding as of 1 January 2015	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2015
Jenny Zhiya QIAN (錢治亞)	816,730	16 June 2014	100% on the date of grant	10 years from 20 December 2013	US$0.058	816,730	(816,000)	–	–	730
	2,003,895	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	US$0.174	2,003,895	(500,000)	–	–	1,503,895
	5,408,440	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	US$0.174	5,408,440	(1,352,000)	–	–	4,056,440
	8,229,065					8,229,065	(2,668,000)	–	–	5,561,065
Yifan SONG (宋一凡)	816,730	16 June 2014	100% on the date of grant	10 years from 20 December 2013	US$0.058	816,730	(816,000)	–	–	730
	1,596,510	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	US$0.174	1,596,510	(399,000)	–	–	1,197,510
	2,250,000	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	US$0.174	2,250,000	(599,000)	–	–	1,691,000
	4,663,240					4,663,240	(1,774,000)	–	–	2,889,240
Yaxiao LIU (劉亞霄)	1,500,000	31 July 2014	1/3 each on 31 July 2015, 2016 and 2017	10 years from 31 July 2014	US$0.174	1,500,000	(500,000)	–	–	1,000,000
223 employees	33,455,530	16 June 2014	100% on the date of grant	10 years from 20 December 2013	US$0.058	33,455,530	(22,394,830)	–	–	11,060,700
141 employees	31,488,580	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	US$0.174	31,356,455	(4,935,400)	–	(810,910)	25,610,145
18 employees	13,125,000	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	US$0.174	13,125,000	(2,659,000)	–	(1,125,000)	9,341,000
Total	92,461,415					92,329,290	(34,931,230)	–	(1,935,910)	55,462,150

For further details of the 2014 Pre-IPO Share Option Scheme I, please refer to the section headed "Report of the Directors – Summary of the Share Option Schemes" in this report and note 31 to the Financial Statements.

2014 PRE-IPO SHARE OPTION SCHEME II

The Company adopted the 2014 Pre-IPO Share Option Scheme II by a resolution of its shareholders on 15 June 2014.

On 16 June 2014, pursuant to the 2014 Pre-IPO Share Option Scheme II, options to subscribe for an aggregate of 1,232,428 shares of the Company were conditionally granted to our Chief Financial Officer. On 3 July 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 options granted under the 2014 Pre-IPO Share Option Scheme II were adjusted to 6,162,140. No further option can be granted under the 2014 Pre-IPO Share Option Scheme II.

As at 31 December 2015, the Company had 4,621,605 share options outstanding under the 2014 Pre-IPO Share Option Scheme II. Should they be fully exercised, the Company will receive US$804,159 (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy (note 2.4 to the financial statements) amounted to US$2,819,179.

Name of Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Schedule	Option Period	Exercise Price	Outstanding as of 1 January 2015	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2015
Wilson Wei LI (李維)	6,162,140	16 June 2014	25% each on 1 May 2015, 2016, 2017 and 2018	10 years from 1 March 2014	US$0.174	6,162,140	(1,540,535)	—	—	4,621,605

For further details of the 2014 Pre-IPO Share Option Scheme II, please refer to the section headed "Report of the Directors – Summary of the Share Option Schemes" in this report and note 31 to the Financial Statements.

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II
1.	Purpose	To promote the success and enhance the value of the Company by linking the personal interests of the members of the Board, Chief Financial Officer and 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 the members of the Board, the Chief Financial Officer and the employees upon whose judgement, interest, and special effort the successful conduct of the Company's operation is largely dependent.	
2.	Participants	Eligible participants include (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.	The only eligible participant is the Chief Financial Officer.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II
3.	Total number of shares available for issue	As at 31 December 2015, options to subscribe for an aggregate of 11,062,160 shares were outstanding under Tranche A, options to subscribe for an aggregate of 28,311,550 shares were outstanding under Tranche B and options to subscribe for an aggregate of 16,088,440 shares were outstanding under Tranche C, representing approximately 0.4621%, 1.1826% and 0.6720% of the issued share capital of the Company as at 31 December 2015, respectively and 0.4619%, 1.1822% and 0.6718% of the issued share capital of the Company as at the date of this report, respectively. In total, options to subscribe for an aggregate of 55,462,150 shares were outstanding under the 2014 Pre-IPO Share Option Scheme I. No further option could be granted under the 2014 Pre-IPO Share Option Scheme I.	As at 31 December 2015 and the date of this report, options to subscribe for an aggregate of 4,621,605 shares were outstanding, representing approximately 0.1931% of the issued share capital of the Company as at 31 December 2015 and 0.1930% of the issued share capital of the Company as at the date of this report. No further option could be granted under the 2014 Pre-IPO Share Option Scheme II.
4.	Maximum entitlement of each participant	Determined by the Board	Determined by the Board
5.	Option period	Tranche A: 10 years from 20 December 2013 Tranche B: 10 years from 20 December 2013 Tranche C: 10 years from 31 July 2014	10 years from 1 March 2014
6.	Acceptance of offer	Options granted must be accepted within 5 days of the offer date by the grantee. Acceptance is deemed when the grantee duly signs the duplicate letter and the Company receives a remittance in favor of the Company of RMB1.00 as stated in the offer letter by way of consideration for the grant.	
7.	Exercise price	Exercise price for each of Tranche A options, Tranche B options and Tranche C options are US$0.058, US$0.174 and US$0.174 respectively. The exercise price was determined based on estimated reward level to grantees.	Exercise price is US$0.174
8.	Remaining life of the scheme	The 2014 Pre-IPO Share Option Scheme I shall be valid and effective until terminated on the 10th anniversary of its adoption date, i.e. from 15 June 2014 to 14 June 2024.	The 2014 Pre-IPO Share Option Scheme II shall be valid and effective until terminated on the 10th anniversary of its adoption date, i.e. from 1 March 2014 to 29 February 2024.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the amount of the Group's revenue derived from the Group's five largest customers accounted for approximately 35.4% of the Group's revenue and the derived from the largest customer UCAR which included therein amounted to 32.6%. Our five largest vehicle suppliers accounted for approximately 57.07% of our vehicle purchases during the year ended 31 December 2015 and the purchases from the largest supplier included therein amounted to 27.15%.

None of our Directors or any of their close associates or any shareholders (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and vehicle suppliers.

PROPERTY INTERESTS

As at 31 December 2015, the Group had no properties held for investment where any of the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) exceeds 5%.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

EVENTS AFTER THE REPORTING PERIOD

As mentioned in Note 22 to the Financial Statements, UCAR implemented its Restructuring in December 2015 and has transferred its chauffeured car services business to Huaxia United in January 2016 (the "UCAR Business Transfer"). As part of the UCAR Business Transfer, the existing co-branding arrangement between the Company and UCAR has been assigned to Huaxia United, which subsequently changed its name to UCAR Inc. or 神州優車股份有限公司, since January 2016.

Entering into of a term sheet with Hertz International, Ltd.

The Company entered into a binding term sheet ("Term Sheet") with Hertz International, Ltd. to amend certain terms of the Brand Cooperation Agreement and the Referral Agreement, as defined under and terms of which are further set out In the prospectus of the Company dated 8 September 2014. The amendments under the Term Sheet include, among others, extending the term of the Brand Cooperation Agreement and the Referral Agreement, and revising the license fee payable under the Brand Cooperation Agreement and the commission payable under the Referral Agreement.

For details, please refer to the Company's announcement dated 14 March 2016 in relation to the Term Sheet.

Transfer of existing shares among shareholders of the Company

Hertz Holdings Netherlands B.V. ("Hertz Holdings") entered into an agreement with UCAR to sell 203,554,310 Shares at a price of HK$9.1584 per Share. Immediately upon completion of the Hertz Transfer, Hertz Holdings ceased to be a substantial shareholder of the Company. Mr. James Peter Mueller, a director of the Company as nominated by Hertz Holdings, has also resigned from his position as director of the Company on 18 March 2016.

On the same date, Mr. Lu, the executive Director and Chairman of the Company, entered into an agreement with UCAR, pursuant to which Mr. Lu has agreed to sell, or procure his affiliates to sell, 370,470,545 Shares at the price of HK$9.1584 per Share, to UCAR (the "Mr. Lu Transfer").

Upon completion of the Hertz Transfer and the Lu Transfer, the shareholding of UCAR has increased to approximately 29.21% of the total issued share capital of the Company and UCAR became a substantial shareholder of the Company. Mr. Lu remained as the executive Director and Chairman of the Company following completion of the Hertz Transfer and the Mr. Lu Transfer. Mr. Lu is also a director of UCAR.

For details, please refer to the Company's announcement dated 14 March 2016 in relation to the Hertz Transfer and Mr. Lu Transfer.

Entering into an acting in concert agreement by Mr. Lu in respect of UCAR Inc.

Mr. Lu entered into an acting in concert agreement (the "Agreement") with certain existing shareholders of UCAR Inc. (formerly known as Huaxia United Science & Technology Co., Ltd. in respect of their shares in UCAR Inc.

Upon entering into the Agreement, Mr. Lu and such other shareholders in UCAR Inc. will be deemed to have joint control of approximately 49.68% of the shares in UCAR Inc. As a result, UCAR Inc. became a connected person of the Company and the transactions under the co-branding arrangement with UCAR (the "Co-branding Arrangement") constitute continuing connected transactions of the Company.

The Company and UCAR Inc. are contemplating a framework agreement to replace and supersede the Co-branding Agreement (the "Framework Agreement").

For details, please refer to the Company's announcement dated 14 March 2016 in relation to the Agreement entered into by Mr. Lu in respect of UCAR Inc.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. During the year ended 31 December 2015, the Company has complied with the code provisions in the CG Code, save and except for code provision A.2.1, details of which are set out in the Corporate Governance Report.

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2015 have been audited by Ernst & Young, certified public accountants.

Ernst & Young shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

CHANGES IN THE INFORMATION OF THE DIRECTORS

The changes in the information of the Directors as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(1) Mr. Charles Zhengyao LU, an Executive Director, Chief Executive Officer and Chairman of the Board, has been appointed as a chairman of the board of UCAR Technology Inc., a substantial shareholder of the Company with effect from 5 June 2015.

(2) Mr. Sam Hanhui SUN, an Independent Non-executive Director, has been appointed as an independent director and the chairman of the audit committee of Yirendai Ltd. (a company listed on the New York Stock Exchange, Stock Code: YRD) with effect from 18 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 May 2016 to 17 May 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on 13 May 2016.

VOTING BY POLL

All votes of shareholders were taken by poll in the 2015 annual general meeting of the Company. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders will be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

By order of the Board
Charles Zhengyao LU
Chairman of the Board

Hong Kong, 8 March 2016

To the members of CAR Inc.

(Incorporated in Cayman with limited liability)

We have audited the consolidated financial statements of CAR Inc. (the "Company") and its subsidiaries set out on pages 67 to 166, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. Our report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
8 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	**2015** ***RMB'000***	2014 *RMB'000*
Rental revenue		**4,399,251**	2,866,210
Sales of used vehicles		**603,468**	654,226
Total revenue	5	**5,002,719**	3,520,436
Depreciation of rental vehicles		**(939,364)**	(670,163)
Direct operating expenses of rental services		**(1,362,519)**	(988,876)
Cost of sales of used vehicles		**(609,966)**	(621,982)
Gross profit		**2,090,870**	1,239,415
Other income and expenses, net	5	**669,821**	26,195
Selling and distribution expenses		**(79,507)**	(92,710)
Administrative expenses		**(465,608)**	(350,107)
Finance costs	6	**(546,849)**	(309,466)
Profit before tax	7	**1,668,727**	513,327
Income tax expenses	9	**(267,331)**	(77,214)
Profit for the year		**1,401,396**	436,113
Attributable to:			
Owners of the parent		**1,401,396**	436,113
Earnings per share attributed to ordinary equity holders of the parent	11		
Basic		**RMB0.591**	RMB0.218
Diluted		**RMB0.575**	RMB0.212

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
Profit for the year	**1,401,396**	436,113
Other comprehensive income for the year, net of tax	**—**	—
Total comprehensive income for the year, net of tax	**1,401,396**	436,113
Attributable to:		
The owners of the parent	**1,401,396**	436,113

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Rental vehicles	12	**9,338,873**	5,234,194
Other property, plant and equipment	15	**320,185**	213,804
Finance lease receivables - non-current	13	**43,309**	132,782
Prepayments	14	**29,231**	440,910
Prepaid land lease payments	16	**62,019**	6,907
Goodwill	17	**6,659**	6,224
Other intangible assets	18	**159,745**	158,179
Investments in unlisted companies	22	**2,042,103**	—
Rental deposits		**8,150**	4,626
Deposits for sales - leaseback borrowing		**30,000**	—
Restricted cash	24	**—**	53,129
Deferred tax assets	29	**63,662**	573
Total non-current assets		**12,103,936**	6,251,328
CURRENT ASSETS			
Inventories	19	**111,743**	121,905
Trade receivables	20	**239,360**	216,338
Due from related parties	39	**475,852**	20,069
Prepayments, deposits and other receivables	21	**1,258,347**	655,172
Available-for-sale investments	23	**—**	1,070,000
Finance lease receivables - current	13	**112,170**	155,072
Restricted cash	24	**53,129**	—
Cash and cash equivalents	24	**1,987,878**	1,352,435
Total current assets		**4,238,479**	3,590,991
CURRENT LIABILITIES			
Trade payables	25	**21,000**	24,671
Other payables and accruals	26	**336,951**	326,813
Advances from customers		**192,928**	192,771
Interest-bearing bank and other borrowings	27	**1,154,411**	2,778,887
Due to related parties	39	**2,585**	6,707
Income tax payable		**52,708**	38,999
Total current liabilities		**1,760,583**	3,368,848
NET CURRENT ASSETS		**2,477,896**	222,143
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,581,832**	6,473,471

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	**31 December 2015** **RMB'000**	31 December 2014 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,581,832**	6,473,471
NON-CURRENT LIABILITIES			
Senior notes	28	**5,190,607**	—
Interest-bearing bank and other borrowings	27	**2,168,714**	831,802
Deposits received for rental vehicles		**3,550**	14,777
Deferred tax liabilities	29	**119,640**	37,308
Total non-current liabilities		**7,482,511**	883,887
Net assets		**7,099,321**	5,589,584
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**147**	145
Reserves	32	**5,951,865**	5,762,413
Retained profits/(accumulated losses)		**1,147,309**	(172,974)
Total equity		**7,099,321**	5,589,584

Charles Zhengyao LU
Director

Xiaogeng LI
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent						
	Share capital	Merger reserve*	Statutory reserve*	Share premium*	Share option reserve*	Retained profits/ (accumulated losses)	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2014	—	566,124	1,196	—	101,148	(595,530)	72,938
Profit for the year	—	—	—	—	—	436,113	436,113
Other comprehensive income for the year	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	436,113	436,113
Appropriation of statutory reserve	—	—	13,557	—	—	(13,557)	—
Issuance of shares (note 30)	145	—	—	3,183,161	—	—	3,183,306
Contribution from related parties	—	1,816,595	—	—	—	—	1,816,595
Equity-settled share option arrangement (note 31)	—	—	—	—	80,632	—	80,632
As at 31 December 2014	145	2,382,719	14,753	3,183,161	181,780	(172,974)	5,589,584
Profit for the year	**—**	**—**	**—**	**—**	**—**	**1,401,396**	**1,401,396**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**1,401,396**	**1,401,396**
Appropriation of statutory reserve	**—**	**—**	**81,113**	**—**	**—**	**(81,113)**	**—**
Exercise of share options (note 31)	**2**	**—**	**—**	**138,077**	**(115,739)**	**—**	**22,340**
Equity-settled share option arrangement (note 31)	**—**	**—**	**—**	**—**	**86,001**	**—**	**86,001**
As at 31 December 2015	**147**	**2,382,719**	**95,866**	**3,321,238**	**152,042**	**1,147,309**	**7,099,321**

* These reserve accounts comprise the consolidated reserves of RMB5,951,865,000 (2014: RMB5,762,413,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,668,727**	513,327
Adjustments for:			
Impairment on trade receivables		**41,942**	5,434
Depreciation of rental vehicles	12	**939,364**	670,163
Fair value gain on investment in redeemable preference shares	5	**(797,095)**	—
Depreciation of other property, plant and equipment	15	**37,910**	29,279
Loss on other disposal of other property, plant and equipment		**72**	49
Loss on disposal of a subsidiary		**—**	417
Amortisation of other intangible assets	18	**10,332**	9,390
Amortisation of prepaid land lease payments	16	**1,252**	169
Exchange loss		**253,015**	6,235
Equity-settled share option expenses	31	**86,001**	80,632
Finance costs	6	**546,849**	309,466
Interest income		**(25,248)**	(34,620)
		2,763,121	1,589,941
Increase of trade receivables		**(64,964)**	(13,180)
Increase of an amount due from a related party		**(455,783)**	(20,069)
Decrease of inventories		**10,162**	208,399
Increase of prepayments and other receivables		**(193,680)**	(700,491)
(Decrease)/increase of trade payables		**(3,671)**	10,869
(Decrease)/increase of due to related parties		**(4,122)**	24,222
Increase of advances from customers		**157**	13,419
Increase/(decrease) of other payables and accruals		**20,785**	(66,143)
Increase of rental vehicles		**(5,044,043)**	(1,880,401)
Decrease/(increase) of finance lease receivables		**132,503**	(176,815)
Tax paid		**(215,576)**	(19,943)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(3,055,111)**	(1,030,192)

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of other property, plant and equipment		**(178,634)**	(81,220)
Proceeds from disposal of other property, plant and equipment		**453**	3,857
Purchases of other intangible assets		**(11,706)**	(21,901)
Additions to prepaid land lease payments		**(57,809)**	—
Acquisition of subsidiaries	33	**(695)**	(1,321)
Redemption of available-for-sale investments		**1,570,000**	725,000
Purchase of available-for-sale investments		**(500,000)**	(1,795,000)
Investments in unlisted companies		**(1,245,008)**	—
Interest received		**25,353**	34,620
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(398,046)**	(1,135,965)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits for borrowings		**(30,000)**	—
Restricted cash		**—**	(51,299)
Proceeds from bank and other borrowings		**2,958,668**	1,612,618
Repayments of bank and other borrowings		**(3,295,850)**	(1,812,804)
Proceeds from a related party		**—**	195,277
Proceeds from issuance of ordinary shares		**—**	3,183,306
Proceeds from exercise of share options		**22,340**	—
Repayments to related parties		**—**	(133,542)
Proceeds from senior notes		**4,820,605**	—
Interest paid		**(409,911)**	(315,762)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**4,065,852**	2,677,794
NET INCREASE IN CASH AND CASH EQUIVALENTS		**612,695**	511,637
Cash and cash equivalents at beginning of year		**1,352,435**	841,835
Effect of foreign exchange rate changes, net		**22,748**	(1,037)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,987,878**	1,352,435

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**1,473,018**	1,275,245
Non-pledged time deposits with original maturity of less than three months when acquired	24	**514,860**	77,190
Cash and cash equivalents as stated in the statement of financial position		**1,987,878**	1,352,435
Cash and cash equivalents as stated in the statement of cash flows		**1,987,878**	1,352,435

1. CORPORATE AND GROUP INFORMATION

China Auto Rental Inc. (the "Company") was incorporated as an investment holding company under the laws of the Cayman Islands on 25 April 2014, and changed its name to CAR Inc. on 17 June 2014. The registered and correspondence address is Box 2681, Cricket Square, P.O., Grand Cayman KY1-1111, Cayman Islands. The Group is principally engaged in the car rental business.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
北京神州汽車租賃有限公司 Beijing China Auto Rental Co., Ltd. ("CAR Beijing")	PRC/Mainland China	RMB378 million	—	100	Car rental
重慶神州汽車租賃有限公司 Chongqing China Auto Rental Co., Ltd.	PRC/Mainland China	RMB0.3 million	—	100	Car rental
上海神州華東汽車租賃有限公司 Shanghai Huadong Auto Rental Co., Ltd.	PRC/Mainland China	RMB9 million	—	100	Car rental
北京凱普停車管理有限公司 Beijing Kaipu Parking Management Co., Ltd. ("Beijing Kaipu")	PRC/Mainland China	RMB5 million	—	100	Vehicle parking management
無錫神州汽車租賃有限公司 Wuxi China Auto Rental Co., Ltd.	PRC/Mainland China	RMB2.01 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
廣州神州汽車租賃有限公司 Guangzhou China Auto Rental Co., Ltd.	PRC/Mainland China	RMB1 million	—	100	Car rental
北京北辰汽車租賃有限公司 Beijing Beichen Auto Rental Co., Ltd.	PRC/Mainland China	RMB35 million	—	100	Car rental
貴陽敬呂商貿有限公司 Guiyang Jinglv Trade Co., Ltd.	PRC/Mainland China	RMB30,000	—	100	Car rental
北京達世行華威勞務服務有限公司 Beijing Dashihang Warwick Labor Services Co., Ltd.	PRC/Mainland China	RMB5 million	—	100	Car rental
China Auto Rental Limited (formerly known as Legend Capital Management (Hong Kong) Limited and LC Industrial Investment Limited)	Hong Kong	US$200	—	100	Investment
聯慧汽車（廊坊）有限公司 Lianhui Auto (Langfang) Co., Ltd. (formerly known as United Auto (Langfang) Co., Ltd.)	PRC/Mainland China	US$500 million	—	100	Processing and manufacture of auto parts

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
上海泰暢汽車駕駛服務有限公司 Shanghai Taichang Auto Driving Service Co., Ltd.	PRC/Mainland China	RMB0.2 million	—	100	Chauffeured services
北京卡爾汽車租賃有限公司 Beijing Carl Auto Rental Co., Ltd.	PRC/Mainland China	RMB0.5 million	—	100	Car rental
Main Star Global Limited	British Virgin Islands	US$2	—	100	Investment holding
Haike Leasing (China) Limited	Hong Kong	HK$1	—	100	Investment holding
海科融資租賃（北京）有限公司 Haike Leasing (Beijing) Limited	PRC/Mainland China	US$199 million	—	100	Car rental
海科融資租賃（福建）有限公司 Haike Leasing (Fujian) Limited	PRC/Mainland China	US$49 million	—	100	Car rental
浩科融資租賃（上海）有限公司 Haoke Leasing (Shanghai) Limited	PRC/Mainland China	RMB1,760 million	—	100	Car rental
Shenzhou Used Car (China) Limited	Hong Kong	HK$1	—	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
廣州神洲汽車租賃有限公司 Guangzhou Shenzhou Auto Rental Co., Ltd.	PRC/Mainland China	RMB1 million	—	100	Car rental
廣州市安淼汽車維修有限公司 Guangzhou Anmiao Auto Repair Co., Ltd.	PRC/Mainland China	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.	PRC/Mainland China	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 Service Co., Ltd.	PRC/Mainland China	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")	PRC/Mainland China	RMB0.5 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.	PRC/Mainland China	US$2 million	—	100	Sale of used cars
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.	PRC/Mainland China	RMB1 million	—	100	Sale of used cars

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
深圳市富港汽車維修服務有限公司 Shenzhen Fugang Auto Repair Service Co., Ltd. ("Shenzhen Fugang")	PRC/Mainland China	RMB0.58 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.	PRC/Mainland China	RMB0.5 million	—	100	Auto repair service
濟南申源汽車維修有限公司 Jinan Shenyuan Auto Repair Co., Ltd. ("Jinan Shenyuan")	PRC/Mainland China	RMB0.5 million	—	100	Auto repair service
武漢凱普汽車服務有限公司 Wuhan Kaipu Auto Service Co., Ltd. ("Wuhan Kaipu")	PRC/Mainland China	RMB0.3 million	—	100	Auto repair service
Premium Auto Rental (China) Limited ("Premium")	Hong Kong	US$10,000	—	100	Investment holding
Rent A Car Holdings (HK) Limited ("Rent A Car")	Hong Kong	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")	PRC/Mainland China	US$31.14 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
赫茲汽車租賃（北京）有限公司 Hertz Rent A Car (Beijing) Co., Ltd. ("RAC BJ")	PRC/Mainland China	US$22 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")	PRC/Mainland China	RMB19 million	—	100	Car rental
上海必茲國際租車諮詢有限責任公司 Shanghai Bizi International Car Rental Consulting Co., Ltd. ("Shanghai Hertz")	PRC/Mainland China	US$0.14 million	—	100	Consulting
海口神州暢行商旅服務有限公司 Haikou Shenzhou Changxing Travel Service Co., Ltd.	PRC/Mainland China	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")	PRC/Mainland China	RMB0.1 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
鄭州眾德立汽車維修服務有限公司 Zhengzhou Zhongdeli Auto Repair Service Co., Ltd. ("Zhengzhou ZD")	PRC/Mainland China	RMB1 million	—	100	Auto repair service
三亞凱普汽車維修有限公司 Sanya Kaipu Auto Repair Co., Ltd.	PRC/Mainland China	RMB0.5 million	—	100	Auto repair service
重慶凱州汽車維修服務有限公司 Chongqing Kaizhou Auto Repair Service Co., Ltd. ("CQ Kaizhou")	PRC/Mainland China	RMB0.5 million	—	100	Auto repair service
上海凱普汽車維修服務有限公司 Shanghai Kaipu Auto Repair Service Co., Ltd.	PRC/Mainland China	RMB0.5 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")	PRC/Mainland China	RMB1 million	—	100	Auto repair service
神州租車（天津）有限公司 China Auto Rental (Tianjin) Co., Ltd.	PRC/Mainland China	US$100 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
北京神州暢達汽車服務有限公司 Beijing Shenzhou Changda Auto Service Co., Ltd.	PRC/Mainland China	RMB3 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/Mainland China	RMB0.3 million	—	100	Auto repair service
天津神州汽車租賃有限公司 Tianjin China Auto Rental Co., Ltd.	PRC/Mainland China	RMB50 million	—	100	Car rental
天津優品汽車租賃有限公司 Tianjin Youpin AutO Rental Co., Ltd.	PRC/Mainland China	RMB50 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")	PRC/Mainland China	RMB0.5 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	PRC/Mainland China	RMB3 million	—	100	Sale of used cars and consultation service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
海科（平潭）信息技術有限公司 Haike (Pingtan) Information Technology Co., Ltd.	PRC/Mainland China	RMB100 million	—	100	Car rental information system service
拉薩神州租車有限公司 Lhasa China Auto Rental Co., Ltd.	PRC/Mainland China	RMB100 million	—	100	Car rental and consultation service
東莞市鑫發汽車維修服務有限公司 Dongguan Xinfa Auto Repair Service Co., Ltd. ("Dongguan XF")	PRC/Mainland China	RMB0.3 million	—	100	Sales of used cars and auto repair service
神州租車投資有限公司 China Auto Rental Investment Inc.	British Virgin Islands	US$1	100	—	Investment holding
西安眾德汽車維修服務有限公司 Xi'an Zhongde Auto Repair Service Co., Ltd.	PRC/Mainland China	RMB0.5 million	—	100	Auto repair service
陝西迪卡爾商務諮詢有限公司 Shanxi Dika'er Business Consulting Service Co., Ltd.	PRC/Mainland China	RMB3 million	—	100	Car rental and sale of used cars
北京神州競優拍賣有限公司 Beijing Shenzhou Jingyou Auction Co., Ltd.	PRC/Mainland China	RMB1 million	—	100	Auction

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
蘇州神州汽車租賃有限公司 Suzhou China Auto Rental Co., Ltd.	PRC/Mainland China	RMB1 million	—	100	Car rental
海科融資租賃（天津）有限公司 Haike Leasing (Tianjin) Limited	PRC/Mainland China	RMB1,600 million	—	100	Car rental
上海凱栩汽車維修服務有限公司 Shanghai Kaixu Auto Repair Service Co., Ltd. ("Shanghai Kaixu")	PRC/Mainland China	RMB0.5 million	—	100	Auto Service
神州租車（廈門）有限公司 China Auto Rental (Xiamen) Co., Ltd.	PRC/Mainland China	RMB30 million	—	100	Car Rental
蘇州凱普商務諮詢有限公司 Suzhou Kaipu Business Consulting Co., Ltd. ("SZ Kaipu")	PRC/Mainland China	RMB5 million	—	100	Consulting
太原神州汽車信息諮詢有限公司 Taiyuan Shenzhou Auto Information Service Co., Ltd. ("Taiyuan SZ")	PRC/Mainland China	RMB5 million	—	100	Consulting
神州租車（中國）有限公司 China Auto Rental Co., Ltd.	PRC/Mainland China	US$10 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
湖南神州暢元商務信息諮詢有限公司 Hunan Shenzhou Changyuan Business Information Service Co., Ltd. ("HN SZ Changyuan")	PRC/Mainland China	RMB5 million	—	100	Management
北京翱翔嘉業科技有限公司 Beijing AoXiang Jiaye Technology Co., Ltd. ("Beijing AX")	PRC/Mainland China	RMB0.5 million	—	100	IT service
北京群視創維科技有限責任公司 Beijing Qunshi Chuang Wei Technology Co., Ltd. ("Beijing SQ")	PRC/Mainland China	RMB0.3 million	—	100	IT service
神州租車電子商務（福建）有限公司 China Auto Rental E-Commerce (Fujian) Co., Ltd. ("CAR EC FJ")	PRC/Mainland China	RMB20 million	—	100	IT service
神州租車信息技術（福建）有限公司 China Auto Rental Information Technology (Fujian) Co., Ltd. ("CAR IT FJ")	PRC/Mainland China	US$100 million	—	100	IT service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
神州租車服務管理（福建）有限公司 China Auto Rental Service Management (Fujian) Co., Ltd. ("CAR FJ")	PRC/Mainland China	US$50 million	—	100	Car rental
長沙神州新喆商務諮詢有限公司 Changsha Shenzhou Xin Zhe Business Consulting Co., Ltd. ("Changsha Xinzhe")	PRC/Mainland China	RMB5 million	—	100	Consulting
廣東全程汽車租賃有限公司 Guangdong Quancheng Auto Rental Co., Ltd.	PRC/Mainland China	RMB10 million	—	100	Car rental
海神（福建）信息技術有限公司 Haishen (Fujian) Information Technology Co., Ltd. ("Haishen FJ")	PRC/Mainland China	US$100 million	—	100	IT service
天津海科信息技術有限公司 Tianjin Haike.Information Technology Co., Ltd. ("Tianjin Haike")	PRC/Mainland China	RMB10 million	—	100	IT Service
天津凱普汽車維修有限公司 Tianjin Kaipu Auto Repair Co., Ltd. ("TJ Kaipu")	PRC/Mainland China	RMB0.5 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
深圳市凱普汽車維修服務有限公司 Shenzhen Kaipu Auto Repair Service Co., Ltd.	PRC/Mainland China	RMB0.5 million	—	100	Auto repair service
鞍山神州准新車二手車經營有限公司 Anshan Shenzhou Zhunxinche Usedcar Dealing Co., Ltd.	PRC/Mainland China	RMB20 million	—	100	Sale of used cars
大同市神州二手車銷售有限公司 Datong Shenzhou Usedcar Sales Co., Ltd.	PRC/Mainland China	RMB20 million	—	100	Sale of used cars
信陽神州二手車經銷有限公司 Xinyang Shenzhou Usedcar Sales Co., Ltd.	PRC/Mainland China	RMB20 million	—	100	Sale of used cars
赤峰神州二手車經營有限公司 Chifeng Shenzhou Usedcar Dealing Co., Ltd.	PRC/Mainland China	RMB20 million	—	100	Sale of used cars
安慶神州二手車經營有限公司 Anqing Shenzhou Usedcar Dealing Co., Ltd.	PRC/Mainland China	RMB20 million	—	100	Sale of used cars
蚌埠神州競優二手車經營有限公司 Bengbu Shenzhou Jingyou Usedcar Dealing Co., Ltd.	PRC/Mainland China	RMB20 million	—	100	Sale of used cars

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
襄陽神州准新車經營有限公司 Xiangyang Shenzhou Zhunxinche Usedcar Dealing Co., Ltd.	PRC/Mainland China	RMB20 million	—	100	Sale of used cars
廣州市安鑫汽車維修有限公司 Guangzhou Anxin Auto Repair Co., Ltd.	PRC/Mainland China	RMB0.5 million	—	100	Auto repair service
武漢神州凱普機動車維修有限公司 Wuhan Shenzhou Kaipu Auto Repair Co., Ltd. ("Wuhan Shenzhou Kaipu")	PRC/Mainland China	RMB0.5 million	—	100	Auto Repair Service
成都凱普汽車維修服務有限公司 Chengdu Kaipu Auto Repair Service Co., Ltd.	PRC/Mainland China	RMB0.5 million	—	100	Auto repair service
南充市神州二手車經營有限公司 Nanchong Shenzhou Usedcar Dealing Service Co., Ltd.	PRC/Mainland China	RMB20 million	—	100	Sale of used cars
CAR Holdings Limited	Hong Kong	US$1	—	100	Investment Holding
泉州神州競優二手車經營有限公司 Quanzhou Shenzhou Jingyou Usedcar Dealing Service Co., Ltd.	PRC/Mainland China	RMB20 million	—	100	Sale of used cars

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
蘇州晉善晉美汽車服務有限公司 Suzhou Jin Shan Jin Mei Auto Service Co., Ltd. ("Jin Shan Jin Mei")	PRC/Mainland China	RMB1 million	—	100	Auto Repair Service

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standard Board ("IASB"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB"), with values rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

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 Group 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.

2.1 BASIS OF PRESENTATION *(continued)*

Basis of consolidation *(continued)*

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 10, IFRS12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Disclosure Initiative*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the International Accounting Standards Board (the "IASB") issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In September 2015, the HKICPA issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2015, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15. Further information about the impact will be available nearer the implementation date of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 of 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 is measured at fair value with changes in fair value recognised in profit or loss. 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 year.

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 operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting year. 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, maximising the use of relevant observable inputs and minimising 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 significant 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 year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), 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 year 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 year 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 year in which it arises, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group 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 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;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost 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 year 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 year on a straight line basis. The initial estimated holding year of such rental vehicles is generally 2.5 to 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 annual 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 year ended 31 December 2015, rental vehicles were depreciated at rates ranging from 9.9% to 22.5% per annum.

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".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Other property, plant and equipment

Other property, plant and equipment primarily include buildings, office furniture and equipment, and 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	1.8% to 2.55%
Office furniture and equipment	15.83% to 33.33%
In-car accessories	15.83% 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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 amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

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.

Vehicle rental business licences

Vehicle rental business licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 18 to 25 years.

Licence plates

Licence plates are estimated to have indefinite useful life.

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 shorter of the lease terms and the lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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 year generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

When the fair value of the financial assets cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Financial assets designated upon initial recognition as 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss *(continued)*

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 and debt securities. 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 year of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting year 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 year, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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 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 year 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 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.

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, amounts due to shareholders, deposits received for vehicles rental, interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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 at 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 on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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 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:

(a) 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

(b) in respect of taxable temporary differences associated with investments in subsidiaries, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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:

(a) 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

(b) in respect of deductible temporary differences associated with investments in subsidiaries, 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 is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants *(continued)*

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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 up to 90 days are classified as short term rental contracts and those with a lease term of more than 90 days 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 are 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 used rental vehicles

Sales of used rental vehicles is 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(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 auto 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 31 to the financial statements.

The cost of Equity-Settled Transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, which is the Company's functional currency. 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 income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial information requires management to make judgements, 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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 2.4.

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 instalments 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 borrowings collateralised by rental vehicles and no gains or losses was recognised from these sale leaseback transactions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

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 was RMB9,338,873,000 (2014: RMB5,234,194,000) as at 31 December 2015.

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 was RMB111,743,000 (2014: RMB121,905,000) as at 31 December 2015.

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 judgement 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 was and RMB239,360,000 (2014: RMB216,338,000) as at 31 December 2015.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

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 was RMB4,141,000 (2014: RMB3,053,000) as at 31 December 2015.

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 was RMB320,185,000 (2014: RMB213,804,000) as at 31 December 2015.

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 was RMB63,662,000 (2014: RMB573,000) as at 31 December 2015.

Fair value of the preference shares investments in UCAR

The fair value of the preference shares investment in UCAR Technology Inc. ("UCAR") was based on the market approach, with reference to the market multiples from comparable companies with consideration of the size, profitability and development stage of the industry and those comparable companies. This valuation requires the Group to make estimates about expected future sales forecast, adjusted market multiple, expected listing date of UCAR, volatility and dividend yield, and hence they are subject to uncertainty. The fair value gain on the preference shares investment in UCAR was RMB 797,095,000 for the year ended 31 December 2015 (2014: Nil). Further details are included in note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

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 2.4 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 RMB6,932,917,000 (2014: RMB5,425,181,000) as at 31 December 2015.

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 and RMB6,659,000 (2014: RMB6,224,000) as at 31 December 2015.

4. 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

There was no single customer from which 10% or more of the Group's revenue was derived during the year ended 31 December 2014. Revenue of approximately RMB1,633,173,000, accounting for 32.6% of the Group's revenue was derived from a single customer for the year ended 31 December 2015.

5. REVENUE, OTHER INCOME AND EXPENSES

Revenue 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 and expenses, net is as follows:

	2015 RMB'000	2014 RMB'000
Revenue		
Short-term rental income	**3,103,486**	2,295,752
Long-term rental income	**1,201,185**	466,418
Finance lease income	**30,294**	46,825
Sales of used rental vehicles	**603,468**	654,226
Franchise related income	**3,932**	11,396
Others	**60,354**	45,819
	5,002,719	3,520,436
Other income and expenses, net		
Interest income from bank deposit	**25,248**	34,620
Exchange loss	**(191,866)**	(19,564)
Fair value gain on investment in redeemable preference shares	**797,095**	—
Government grants*	**43,134**	10,530
Loss on disposals of items of other property, plant and equipment	**(72)**	(49)
Donations	**(1,300)**	—
Others	**(2,418)**	658
	669,821	26,195

* There were no unfulfilled conditions and other contingencies attaching to government assistance that had been recognised.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowings	**309,322**	309,466
Interest on senior notes (note 28)	**237,527**	—
	546,849	309,466

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2015	2014
	RMB'000	*RMB'000*
Cost of sales of used vehicles	**609,966**	621,982
Depreciation of rental vehicles	**939,364**	670,163
Depreciation of other property plant, and equipment	**37,910**	29,279
Recognition of prepaid land lease payments	**1,252**	169
Amortisation of other intangible assets*	**10,332**	9,390
Minimum lease payments under operating leases in respect of offices and stores	**69,221**	52,802
Minimum lease payments under operating leases in respect of rental vehicles	**61,683**	40,243
Wages and salaries	**467,400**	414,046
Equity-settled share option expenses (note 31)	**86,001**	80,632
Pension scheme contribution**	**119,040**	99,429
Insurance expenses	**235,205**	151,582
Repair and maintenance	**164,988**	98,409
Exchange loss	**191,866**	19,564
Auditors' remuneration	**4,000**	5,902
Impairment on trade receivables	**41,942**	5,434
Loss on disposal of items of other property, plant and equipment	**72**	49
Advertising and promotion expenses	**44,711**	53,260
Fair value gain on investment in redeemable preference shares	**797,095**	—

* The amortisation of other intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

** Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes which are ministered and operated by the local municipal government.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Fees	**1,872**	908
Other emoluments		
– Salaries, allowances and benefits in kind	**606**	183
– Pension scheme contributions	**72**	58
	678	241
	2,550	1,149

The names of the Directors and their remuneration for the year are as follows:

(a) Independent Non-executive Directors

The fees paid to Independence Non-executive Directors during the year were as follows:

	2015	2014
	RMB'000	*RMB'000*
Sun Hanhui	**624**	227
Ding Wei	**624**	227
Lin Lei	**624**	227
Zhang Li	**—**	227
	1,872	908

There were no other emoluments payable to the Independent Non-executive Directors during the year (2014: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(b) An executive Director and chief executive and Non-executive Directors

	2015	2014
	RMB'000	*RMB'000*
An executive Director and chief executive		
– Lu Zhengyao ("Mr. Lu")	**678**	241
Non-executive Directors		
– Narasimhan B Srinivasan*	**—**	—
– James Peter Mueller*	**—**	—
– Liu Erhai*	**—**	—
– Li Xiaogeng *	**—**	—
– Zhu Linan	**—**	—
– Li Hui	**—**	—
	678	241

* On 13 October 2015, Mr. Narasimhan Brahmadesam Srinivasan resigned from his position as a Non-executive Director of the Company and Mr. James Peter Mueller was appointed as a Non-executive Director of the Company.

* On 17 November 2015, Mr. Liu Erhai resigned from his position as a Non-executive Director of the Company and Mr. Li Xiaogeng was appointed as a Non-executive Director of the Company.

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 year. There were no arrangements under which a Director or the chief executive waived or agreed to waive any remuneration during the year.

(c) Five highest paid employees

The five highest paid employees during the year were all non-director and non-chief executive. Details of remuneration of the non-director and non-chief executive highest paid employees are as follows:

	2015	2014
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,765**	2,378
Equity-settled share option expense	**50,733**	29,601
Pension scheme contributions	**472**	360
	54,970	32,339

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(c) Five highest paid employees *(continued)*

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following band is as follows:

	2015 Number of Individuals	2014 Number of individuals
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**1**	1
Over HK$2,000,000	**4**	4
	5	5

During the year and in prior years, share options were granted to the above non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 31 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 year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosure.

9. INCOME TAX EXPENSES

The major components of income tax expenses of the Group during the years are as follows:

	2015 *RMB'000*	2014 *RMB'000*
Current income tax:		
Mainland China	**248,088**	57,936
Deferred tax (note 29)	**19,243**	19,278
Total tax charge for the year	**267,331**	77,214

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.

9. INCOME TAX EXPENSES *(continued)*

The provision for current income tax in Mainland China 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 except for Haike (Pingtan) Technology Co., Ltd. ("Haike Pingtan"). Haike Pingtan is qualified as encouraged industry companies established in the comprehensive experimentation area in Pingtan, Fujian Province, and therefore is entitled a preferential corporate income tax rate of 15% pursuant to CaiShui [2014] No. 26 issued by the Ministry of Finance of the People's Republic of China.

No Hong Kong profits tax on the Group's subsidiary has been provided at the rate of 16.5% as there was no assessable profit arising in Hong Kong during the year.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on earnings of non-resident enterprise derivatives from the operation in Mainland China. The withholding tax derives from inter-company charges from certain overseas subsidiaries to PRC subsidiaries amounted to RMB18,851,000 for the year ended 31 December 2015 (2014: Nil).

A reconciliation of the tax expense applicable to profit before tax using the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**1,668,727**	513,327
Tax at PRC statutory tax rate of 25%	**417,182**	128,332
Tax effect of tax rate difference between PRC and overseas entities	**(109,478)**	21,424
Utilisation of unrecognised deferred tax assets	**(43,482)**	(73,353)
PRC entities with preferential tax rate	**(29,335)**	—
Expenses not deductible for tax	**13,593**	811
Withholding tax on the deemed income	**18,851**	—
Total charge for the year	**267,331**	77,214

The effective tax rate of the Group was 16.02% (2014: 15.04%) for the year ended 31 December 2015.

10. DIVIDENDS

The board of the Directors does not recommend payment of dividend to the ordinary equity holders of the Company for the year ended 31 December 2015 (2014: Nil).

11. EARNINGS PER SHARE ATTRIBUTED TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,372,040,532 (2014: 2,005,050,818) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**1,401,396**	436,113
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,372,040,532**	2,005,050,818
Effect of dilution – weighted average number of ordinary shares:		
Share options	**65,802,978**	56,498,477
	2,437,843,510	2,061,549,295

12. RENTAL VEHICLES

	Total RMB'000
At 1 January 2015:	
Cost	**6,420,412**
Accumulated depreciation	**(1,186,218)**
Net carrying amount	**5,234,194**
At 1 January 2015, net of accumulated depreciation	**5,234,194**
Additions	**5,633,306**
Disposals and transfers to inventories	**(586,459)**
Transfers to finance leases	**(2,804)**
Depreciation provided during the year	**(939,364)**
At 31 December 2015, net of accumulated depreciation	**9,338,873**
At 31 December 2015:	
Cost	**11,016,202**
Accumulated depreciation	**(1,677,329)**
Net carrying amount	**9,338,873**
At 1 January 2014:	
Cost	5,015,742
Accumulated depreciation	(991,786)
Net carrying amount	4,023,956
At 1 January 2014, net of accumulated depreciation	4,023,956
Additions	2,729,073
Disposals and transfers to inventories	(411,257)
Transfers to finance leases	(437,415)
Depreciation provided during the year	(670,163)
At 31 December 2014, net of accumulated depreciation	5,234,194

Vehicles with total carrying value of RMB117,797,000 as of 31 December 2015 (2014: RMB378,816,000) were pledged as securities for certain of the Group's interest-bearing loans (note 27).

13. FINANCE LEASE RECEIVABLES

Certain rental vehicles have been leased out or disposed of through finance leases entered into by the Group. These leases have remaining terms ranging generally from 1.5 to 4 years. Finance lease receivables are comprised of the following:

	2015 RMB'000	2014 RMB'000
Net minimum lease payments receivable	**181,504**	360,278
Unearned finance income	**(26,025)**	(72,424)
Total net finance lease receivables	**155,479**	287,854
Less: Current portion	**112,170**	155,072
Non-current portion	**43,309**	132,782

Future minimum lease payments to be received under non-cancellable finance lease arrangements as of 31 December 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**133,237**	204,492
In the second to fifth years, inclusive	**48,267**	155,786
	181,504	360,278

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as of 31 December 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**112,170**	155,072
In the second to fifth years, inclusive	**43,309**	132,782
	155,479	287,854

14. PREPAYMENTS

	2015	2014
	RMB'000	RMB'000
Prepayments for rental vehicles	29,231	440,910

15. OTHER PROPERTY, PLANT AND EQUIPMENT

	In-car accessories	Leasehold improvements	Office furniture and equipment	Buildings	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015:						
Cost	45,846	40,719	65,782	148,640	—	300,987
Accumulated depreciation	(24,658)	(27,130)	(31,639)	(3,756)	—	(87,183)
Net carrying amount	21,188	13,589	34,143	144,884	—	213,804
At 1 January 2015, net of accumulated depreciation	21,188	13,589	34,143	144,884	—	213,804
Additions	84,461	12,916	14,446	5,651	27,856	145,330
Acquisition of subsidiaries (note 33)	—	—	278	—	—	278
Depreciation provided during the year	(17,554)	(4,728)	(11,961)	(3,667)	—	(37,910)
Disposals	—	—	(1,317)	—	—	(1,317)
At 31 December 2015, net of accumulated depreciation	88,095	21,777	35,589	146,868	27,856	320,185
At 31 December 2015:						
Cost	130,307	53,635	76,156	154,291	27,856	442,245
Accumulated depreciation	(42,212)	(31,858)	(40,567)	(7,423)	—	(122,060)
Net carrying amount	88,095	21,777	35,589	146,868	27,856	320,185

15. OTHER PROPERTY, PLANT AND EQUIPMENT *(continued)*

	In-car accessories *RMB'000*	Leasehold improvements *RMB'000*	Office furniture and equipment *RMB'000*	Buildings *RMB'000*	Total *RMB'000*
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	22,835	12,057	38,683	15,651	89,226
At 1 January 2014, net of accumulated depreciation	22,835	12,057	38,683	15,651	89,226
Additions	5,589	11,994	8,943	131,237	157,763
Depreciation provided during the year	(7,236)	(7,560)	(12,479)	(2,004)	(29,279)
Disposals	—	(2,902)	(1,004)	—	(3,906)
At 31 December 2014, net of accumulated depreciation	21,188	13,589	34,143	144,884	213,804
At 31 December 2014:					
Cost	45,846	40,719	65,782	148,640	300,987
Accumulated depreciation	(24,658)	(27,130)	(31,639)	(3,756)	(87,183)
Net carrying amount	21,188	13,589	34,143	144,884	213,804

The Group has pledged its buildings with a net carrying amount of RMB15,207,000 as of 31 December 2015 (2014: RMB15,508,000) to secure its finance lease payables.

As of 31 December 2015, 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 RMB131,661,000 (2014: RMB129,376,000).

16. PREPAID LAND LEASE PAYMENTS

	2015	2014
	RMB'000	*RMB'000*
Carrying amount at beginning of the year	**7,076**	7,245
Additions	**57,809**	—
Recognised during the year	**(1,252)**	(169)
Carrying amount at end of the year	**63,633**	7,076
Current portion included in prepayments, deposits and other receivables	**(1,614)**	(169)
Non-current portion	**62,019**	6,907

As of 31 December 2015, the prepaid land lease of RMB6,908,000 (2014: RMB7,076,000) had been pledged to secure the Group's certain interest-bearing loans (note 27).

17. GOODWILL

	2015	2014
	RMB'000	*RMB'000*
Cost and net carrying amount at beginning of the year	**6,224**	5,650
Acquisition of subsidiaries (note 33)	**435**	911
Disposal of subsidiaries	**—**	(337)
Cost and net carrying amount at the end of the year	**6,659**	6,224

17. GOODWILL *(continued)*

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 31 December 2015:

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. Terminal growth rate of 3% (2014: 3%) has been projected beyond five years and the discount rate applied to the cash flow projections is 13.5% (2014: 13.5%).

Assumptions were used in the value in use calculation of the above cash-generating unit for 31 December 2015 and 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to budgeted gross margins is the average gross margins 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 RMB'000	Customer relationship RMB'000	Vehicle rental business licences RMB'000	Auto repair service business licences RMB'000	Licence plates RMB'000	Trademark use right RMB'000	Total RMB'000
At 1 January 2015:							
Cost	**25,723**	**180**	**42,525**	**2,868**	**102,400**	**7,030**	**180,726**
Accumulated amortisation	**(13,527)**	**(142)**	**(5,050)**	**(1,485)**	**—**	**(2,343)**	**(22,547)**
Net carrying amount	**12,196**	**38**	**37,475**	**1,383**	**102,400**	**4,687**	**158,179**
At 1 January 2015, net of accumulated amortisation	**12,196**	**38**	**37,475**	**1,383**	**102,400**	**4,687**	**158,179**
Additions	**7,486**	**—**	**—**	**—**	**4,220**	**—**	**11,706**
Acquisition of subsidiaries (note 33)	**—**	**—**	**—**	**192**	**—**	**—**	**192**
Amortisation provided during the year	**(6,323)**	**(38)**	**(1,869)**	**(696)**	**—**	**(1,406)**	**(10,332)**
At 31 December 2015, net of accumulated depreciation	**13,359**	**—**	**35,606**	**879**	**106,620**	**3,281**	**159,745**
At 31 December 2015:							
Cost	**33,209**	**180**	**42,525**	**3,060**	**106,620**	**7,030**	**192,624**
Accumulated amortisation	**(19,850)**	**(180)**	**(6,919)**	**(2,181)**	**—**	**(3,749)**	**(32,879)**
Net carrying amount	**13,359**	**—**	**35,606**	**879**	**106,620**	**3,281**	**159,745**
At 1 January 2014:							
Cost	18,972	180	42,502	2,262	87,505	7,030	158,451
Accumulated amortisation	(8,252)	(104)	(3,181)	(683)	—	(937)	(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	10,720	76	39,321	1,579	87,505	6,093	145,294
Additions	6,751	—	23	125	14,895	—	21,794
Acquisition of subsidiaries (note 33)	—	—	—	481	—	—	481
Amortisation provided during the year	(5,275)	(38)	(1,869)	(802)	—	(1,406)	(9,390)
At 31 December 2014, net of accumulated depreciation	12,196	38	37,475	1,383	102,400	4,687	158,179
At 31 December 2014:							
Cost	25,723	180	42,525	2,868	102,400	7,030	180,726
Accumulated amortisation	(13,527)	(142)	(5,050)	(1,485)	—	(2,343)	(22,547)
Net carrying amount	12,196	38	37,475	1,383	102,400	4,687	158,179

19. INVENTORIES

	2015 RMB'000	2014 RMB'000
Used rental vehicles held for sale	**68,482**	91,989
Fuel	**35,325**	25,820
Others	**7,936**	4,096
	111,743	121,905

20. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**278,452**	242,192
Impairment provision	**(39,092)**	(25,854)
	239,360	216,338

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 minimise 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 aging analysis of the trade receivables as at the end of 2015 and 2014, based on the invoice date and net of provisions, is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	**177,431**	136,456
3 to 6 months	**33,621**	38,998
6 to 12 months	**13,515**	40,884
Over 1 year	**14,793**	—
	239,360	216,338

20. TRADE RECEIVABLES *(continued)*

The movements in provision for impairment of trade receivables are as follows:

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of the year	**25,854**	20,420
Impairment losses recognised	**41,942**	5,434
Amount written off as uncollectible	**(28,704)**	—
Balance at end of the year	**39,092**	25,854

An aging analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**132,482**	110,215
Past due but not impaired:		
Less than 3 months past due	**73,774**	57,749
3 months to 1 year past due	**17,419**	46,263
Over 1 year past due	**12,011**	—
	235,686	214,227

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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Deductible VAT input	**833,508**	278,233
Prepayments	**250,361**	247,128
Other receivables	**108,454**	95,227
Rental deposits	**21,812**	16,477
Others	**44,212**	18,107
	1,258,347	655,172

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.

22. INVESTMENTS IN UNLISTED COMPANIES

		2015	2014
		RMB'000	*RMB'000*
Investments in redeemable preference shares of unlisted companies			
– Souche Holdings Ltd.	(a)	**161,828**	—
– UCAR Technology Inc.	(b)	**1,719,924**	—
Investments in equity shares of an unlisted company			
– Huaxia United Science & Technology Co., Ltd.	(c)	**160,351**	—
		2,042,103	—

22. INVESTMENTS IN UNLISTED COMPANIES *(continued)*

(a) Souche Holdings Ltd. ("Souche")

In April 2015, the Group subscribed for redeemable preference shares in Souche, which is an unlisted company and principally engaged in providing online platform and relevant professional services of trade-in used cars, at a total consideration of US$26.49 million (equivalent to approximately RMB161,828,000). According to the subscription agreement, the redemption price of such preference shares was agreed at not less than its original subscription price. After the investment of the redeemable preference shares, the Group held 19.91% of the equity interest (as converted) in Souche as at 31 December 2015. The Directors of the Company were of the opinion that the Group did not have significant influence over Souche.

The Group designated such redeemable preference share investment in Souche (a hybrid contract, i.e. host debt plus embedded conversion derivative) as a financial asset at fair value through profit or loss upon initial recognition. As the conversion option is precluded from fair value measurement, the entire hybrid contract (a host debt and conversion option) was deemed not to be reliably measurable at reporting period end. As a result, the investment in Souche was measured at cost less impairment. As at 31 December 2015, the Directors of the Company were of the opinion that there was no impairment indication identified for the investment in Souche.

(b) UCAR Technology Inc. ("UCAR")

On 1 July 2015, the Group, among others, entered into the Series A preference share subscription agreement with UCAR, pursuant to which the Group agreed to subscribe for 2,500,000 Series A preference shares in UCAR for a consideration of US$125.0 million. On 16 September 2015, the Group, among others, entered into the Series B preference share subscription agreement with UCAR pursuant to which the Group agreed to subscribe for 443,263 Series B preference shares for a consideration of US$50.0 million. On the assumption that all Series A and Series B preference shares are converted into ordinary shares of UCAR based on the fully-diluted conversion ratio of 1:1, the Company will hold approximately 9.35% of the total issued and outstanding shares of UCAR. The Directors of the Company were of the opinion that the Group did not have significant influence over UCAR.

The Group designated such preference share investment in UCAR (a hybrid contract, i.e. host debt plus embedded conversion derivative) as a financial asset at fair value through profit or loss upon initial recognition. The unlisted preference shares were measured at fair value and were classified as level 3 fair value measurement. The fair value of the investment in UCAR was estimated with the assistance of an independent valuation company. The fair value of the preference shares investment in UCAR was based on the market approach, with reference to the market multiples from comparable companies with consideration of the size, profitability and development stage of the industry and those comparable companies. The associated fair value gain of RMB797,095,000 for the year ended 31 December 2015 has been recognised through profit or loss under "other income and expenses, net".

22. INVESTMENTS IN UNLISTED COMPANIES *(continued)*

(c) Huaxia United Science & Technology Co., Ltd. ("Huaxia United")

In December 2015, UCAR implemented a corporate restructuring (the "UCAR Restructuring"), whereby the existing shareholders of UCAR would acquire equity interest in Huaxia United Science & Technology Co., Ltd, ("Huaxia United", which subsequently changed its name to UCAR Inc. (神州優車股份有限公司)),an unlisted company with registered capital of RMB117,023,949. As part of the UCAR Restructuring and at UCAR's request, on 18 December 2015, China Auto Rental Limited ("CAR HK"), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, entered into a capital increase agreement with Huaxia United, among others. Pursuant to the terms of the capital increase agreement, upon completion of the UCAR Restructuring, the percentage of equity interest held by CAR HK in Huaxia United will be the same as the Company's existing shareholding percentage in UCAR. The amount of the capital increase in Huaxia United under the capital increase agreement was contributed out of the funds of UCAR, and the Company was not required to make any new investment in Huaxia United. CAR HK held 9.35% of the equity interest in Huaxia United as at 31 December 2015. The Directors of the Company were of the opinion that the Group did not have significant influence over Huaxia United.

The Group designated such equity investment in Huaxia United as a financial asset at fair value through profit or loss upon initial recognition. The unlisted equity shares were measured at fair value and were classified as level 3 fair value measurement. The fair value of the investment in Huaxia United was based on the proportion of the equity amount of Huaxia United as at 31 December 2015, among which substantially consisted of capital injection by cash from its investors.

23. AVAILABLE-FOR-SALE INVESTMENTS

The following table sets forth the available-for-sale investments for the year:

	2015	2014
	RMB'000	*RMB'000*
Investment in financial products	**—**	1,070,000

The available-for-sale investments as at 31 December 2014 were financial products with expected interest rates ranging from 1.9% to 5.4% per annum with a maturity period of 60 to 180 days offered by financial institutions in the PRC. The fair values of the financial products were approximate to their costs.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2015	2014
	RMB'000	*RMB'000*
Cash and bank balances	**1,473,018**	1,275,245
Time deposits	**567,989**	130,319
	2,041,007	1,405,564
Less: Pledged time deposits:		
Pledged for long term bank loans*	**51,829**	51,829
Pledged for bank overdraft facilities	**1,300**	1,300
Cash and cash equivalents	**1,987,878**	1,352,435

The cash and bank balances of the Group denominated in RMB amounted to RMB RMB1,215,481,000 and RMB981,725,000 as at 31 December 2014 and 31 December 2015, 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 years 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 card facilities, a restricted deposit for a performance guarantee, a pledged deposit and the settlement of vehicle rental revenue via the Company's point-of-sale machines, respectively. The Group pledged certain deposits to secure the Group's interest-bearing loans (note 27). The net carrying amount of pledged deposits as at 31 December 2015 was RMB51,829,000 (2014: RMB51,829,000).

25. TRADE PAYABLES

An ageing analysis of outstanding trade payables as of 31 December 2015 and 31 December 2014, based on the invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**15,960**	21,023
3 to 6 months	**4,032**	1,921
Over 6 months	**1,008**	1,727
	21,000	24,671

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

26. OTHER PAYABLES AND ACCRUALS

	2015	2014
	RMB'000	*RMB'000*
Deposits by customers – rental deposits	**110,066**	143,221
Payroll payable	**65,802**	54,939
Other tax payable	**68,621**	9,854
Payable for other PPE	**42,724**	78,634
Others	**49,738**	40,165
	336,951	326,813

Other payables and accruals are non-interest-bearing.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current:						
Short-term loans						
– guaranteed	**5.06-5.61**	**2016**	**1,500**	6.22	2015	199,160
– unsecured and unguaranteed	**4.90-6.03**	**2016**	**147,354**	—	—	—
Current portion of sale and leaseback obligations						
– secured and guaranteed	**—**	**—**	**—**	6.97	2015	51,727
– secured	**4.79**	**2016**	**151,474**	—	—	—
Current portion of long-term bank loans						
– guaranteed	**3.40-8.00**	**2016**	**100,009**	5.92-8.00	2015	968,063
– unsecured and unguaranteed	**4.99-6.90**	**2016**	**180,578**	—	—	—
Current portion of long-term other loans						
– guaranteed	**8.00-8.10**	**2016**	**496,917**	6.83-9.50	2015	1,439,625
– secured and guaranteed	**—**	**—**	**—**	11.06	2015	91,363
– secured	**5.55-8.88**	**2016**	**76,579**	5.54-9.30	2015	28,949
			1,154,411			2,778,887
Non-current						
Bank loans						
– guaranteed	**3.40-8.00**	**2017-2018**	**944,876**	5.92-8.00	2016	253,793
– unsecured and unguaranteed	**4.99-6.90**	**2017-2018**	**592,297**	—	—	—
Other loans						
– guaranteed	**—**	**—**	**—**	6.83-9.50	2016	496,667
– secured	**5.55-8.88**	**2017**	**5,566**	5.54-9.30	2016-2017	81,342
– unsecured and unguaranteed	**7.50**	**2017**	**600,000**	—	—	—
Sale and leaseback obligations						
– secured	**4.79**	**2017**	**25,975**	—	—	—
			2,168,714			831,802
			3,323,125			3,610,689

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2015	2014
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
within one year or on demand	**429,442**	1,167,222
in the second year	**892,514**	253,793
in the third to fifth years, inclusive	**644,659**	—
	1,966,615	1,421,015
Other borrowings repayable:		
within one year or on demand	**573,495**	1,559,938
in the second year	**605,566**	572,419
in the third to fifth years, inclusive	**—**	5,590
	1,179,061	2,137,947
Sale and leaseback obligations:		
within one year or on demand	**151,474**	51,727
in the second year	**25,975**	—
	177,449	51,727
	3,323,125	3,610,689

As of 31 December 2015, the Group had overdraft bank facilities amounting to RMB6,861,039,000 (2014: RMB2,426,608,000), of which RMB2,408,496,000 (2014: RMB2,026,608,000) had been utilised.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Bank and other loans with the following amounts outstanding as of the year were secured/guaranteed by the following:

2015	2014	**Lender**
RMB'000	*RMB'000*	
570,717	3,357,306	Guaranteed by Legend Holdings*
207,836	59,379	Secured by certain of rental vehicles (a)
122,350	—	Secured by CAR INC.
—	51,728	Secured by certain of the Group's rental vehicles, prepaid land leases and guaranteed by Legend Holdings* under a sale and leaseback arrangement (a), (b)
850,235	—	Guaranteed by 7 offshore subsidiaries
—	91,363	Secured by certain finance lease income and guaranteed by CAR Beijing
51,758	50,913	Secured by certain pledged deposits (c)
1,520,229	—	Unsecured and unguaranteed
3,323,125	3,610,689	

* On 1 July 2012, Legend Holdings undertook that it will provide financial assistance to the Group in an amount of 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 2015, borrowings in an amount of RMB570,717,000 (2014: RMB3,409,033,000), less administration fee, have been guaranteed by Legend Holdings.

(a) Bank and other borrowings of RMB207,836,000 (2014: RMB111,107,000) as at 31 December 2015 were secured by certain of the Group's rental vehicles, the total carrying amount of which at 31 December 2015 was RMB117,797,000 (2014: RMB378,816,000) (note 12).

(b) Such borrowings at 31 December 2015 were also secured by the Group's prepaid land lease, the carrying amount of which at 31 December 2015 was RMB6,908,000 (2014: RMB7,076,000) (note 16).

(c) Other borrowings of RMB51,758,000 (2014: RMB50,913,000) as at 31 December 2015 were secured by certain of the Group's pledged deposits, the total carrying amount of which at 31 December 2015 was RMB51,829,000 (2014: RMB51,829,000) (note 24).

28. SENIOR NOTES

(1) The 2015 Notes (A)

On 4 February 2015, the Company issued senior notes with an aggregate principal amount of US$500 million due 2020 (the "2015 Notes (A)"). The 2015 Notes (A) were listed on the Stock Exchange of Hong Kong Limited. The 2015 Notes (A) carries interest at the rate of 6.125% per annum, payable semi-annually on 4 February and 4 August in arrears, and will mature on 4 February 2020, unless redeemed earlier.

The 2015 Notes (A) may be redeemed in the following circumstances:

(i) On or after 4 February 2018, the Company may on any one or more occasions redeem all or any part of the 2015 Notes (A), at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the 2015 Notes (A) redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on 4 February of the years indicated below, subject to the rights of holders of the 2015 Notes (A) on the relevant record date to receive interest on the relevant interest payment date:

Year	Redemption price
2018	103.0625%
2019 and thereafter	101.53125%

(ii) At any time prior to 4 February 2018, the Company may at its option redeem the 2015 Notes (A), in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2015 Notes (A) redeemed plus the applicable premium as at, and accrued and unpaid interest, if any, to (but not including), the redemption date.

(iii) At any time and from time to time prior to 4 February 2018, the Company may redeem up to 35% of the aggregate principal amount of the 2015 Notes (A) with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.125% of the principal amount of the 2015 Notes (A) redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

28. SENIOR NOTES *(continued)*

(1) The 2015 Notes (A) *(continued)*

The 2015 Notes (A) recognised in the statement of financial position were calculated as follows:

	2015
	RMB'000
Carrying amount at 1 January	**—**
Addition, net of issuance costs	**2,974,364**
Exchange realignment	**177,659**
Interest expenses	**189,811**
Interest expenses payment	**(93,670)**
Carrying amount at 31 December	**3,248,164**

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors of the Company considered that the fair value of the above early redemption options was not significant on initial recognition and as at 31 December 2015.

(2) The 2015 Notes (B)

On 11 August 2015, the Company issued senior notes with an aggregated nominal value of US$300 million due 2021 (the "2015 Notes (B)"). The 2015 Notes (B) were listed on the Stock Exchange of Hong Kong Limited. The 2015 Notes (B) carries interest at the rate of 6.00% per annum, payable semi-annually on 11 February and 11 August in arrears, and will mature on 11 February 2021, unless redeemed earlier.

On or after 11 August 2018, the Company may on any one or more occasions redeem all or any part of the 2015 Notes (B), at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the 2015 Notes (B) redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on 11 August of the years indicated below, subject to the rights of holders of the 2015 Notes (B) on the relevant record date to receive interest on the relevant interest payment date:

Year	**Redemption price**
2018	103.0%
2019 and thereafter	101.5%

28. SENIOR NOTES *(continued)*

(2) The 2015 Notes (B) *(continued)*

The 2015 Notes (B) recognised in the statement of financial position were calculated as follows:

	2015
	RMB'000
Carrying amount at 1 January	**—**
Addition, net of issuance costs	**1,846,241**
Exchange realignment	**48,486**
Interest expenses	**47,716**
Carrying amount at 31 December	**1,942,443**

Early redemption options are regarded as embedded derivatives closely related to the host contract.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the years are as follows:

Deferred tax assets

	Accumulated losses	**Deductible temporary differences**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
At 1 January 2015	**—**	**573**	**573**
Credited to the statement of profit or loss during the year	**2,435**	**60,654**	**63,089**
At 31 December 2015	**2,435**	**61,227**	**63,662**
At 1 January 2014	1,216	1,926	3,142
Charged to the statement of profit or loss during the year	(1,216)	(1,353)	(2,569)
At 31 December 2014	—	573	573

The Group had unused tax losses of RMB54,118,000 (2014: RMB128,625,000) available for offsetting against future profits in respect of certain subsidiaries as at 31 December 2015, and the deferred tax assets have not been recognised. Such tax losses will expire during 2016 to 2020.

29. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group had temporary differences of RMB148,714,000 (2014: RMB4,208,000) that have not been recognised as deferred tax assets due to the uncertainty of their utilisation as of 31 December 2015.

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Depreciation allowance in excess of related depreciation *RMB'000*	Total *RMB'000*
At 1 January 2015	**19,842**	**17,466**	**37,308**
(Credited)/charged to the statement of profit or loss during the year	**(879)**	**83,163**	**82,284**
Acquisition (note 33)	**48**	**—**	**48**
At 31 December 2015	**19,011**	**100,629**	**119,640**
At 1 January 2014	20,599	—	20,599
(Credited)/charged to the statement of profit or loss during the year	(877)	17,466	16,589
Acquisition (note 33)	120	—	120
At 31 December 2014	19,842	17,466	37,308

29. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

There was no significant unrecognised deferred tax liability as at 31 December 2015 and 31 December 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 2015, no deferred tax (2014: Nil) 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.

30. SHARE CAPITAL

Shares

	2015	2014
	RMB'000	*RMB'000*
Authorised:		
26,000,000,000 ordinary shares of US$0.00001 each	**1,586**	1,586
Issued and fully paid:		
2,393,983,835 (2014: 2,357,512,070) ordinary shares of US$0.00001 each	**147**	145

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.

On 2 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five 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 authorised 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 shares of par value of US$0.00001 each.

On 19 September 2014, the Company issued 426,341,000 shares in its initial public offering at the price of HK$8.50 per share.

On 25 September 2014, the Company issued additional 63,951,000 shares at the price of HK$8.50 per share as a result of exercise of over-allotment options by the underwriters. Total proceeds from the initial public offering (including the over-allotment) were HK$4,167,482,000 (approximately RMB3,302,729,000), and net proceeds were HK$4,026,035,684 (approximately RMB3,183,191,000) after deduction of related issuance costs.

The subscription rights attaching to 36,471,765 share options were exercised during 2015 at the averaged subscription price of US$0.10 per share (note 31), resulting in the issue of 36,471,765 ordinary shares for a total cash consideration of RMB22,340,000, of which RMB22,338,000 was charged into share premium. During 2015, an amount of RMB115,739,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

31. SHARE OPTION SCHEME

As detailed in the Group's consolidated financial statements as at 31 December 2015:

– 7,017,798, 7,017,797 and 1,232,428 share options were granted on 18 December 2013, 18 December 2013 and 1 May 2014, respectively, under 2014 Pre-IPO Share Option Scheme.

– On 3 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares. Immediately after the share split, the exercise price of each share option was amended to one-fifth of the exercise price before split.

– 4,456,688 share options were granted on 14 August 2014 under Tranche C.

– All the share options granted do not confer rights on the holders to dividends or to vote at shareholders' meetings.

– The following share options were outstanding during the period:

The following share options were outstanding under the Scheme during the year ended 31 December 2015:

	2015		2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	US$ per share		*US$ per share*	
At 1 January, after share split	**0.13**	**98,491,430**	0.12	70,177,975
Granted during the year	**—**	**—**	0.17	28,445,580
Forfeited during the year*	**0.17**	**(1,935,910)**	0.17	(132,125)
Exercised during the year	**0.10**	**(36,471,765)**	—	—
At 31 December	**0.15**	**60,083,755**	0.13	98,491,430

* One executive's employment was terminated on 1 January 2015 and the number of then unvested share options of this employee were 3,447,380. As an ex gratia award, the employee was allowed to retain 50% of the unvested share options (i.e. 1,723,690 options) as part of the package of benefits agreed with the employee on termination of employment. Such ex gratia award became full vested immediately with the original exercise price. The Group treated the lapse of unvested share options as forfeiture by reversing the costs already recorded in relation to unvested options and recognised the cost of the ex gratia award at the fair value at the award grant date, which, resulting in a net charge on termination of RMB10,315,266 during the year ended 31 December 2015.

31. SHARE OPTION SCHEME *(continued)*

The exercise prices and exercise years of the share options outstanding as at the reporting date are as follows:

Number of options	Exercise price US$ per share	Exercise year
11,062,160	0.058	Till 31 December 2023
28,311,550	0.174	Till 31 December 2023
4,621,605	0.174	Till 1 May 2024
16,088,440	0.174	Till 31 August 2024
60,083,755		

No new share options were granted in year of 2015 (2014: RMB336,287,000). The Group recognised a share option expense of RMB86,001,000 (2014: RMB80,632,000) during the year ended 31 December 2015.

32. RESERVES

The amount of the Group's reserves and the movements therein for the year 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 year mainly represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies and the contribution from the equity holders of the Company. The deductions during the year represent the excess of the consideration over the fair value of equity interests acquired from certain equity holder of the Company.

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.

33. BUSINESS COMBINATION

2015

a) Beijing QS, Beijing AX

As a part of the Group's business strategy to acquire high and new technical qualification, the Group, through its wholly-owned subsidiary Haike (Pingtan), acquired the 100% equity and voting interests in Beijing QS and Beijing AX in 2015 at an aggregate purchase price of RMB257,000.

The fair values of the identifiable assets and liabilities of Beijing QS and Beijing AX as at the dates of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Cash and cash equivalents	**2**
Other payables and accruals	**(81)**
Goodwill (note 17)	**336**
Total consideration	**257**
Satisfied by cash	**257**

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	**257**
Cash and cash equivalents acquired	**(2)**
Net outflow of cash and cash equivalents included in cash flows used in investing activities	**255**

Since the acquisition, Beijing QS and Beijing AX contributed RMB13,396,000 to the Group's revenue and RMB919,000 to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 31 December 2015 would have been RMB5,002,789,000 and RMB1,401,039,000, respectively.

33. BUSINESS COMBINATION *(continued)*

2015 *(continued)*

b) Jin Shan Jin Mei

As a part of the Group's business strategy to acquire high and new technical qualification, the Group, through its wholly-owned subsidiary Beijing Kaipu, acquired the 100% equity and voting interest in Jin Shan Jin Mei in 2015 for an aggregate purchase price of RMB550,000.

The fair values of the identifiable assets and liabilities of Jin Shan Jin Mei as at the dates of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Other property, plant and equipment (note 15)	**278**
Auto repair service business licences (note 18)	**192**
Other payable and accruals	**29**
Deferred tax liabilities (note 29)	**(48)**
Identifiable net assets at fair value acquired	**451**
Goodwill (note 17)	**99**
Total consideration	**550**
Satisfied by cash	**550**

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	**550**
Unsettled consideration as at 31 December 2015	**(110)**
Cash and cash equivalents acquired	**—**
Netoutflow of cash and cash equivalents included in cash flows used in investing activities	**440**

Since the acquisition, Jin Shan Jin Mei did not contribute any intra-group revenue and contributed loss of RMB118,000 to the Group's consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 31 December 2015 would have been RMB5,002,901,000 and RMB1,400,847,000, respectively.

33. BUSINESS COMBINATION *(continued)*

2014

a) 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 in Kunming WZ, Qingdao FLH and Dongguan XF in 2014 at an aggregate purchase price of RMB1,328,000.

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 service business licences (note 18)	481
Trade receivables	47
Other receivables	6
Cash and cash equivalents	7
Other payables and accruals	(4)
Deferred tax liabilities (note 29)	(120)
Identifiable net assets at fair value acquired	417
Goodwill (note 17)	911
Total consideration	1,328
Satisfied by cash	1,328

The fair values and the gross contractual amounts of trade receivables and other receivables as at the dates of acquisitions amounted to RMB47,000 and RMB6,000, 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 acquisitions of subsidiaries is as follows:

	RMB'000
Cash consideration paid	(1,328)
Cash and cash equivalents acquired	7
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(1,321)

33. BUSINESS COMBINATION *(continued)*

2014 *(continued)*

a) Kunming WZ, Qingdao FLH and Dongguan XF *(continued)*

Since the acquisitions, Kunming WZ, Qingdao FLH and Dongguan XF contributed intra-group revenue of RMB2,866,000, RMB1,630,000 and RMB1,358,000, respectively to the consolidated profit for the year ended 31 December 2014. The intra-group turnovers were eliminated in consolidated financial statements.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 31 December 2014 would have been RMB2,866,210,000 and RMB513,327,000, respectively.

34. DISPOSAL OF A SUBSIDIARY

A subsidiary with net asset of RMB107,000 and goodwill of RMB337,000 was disposed of by the Group during the year ended 31 December 2014 for no consideration. No subsidiary was disposed of by the Group during the year ended 31 December 2015.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year of 2014, the former shareholder CARH has waived receivables due from the Company of RMB1,816,595,000 (2015: nil).

36. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by certain assets of the Group, are included in notes 12, 15, 16 and 24, respectively, to the financial statement.

37. 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 2015 and 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	**97,500**	60,676
In the second to fifth years, inclusive	**155,580**	60,497
After five years	**46,871**	20,325
	299,951	141,498

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group had the following capital commitments at the end of the year:

	2015	2014
	RMB'000	*RMB'000*
Contracted, but not provided for	**2,812**	1,075,113

39. RELATED PARTY TRANSACTIONS

a) Related parties

Related parties for the years ended 31 December 2015 and 2014 were as follows:

Name	**Relationship**
Ching Auto Rental Holdings Inc. ("CARH")	Former shareholder of the Company but ceased to be so immediately before the listing of the Company's shares on the Hong Kong Stock Exchange
LC Fund III, L.P. ("LC Fund III")	Former Limited partner of one shareholder of the company but ceased to be so immediately after trade sale since 9 October 2015
Hertz International Ltd.	A shareholder of Hertz Holdings
Beijing Huaxia United Auto Network Technology Co., Ltd. ("Huaxia Auto Network")	A wholly-owned subsidiary of Legend Holdings
UCAR*	A shareholder has significant influence on the company

* UCAR has significant influence over the Company from the accounting perspective since UCAR executed a share purchase agreement with Grand Union Investment Fund, L.P. and nominated a director to the board of the Company on 17 November 2015.

b) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(i) Vehicle rental services provided to a related party:

	2015	2014
	RMB'000	*RMB'000*
UCAR	**1,633,173**	17,954

The prices for the above services were determined according to published prices and conditions offered to other customers of the Group.

39. RELATED PARTY TRANSACTIONS

b) Related party transactions (continued)

(ii) Borrowing from a related party:

	2015	2014
	RMB'000	RMB'000
CARH	—	195,277

(iii) Repayments of borrowings from related parties:

	2015	2014
	RMB'000	RMB'000
Huaxia Auto Network	—	133,488
LC Fund III	—	54
	—	133,542

(iv) Commission charge from a related party:

	2015	2014
	RMB'000	RMB'000
Hertz International Ltd.	4,813	6,707

The commission expense was charged at agreed rate on rental revenue generated from with customers referred by Hertz International Ltd.

(v) Commission charge to a related party:

	2015	2014
	RMB'000	RMB'000
Hertz International Ltd.	39	41

The commission income was charged at agreed rate on the rental revenue generated from with customers referred to Hertz International Ltd.

(vi) House rental income from a related party:

	2015	2014
	RMB'000	RMB'000
UCAR	1,356	—

The prices on house rental to related party are determined in accordance with the prevailing market price.

39. RELATED PARTY TRANSACTIONS

b) Related party transactions *(continued)*

(vii) Collections on behalf of a related party:

	2015 RMB'000	2014 RMB'000
UCAR	**8,948**	340

During the year, a subsidiary collected advances from customers on behalf of a related party.

c) Outstanding balances with related parties

	2015 RMB'000	2014 RMB'000
Current assets:		
Due from a related party:		
– UCAR	**475,852**	20,069
Current liabilities:		
Due to related parties:		
– UCAR	**1,507**	—
– Hertz International Ltd.	**1,078**	6,707
	2,585	6,707

As at 31 December 2015 and 31 December 2014, balances with related parties were unsecured, non-interest-bearing and repayable on demand.

The credit period for UCAR is three months. balances due from UCAR were within three months. The management of the Company was of the view that no bad debt provision was necessary.

d) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Short term employee benefits	**3,964**	2,206
Equity-settled share option expenses	**38,123**	29,601
	42,087	31,807

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2015

Financial assets

	Financial assets at fair value through profit or loss *RMB'000*	Loans and receivables *RMB'000*	Total *RMB'000*
Finance lease receivables – non-current	—	43,309	43,309
Investments in unlisted companies (note 22)	2,042,103	—	2,042,103
Rental deposits	—	8,150	8,150
Deposit for sales-leaseback borrowing	—	30,000	30,000
Restricted cash – current	—	53,129	53,129
Trade receivables (note 20)	—	278,452	278,452
Due from related parties	—	475,852	475,852
Financial assets included in prepayments, deposits and other receivables (note 21)	—	1,007,986	1,007,986
Finance lease receivables – current	—	112,170	112,170
Cash and cash equivalents	—	1,987,878	1,987,878
	2,042,103	3,996,926	6,039,029

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	21,000
Financial liabilities included in other payables and accruals (note 26)	336,951
Interest-bearing bank loans and other borrowings - current	1,154,411
Due to related parties	2,585
Senior notes	5,190,607
Interest-bearing bank loans and other borrowings – non-current	2,168,714
Deposits received for vehicle rental	3,550
	8,877,818

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

As at 31 December 2014

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Finance lease receivable – non-current	132,782	—	132,782
Rental deposits	4,626	—	4,626
Restricted cash – non-current	53,129	—	53,129
Trade receivables (note 20)	242,192	—	242,192
Due from related parties	20,069	—	20,069
Financial assets included in prepayments, deposits and other receivables (note 21)	408,044	—	408,044
Finance lease receivable – current	155,072	—	155,072
Available-for-sale investments	—	1,070,000	1,070,000
Cash and cash equivalents	1,352,435	—	1,352,435
	2,368,349	1,070,000	3,438,349

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	24,671
Financial liabilities included in other payables and accruals (note 26)	326,813
Interest-bearing bank loans and other borrowings – current	2,778,887
Due to related parties	6,707
Interest-bearing bank loans and other borrowings – non-current	831,802
Deposits received for vehicle rental	14,777
	3,983,657

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Investments in unlisted companies (note 22)	**1,880,275**	—	**1,880,275**	—

Management has assessed that the fair values of cash and cash equivalents, available-for-sale investments, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, an amount due from a related party, finance lease receivable, financial liabilities included in other payables and accruals, amount due to related parties, 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 the non-current portion of deposits, finance lease receivables and payables, interest-bearing bank loans and other borrowings and senior notes 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 31 December 2015 was assessed to be insignificant.

For the fair value of the investments in unlisted companies, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has quantified this as an increase in fair value of approximately RMB797,095,000.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2015:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Investments in redeemable preference shares of UCAR	Market approach	Concluded market multiple	3.9	20% increase/(decrease) in concluded market multiples result in Increase/(decrease) in fair value by RMB310,959,000/ (RMB310,959,000)

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in unlisted companies	—	—	1,880,275	1,880,275

The movements in fair value measurements within Level 3 during the year are as follows:

	2015	2014
	RMB'000	*RMB'000*
Investments in redeemable preference shares of unlisted companies:		
Investments during the year	**1,083,180**	—
Total gains recognised in the statement of profit or loss included in other income	**797,095**	—
At 31 December	**1,880,275**	—

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 and 2014.

During the year, 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 financial liabilities (2014: Nil).

42. 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 to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	Increase/ (decrease) in basis points	Change in profit before tax** *RMB'000*	Change in equity* *RMB'000*
31 December 2015			
RMB	**(100)**	**11,270**	**—**
RMB	**100**	**(11,270)**	**—**
31 December 2014			
RMB	(100)	13,039	—
RMB	100	(13,039)	—

* Excluding retained earnings

** Increase in profit before tax and decrease in loss before tax

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 the reporting period to a reasonably possible change in the RMB-US$ exchange rate, with all other variables held constant, of the Group's profit 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*
31 December 2015			
If RMB weakens against US$	**(5)**	**(285,385)**	**—**
If RMB strengthens against US$	**5**	**285,385**	**—**
31 December 2014			
If RMB weakens against US$	(5)	(8,529)	—
If RMB strengthens against US$	5	8,529	—

* Excluding retained earnings

** Increase in profit before tax and decrease 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, an amount due from a related party, 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 20.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2015			
	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	**21,000**	**—**	**—**	**21,000**
Financial liabilities included in other payables and accruals	**336,951**	**—**	**—**	**336,951**
Interest-bearing bank loans and other borrowings – current	**1,220,004**	**—**	**—**	**1,220,004**
Due to related parties	**2,585**	**—**	**—**	**2,585**
Interest-bearing bank loans and other borrowings – non-current	**—**	**2,184,056**	**—**	**2,184,056**
Senior notes	**343,349**	**1,036,154**	**5,353,142**	**6,732,645**
Deposits received for vehicle rental	**—**	**3,550**	**—**	**3,550**
	1,923,889	**3,223,760**	**5,353,142**	**10,500,791**

	31 December 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	24,671	—	—	24,671
Financial liabilities included in other payables and accruals	326,813	—	—	326,813
Interest-bearing bank loans and other borrowings – current	2,971,404	—	—	2,971,404
Due to a related party	6,707	—	—	6,707
Interest-bearing bank loans and other borrowings – non-current	—	849,758	—	849,758
Deposits received for vehicle rental	—	14,777	—	14,777
	3,329,595	864,535	—	4,194,130

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The preliminary objective of the Group's capital management is to safeguard the Group's ability 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 senior notes less cash and cash equivalents. The gearing ratios as at each of the reporting periods were as follows:

	2015	2014
	RMB'000	*RMB'000*
Interest-bearing bank loans		
– current	**1,154,411**	2,778,887
Interest-bearing bank loans		
– non-current	**2,168,714**	831,802
Senior notes	**5,190,607**	—
Cash and cash equivalents	**(1,987,878)**	(1,352,435)
Net debt	**6,525,854**	2,258,254
Total assets	**16,342,415**	9,842,319
Net debt/asset ratio	**40%**	23%

43. EVENTS AFTER THE REPORTING PERIOD

As mentioned in Note 22, UCAR implemented its Restructuring in December 2015 and has transferred its chauffeured car services business to Huaxia United in January 2016 (the "UCAR Business Transfer"). As part of the UCAR Business Transfer, the existing co-branding arrangement between the Company and UCAR has been assigned to Huaxia United, which was subsequently changed its name to UCAR Inc. or 神州優車股份有限公司, since January 2016.

44. COMPARATIVE FIGURES

As mentioned in Note 39, the Directors of the Company are of the opinion that UCAR became a related party of the Company with effect from 17 November 2015. Certain comparative figures regarding trade receivables and amounts due from UCAR as at 31 December 2014 have been restated to conform with the current year's presentation and disclosures.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2015	31 December 2014
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Investments in unlisted companies	**1,881,752**	—
Total non-current assets	**1,881,752**	—
CURRENT ASSETS		
Prepayments, deposits and other receivables	**256**	6,055
Due from subsidiaries	**7,378,394**	2,740,028
Cash and cash equivalents	**467,786**	445,434
Total current assets	**7,846,436**	3,191,517
CURRENT LIABILITIES		
Other payables and accruals	**5,190**	7,611
Total current liabilities	**5,190**	7,611
NET CURRENT ASSETS	**7,841,246**	3,183,906
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,722,998**	3,183,906
NON-CURRENT LIABILITIES		
Senior notes	**5,190,607**	—
Interest-bearing bank and other borrowings	**850,235**	—
Total non-current liabilities	**6,040,842**	—
Net assets	**3,682,156**	3,183,906
EQUITY		
Equity attributable to owners of the parent		
Share capital	**147**	145
Reserves	**3,350,403**	3,242,064
Retained profits/(accumulated losses)	**331,606**	(58,303)
Total equity	**3,682,156**	3,183,906

Charles Zhengyao LU
Director

Xiaogeng LI
Director

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total equity RMB'000
As at 1 January 2014	—	—	—	—	—	—
Loss for the year	—	—	—	—	(58,303)	(58,303)
Other comprehensive loss for the year	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(58,303)	(58,303)
Issuance of shares	2,357,512,070	145	3,183,161	—	—	3,183,306
Equity-settled share option arrangements	—	—	—	58,903	—	58,903
As at 31 December 2014	2,357,512,070	145	3,183,161	58,903	(58,303)	3,183,906
Profit for the year	**—**	**—**	**—**	**—**	**389,909**	**389,909**
Other comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive profit for the year	**—**	**—**	**—**	**—**	**389,909**	**389,909**
Exercise of shares options (note 31)	**36,471,765**	**2**	**138,077**	**(115,739)**	**—**	**22,340**
Equity-settled share option arrangements	**—**	**—**	**—**	**86,001**	**—**	**86,001**
As at 31 December 2015	**2,393,983,835**	**147**	**3,321,238**	**29,165**	**331,606**	**3,682,156**

The share option reserve 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 2.4 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.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 8 March 2016.

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements for the years ended 31 December 2011, 2012, 2013, 2014 and 2015, is set out below:

	For the years ended 31 December				
	2011	2012	2013	2014	**2015**
	(in RMB thousands)				
Total revenue	819,208	1,609,022	2,702,715	3,520,436	**5,002,719**
Depreciation of rental vehicles	(258,023)	(535,979)	(690,027)	(670,163)	**(939,364)**
Direct operating expenses of rental services	(268,265)	(532,015)	(861,638)	(988,876)	**(1,362,519)**
Cost of sales of used vehicles	(48,860)	(48,032)	(522,126)	(621,982)	**(609,966)**
Gross profit	244,060	492,996	628,924	1,239,415	**2,090,870**
Other income and expenses, net	1,678	(8,168)	20,704	26,195	**669,821**
Selling and distribution expenses	(106,934)	(140,346)	(152,732)	(92,710)	**(79,507)**
Administrative expenses	(148,750)	(206,799)	(378,226)	(350,107)	**(465,608)**
Finance costs	(140,641)	(270,037)	(334,611)	(309,466)	**(546,849)**
Profit/(loss) before tax	(150,587)	(132,354)	(215,941)	513,327	**1,668,727**
Income tax	(638)	51	(7,424)	(77,214)	**(267,331)**
Profit/(loss) for the year attributable to equity holders of the Company	(151,225)	(132,303)	(223,365)	436,113	**1,401,396**
Earnings per share – Basic	RMB(0.081)	RMB(0.071)	RMB(0.120)	RMB0.218	**RMB 0.591**
Earnings per share – Diluted	RMB(0.081)	RMB(0.071)	RMB(0.120)	RMB0.212	**RMB 0.575**

	As at 31 December				
	2011	2012	2013	2014	**2015**
	(in RMB thousands)				
Total assets	3,767,873	5,058,295	6,167,071	9,842,319	**16,342,415**
Total liabilities	3,620,047	5,042,772	6,094,133	4,252,735	**9,243,094**
Net assets	147,826	15,523	72,938	5,589,584	**7,099,321**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Charles Zhengyao LU *(Chairman and CEO)*

Non-executive Directors

Mr. Linan ZHU
Mr. James Peter MUELLER
Ms. Xiaogeng LI
Mr. Zhen WEI

Independent Non-executive Directors

Mr. Sam Hanhui SUN
Mr. Wei DING
Mr. Lei LIN
Mr. Joseph CHOW

CHIEF FINANCIAL OFFICER

Mr. Wilson Wei LI

COMPANY SECRETARY

Ms. Ka Man SO *(ACS, ACIS)*

AUDIT AND COMPLIANCE COMMITTEE

Mr. Sam Hanhui SUN *(Chairman)*
Mr. Lei LIN
Mr. Joseph CHOW

NOMINATION COMMITTEE

Mr. Joseph CHOW *(Chairman)*
Mr. Charles Zhengyao LU
Mr. Lei LIN

REMUNERATION COMMITTEE

Mr. Wei DING *(Chairman)*
Ms. Xiaogeng LI
Mr. Joseph CHOW

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Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
(Certified Public Accountants)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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