2017

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

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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 2017 (the "Reporting Period").

The car rental and car sharing industry experienced another exciting year in 2017. With a booming tourism industry and an increase in driver's license holders who do not own a car, the car rental industry has been prospering. Our teams have beat the operating targets set at the beginning of the year. Our car rental business delivered 60% year-over-year growth and achieved a 9-percentage-point increase in utilization rate to 67%, with further improved profitability. With the rapidly increasing market demand for car rental, we have implemented a series of growth initiatives to capture the growth opportunities since the second quarter of 2016. This yielded impressive results of over 40% growth in the car rental business for 6 consecutive quarters. Number of registered members increased by 49% to over 20 million.

On the fleet rental side, we reported a significant decline in revenue as the average daily UCAR ride-hailing fleet shrank by nearly half due to UCAR's focus on operating efficiency and its refined operating model to best balance between self-operation and third-party services. However, since August last year, as customer demand for UCAR remained steady along with its further proven business model, our fleet rental size has been stabilizing.

In 2017, we maintained our dominant market position with strong profitability. The Company's business profile and financial positions have never been stronger. Our adjusted EBITDA margin ratio increased 5 percentage points, driven by significant operating leverage and increasing efficiency. We also achieved a stronger balance sheet that supports stable and sustainable profitability. We disposed of 36,912 vehicles last year, reflecting a rigorous residual estimation approach. We effectively managed residual risks of used cars through continuously accumulating experience in used car disposal.

2017 was the 10th anniversary of our company. Over the last decade, we have witnessed and led the development of China's car rental industry and built the largest and best auto mobility platform in China, fulfilling the travel needs of our customers, providing them with a convenient travel experience and shaping new car rental behavior of China's consumers.

Looking out to the next decade, with the development of technology and the change of consumption behaviors, the needs of our customers will also continue to advance. As a part of our 10th anniversary, we set a new strategic vision to create and build a new auto lifestyle platform for a new generation of consumers and to lay out a comprehensive service for the 1 billion driver's license holders in China over the next ten years. Our strategic positioning will move from "auto mobility" to "auto lifestyle". Going forward, we will not only be an "auto mobility" company, but also build a new auto lifestyle platform for all drivers. The platform includes one for drivers who do not own cars and the other for drivers who own cars.

We will execute a full upgrade of CAR's business to build China's largest new generation of car sharing platform, helping drivers who do not own cars to realize their own auto lifestyle. Supported by big data and a fully connected smart mega-fleet management system, our new strategy will upgrade and revolutionize the current car rental business model, enabling the Company to offer more innovative and diversified products and services, a more comprehensive selection of vehicle models, and provide significant upgrades to the customer experience.

We will leverage our own advantages to participate in the construction of intelligent city as well as the research and establishment of the infrastructure for autonomous driving. With our rich amount of data and application scenarios, we will go deep inside the field of artificial intelligence and play a key role in the wave of autonomous driving through self-development, investment and third party collaborations, etc.

This year marks our first year of implementing our new strategy of creating and building the new generation auto lifestyle platform. We will implement a number of revolutionary changes in our business model. We will launch intelligent rental across China within the year. We have a pilot launch in 5 cities and will expand into most car rental cities in China in the second quarter, with an ultimate goal of installing the smart fleet management system on all our fleet. The intelligent rental service will also enable us to further expand our urban geographic reach with numerous new self-service locations, which will in turn provide customers with a faster and more convenient experience. This is a truly intelligent upgrade which will allow us to provide our services "anywhere and anytime". Its staff-less and intelligent features will also enhance operating efficiency and optimize our cost structure.

At the beginning of 2018, we announced the launch of car sharing services. By leveraging our unique advantages and fully utilizing our idle resources, this new service will offer the most value-for-money urban travel solution to car sharing consumers. This will further create a diverse mobility options and different ways of enjoying the auto lifestyle for consumers. Car sharing will enable us to acquire new customers who do not own cars. By effectively utilizing idle resources and fragmented idle times, we are able to enhance utilization of our rental fleet, and hence increase profitability.

Finally, on behalf of the Board, I would like to express our gratitude to our shareholders and partners for their tremendous support during the past year. I would also like to acknowledge the continuous support of our customers.

Charles Zhengyao LU
CAR Inc.
Chairman

Hong Kong, 27 February 2018

FINANCIAL HIGHLIGHTS

	For the years ended 31 December		
	2017	2016	**Year-over-year change**
	(in RMB millions, except otherwise stated)		%
Total rental revenue	**5,048**	5,016	1%
– Car rental[1]	**3,792**	2,847	33%
– Fleet rental[1]	**1,235**	2,126	-42%
Total revenue	**7,717**	6,454	20%
Net profit	**881**	1,460	-40%
Adjusted EBITDA[2]	**2,993**	3,057	-2%
Adjusted EBITDA margin[3]	**59.3%**	60.9%	-1.6pp
Adjusted net profit[2]	**613**	821	-25%
Adjusted net profit margin[3]	**12.1%**	16.4%	-4.3pp
Basic EPS (RMB)	**0.391**	0.617	-37%
Free cash flow[4]	**770**	1,795	-57%

Notes:

(1) The Company has reclassified the rental revenue and operating fleet to better align with its new development in business natures. For details regarding the reclassification, please refer to the Company's 2017 first quarter results announcement.

(2) Adjusted EBITDA and adjusted net profit are non-IFRS measures.

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

(4) Free cash flow is a non-IFRS measure. Please refer to "Management Discussion and Analysis - Non-IFRS financial reconciliation" for details.

BUSINESS OVERVIEW

The car rental and car sharing industry experienced another exciting year, with fast penetration of consumer base and sizable capital investments into the car sharing businesses. The industry continued to benefit from booming leisure travel and car sharing demand during 2017, while still remaining at a very low penetration rate with huge potential to change and grow. According to public analysis, when the China auto market matures, there will be approximately 700 million driver license holders who do not own a car. In addition, the Chinese consumer's consumption behavior is experiencing a revolutionary change, together with more aggressive mindset changes in new generation consumers. The Company believes a mega-sharing mindset will emerge as the future auto lifestyle. The Company will continue to be proactive and innovative in meeting and creating a variety of current and future demand for all drivers. Throughout 2017, the Company continued to demonstrate a strong leadership in growing China's auto mobility industry and has laid a strong foundation to shape China's future auto lifestyle.

2017 was another fruitful year for the Company with remarkable and milestone achievements in the car rental business, despite the headwinds in fleet rental business due to the decrease of UCAR Inc. ("UCAR") rental demand. During the Reporting Period, the Company recorded a flat growth on rental revenue, a mixed result of record high volume growth of the car rental business and significant decrease in the rental fleet to UCAR's ride-hailing platform ("UCAR Ride-hailing"). During the Reporting Period, the Company continued to laser focused on its car rental business growth. Car rental revenue increased by 33% year-over-year to RMB3,792.2 million, driven by 64% year-over-year rental days growth. Fleet rental revenue decreased by 42% year-over-year to RMB1,234.9 million. The significant decrease of UCAR Ride-hailing fleet was resulted from its focus on operating efficiency and the refined operating model to best balance between self-operation and third party services.

The Company continued to deliver sustainable and solid profitability, supported by its dominant leadership position and strong operating leverage in car rental business, despite the headwinds from the significant decrease of UCAR Ride-hailing fleet. During the Reporting Period, net profit was RMB881.1 million, compared with RMB1,459.6 million for the same period of last year. The difference was mainly due to the significant fair value gain from investment in UCAR Inc. in the same period of last year. During the Reporting Period, the adjusted net profit was RMB612.8 million, compared with RMB821.4 million for the same period of last year. The year-over-year difference was a combined result of the strong favorable car rental business contribution, the decrease in UCAR fleet demand, the reduced residual values of certain vehicle models and increased liquidity positions. During the Reporting Period, adjusted net profit margin decreased to 12.1% and adjusted EBITDA margin decreased slightly to 59.3%, due to decrease in UCAR fleet contribution, reduced residual values and increased liquidity positions, offset by higher car rental profit margins.

The business and fleet mix has been evolving during the Reporting Period. With the strong growth of the car rental business, the car rental fleet as a percentage of total operating fleet increased to 86% as at 31 December 2017, compared with 70% as at 31 December 2016. As at 31 December 2017, the total fleet was 102,500 vehicles, compared with 96,449 vehicles for the same period of last year. The car rental fleet increased by 27% year-over-year to 79,905 vehicles as at 31 December 2017. The fleet rental fleet reduced by 46% year-over-year and remained relatively stable throughout the fourth quarter of 2017.

NUMBER OF FLEET

	FY'16	1Q'17	2Q'17	3Q'17	4Q'17	FY'17
Fleet size as at period end						
Car rentals[1]	62,946	64,117	71,872	83,576	79,905	79,905
Fleet rentals[1]	24,330	21,761	16,157	11,167	13,111	13,111
Finance lease	2,537	727	272	115	108	108
Total operating fleet	89,813	86,605	88,301	94,858	93,124	93,124
Retired vehicles awaiting sale	3,292	5,542	8,328	7,062	7,568	7,568
Vehicles held for sale	3,344	3,215	3,400	1,535	1,808	1,808
Total fleet	96,449	95,362	100,029	103,455	102,500	102,500

Note:

(1) The Company has reclassified the rental revenue and operating fleet to better align with its new development in business natures.

It was a milestone year for the car rental business. During the Reporting Period, the Company achieved record high volume growth and utilization. Rental days grew at a record high of 64% year-over-year. The utilization rate increased by 9 percentage points to a record high of 66.7%. During the fourth quarter of 2017, the rental days grew by 60% year-over-year, on top of the strong growth momentum of the fourth quarter in 2016. Since the Company implemented the growth initiatives in 2016, the car rental volume growth rate has achieved over 40% for six consecutive quarters, together with increasing car rental margins. Despite significant ADRR decrease, the car rental adjusted EBITDA margin increased five percentage points year-over-year, driven by significant utilization gain and consequent unit cost reduction through economy of scale. During the Reporting Period, ADRR decreased by 19% to RMB230. RevPAC decreased slightly by 7% to RMB153.

The Company has laid a strong foundation for car rental long-term growth and extending the leadership position. Over the last 24 months, the Company implemented various growth initiatives to accelerate the growth momentum. The Company adopted a competitive pricing strategy combined with marketing initiatives to stimulate the growing car rental demand and suppress competition, and continued to upgrade customer experience through business initiatives, technological innovations and accelerating the vehicle replacement cycle. As at 31 December 2017, the number of registered members exceeded 20.3 million, increased by 49% year-over-year. Number of customers was 5.4 million, increased by 35 % year-over-year. During the fourth quarter of 2017, reservation through the Company's mobile APP further increased to 81% of total reservation. As at 31 December 2017, the total number of mobile APP downloads was approximately 26 million.

The Company was cautiously broadening its geographic reach to tap into the unexplored customer demand. As at 31 December 2017, the Company had presence in 117 cities, compared with 93 cities as at 31 December 2016. The Company had 898 directly-operated service locations, which included 373 stores and 525 pick-up points. As at 31 December 2017, the franchisee network comprised of 239 service locations in 189 tier 3 and tier 4 cities. With most of the franchisee agreements expiring in early 2018, the Company was in the process of launching new geographic coverage strategy and approach for lower tier cities.

Since the first quarter of 2017, the Company has reclassified its business into car rental and fleet rental. Fleet rental refers to the customized fleet management services that are provided to corporations under framework agreements. For the fourth quarter of 2017, average daily UCAR Ride-hailing fleet was approximately 13,000 vehicles. The price and terms remained unchanged since the commencement of business collaboration. The fleet mix had no material change. During the Reporting Period, fleet rental revenue was RMB1,234.9 million, decreased to 25% as a percentage of the total rental revenue comparing with 42% for the same period of last year. During the Reporting Period, the average fleet rental fleet dropped significantly due to UCAR Ride-hailing's changed business mix between self-operation and third-party services, as well as increased operating efficiency.

The Company strategically expedited vehicle replacement to enhance fleet condition and mitigate residual risks. During the Reporting Period, the Company disposed 36,912 used vehicles compared with 23,092 vehicles for the same period of 2016. The cost-to-sales ratio was 101.1%, reflecting a rigorous residual estimation approach and further improved used car disposal capability. The cost-to-sales ratio for the fourth quarter of 2017 was 99.0%. During the Reporting Period, the depreciation as a percentage of rental revenue was 27.2%, compared with 25.1% for the same period of 2016, reflecting a stronger balance sheet to support stable and sustainable profitability. Among all the used cars sold, 55% were sold to Shenzhou Maimaiche (Tianjin) Technology Development Co. Ltd ("Maimaiche"), the business-to-consumer ("B2C") used car sales and new car sales platform operated by UCAR. Penetration into the B2C disposal channel remained as the Company's important strategy to expedite vehicle replacements and realize higher residual values.

STRATEGIES

The Company celebrated its 10th anniversary in December 2017. Over the last decade, the Company has successfully executed its strategy of becoming China's leading auto mobility provider. Looking into the next decade, the Company has upgraded its strategic vision to create and build a new generation of auto lifestyle platform to fulfill the revolutionarily changing needs of the enormous size of drivers who do not own cars. The Company's new mission is to build the largest new generation of vehicle mega-sharing platform in China. The future upgraded platform will result in a full upgrade of current car rental business, enabling the Company to offer more innovative and diversified products and services, more comprehensive selection of vehicle models and provide upgrades to customer experience, supported by fully connected and smart mega-fleet management.

The car rental business is going to transform its operational focus from asset and product focused to customer focused, and is going to be more proactive and innovative in meeting and creating a variety of current and future demand for all drivers. As a foundation, the Company intends to continue its strategic and operational focus to extensively grow the fleet, increase the fleet utilization, enhance customer experience and drive innovations in both product and business model.

As a first step, the Company has announced its nationwide launch of car sharing services in the second quarter of 2018. With the Company's unique advantage and approach of leveraging excess and idle fleet resources, the new product will offer car sharing consumers the most cost-effective urban mobility solutions, which can further create larger customer demand for mobility alternatives and ways to enjoy the auto lifestyle. Also, the car sharing product will help increase utilization of the car rental fleet and drive profitability.

2018 will be an important chapter towards the Company's new strategic vision. The Company is determined to play an important role in shaping the auto mobility industry in China and creating a new generation auto lifestyle platform to fulfill current and future demand for all drivers in China.

1. REVENUES AND PROFITABILITY ANALYSIS

Rental revenue

	Year ended 31 December		
	2017	2016	**Year-over-year change**
	(in RMB thousands)		
Car rental revenue	**3,792,184**	2,846,871	33%
Fleet rental revenue	**1,234,870**	2,125,605	-42%
Other revenue	**21,291**	43,240	-51%
Total rental revenue	**5,048,345**	5,015,716	0.7%

Car rental metrics[5]

	FY'16	**1Q'17**	**2Q'17**	**3Q'17**	**4Q'17**	**FY'17**
Average daily fleet [1]	48,032	60,389	60,225	76,218	75,326	68,103
ADRR[2] (RMB)	284	245	223	237	216	230
Utilization rate[3] (%)	57.6%	67.6%	69.4%	66.5%	63.9%	66.7%
RevPAC[4] (RMB)	164	165	155	157	138	153

Notes:

(1) Average daily car rental fleet is calculated by dividing the aggregate days of our car rental vehicles in operation in a given period by the aggregate days of that period. "Car rental vehicles in operation" refers to our entire car rental 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 car rental revenue in a given period by the rental days in that period. Rental days are the total rental days for all vehicles in our car rental fleet in a given period.

(3) Car utilization rate is calculated by dividing the aggregate days that our vehicles are rented out for car rentals by the aggregate days that our car rental vehicles are in operation.

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

(5) The Company has reclassified the rental revenue and operating fleet to better align with its new development in business natures.

The Company's total rental revenue increased slightly to RMB5,048.3 million for the year ended 31 December 2017.

- ***Car rentals.*** Revenue from car rentals increased by 33.2% to RMB3,792.2 million for the year ended 31 December 2017. Average daily fleet increased by 42% year-over-year, along with a 64% year-over-year growth of rental days. ADRR decreased by 19% to RMB230 to drive growth. The utilization rate increased by 9 percentage points to 66.7%. RevPAC decreased by 7% to RMB153. With a lower RevPAC breakeven cost driven by significant scale benefit, the car rental business achieved meaningful margins expansion year-over-year. The car rental adjusted EBITDA margin increased by five percentage points year-over-year.
- ***Fleet rentals.*** Revenue from fleet rentals decreased by 41.9% to RMB1,234.9 million for the year ended 31 December 2017, mainly due to the decrease in UCAR Ride-hailing fleet. For the year ended 31 December 2017, the average daily UCAR Ride-hailing fleet was approximately 17,000 vehicles, compared with approximately 31,000 for the same period of 2016. For the fourth quarter of 2017, the average daily UCAR Ride-hailing fleet was approximately 13,000. The rental prices and terms for each car model under the collaboration remained unchanged since the inception.
- ***Other revenue.*** Other revenue mainly consists of finance lease revenue, insurance claims and franchise royalty. Other revenue was RMB21.3 million for the year ended 31 December 2017, compared with RMB43.2 million for the same period of 2016. The decrease was primarily driven by the decline in insurance claims due to in-house repair and maintenance and expiration of the finance lease programs.

Depreciation of rental vehicles and direct operating expenses of rental services

	Year ended 31 December			
	2017		2016	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Depreciation of rental vehicles	**1,373,645**	**27.2%**	1,257,679	25.1%
Direct operating expenses				
– Payroll costs	**517,001**	**10.2%**	483,967	9.6%
– Store expenses	**215,582**	**4.3%**	184,627	3.7%
– Insurance fees	**193,739**	**3.8%**	203,769	4.1%
– Repair and maintenance fees	**299,331**	**5.9%**	299,093	6.0%
– Fuel expenses	**54,710**	**1.1%**	65,656	1.3%
– Others	**420,989**	**8.3%**	392,199	7.8%
Total direct operating expenses	**1,701,352**	**33.7%**	1,629,311	32.5%
Total costs of rental business	**3,074,997**	**60.9%**	2,886,990	57.6%

Depreciation of rental vehicles. As a percentage of rental revenue, depreciation expenses increased from 25.1% for the year ended 31 December 2016 to 27.2% for the year ended 31 December 2017. The increase was primarily driven by (i) decrease in car rental RevPAC, and (ii) reduced estimations of the residual values for certain vehicle models. During the Reporting Period, the Company estimated the residual values of used vehicles more rigorously, supported by more comprehensive market access and company data. The average purchase price of vehicles was approximately RMB93,000, with no material change from last year.

Direct operating expenses of rental services. As a percentage of rental revenue, the direct operating expenses accounted for 33.7% and 32.5% for the years ended 31 December 2017 and 2016, respectively. The increase was mainly driven by a number of factors, including (i) the decrease in percentage of UCAR fleet rental, which incurred limited store and payroll expenses; (ii) the increased performance bonus as a result of higher than expected car rental growth; (iii) the increased repair expenses caused by reduced insurance coverage, which was offset by decreased insurance fees; and (iv) offset by increased operating efficiency.

Sales of used vehicles (revenue & cost)

	Year ended 31 December	
	2017	2016
	RMB	RMB
	(in thousands, except percentages)	
Revenue from sales of used vehicles	**2,668,993**	1,438,242
Cost of sales of used vehicles	**2,697,472**	1,480,922
Cost as a % of revenue (sales of used vehicles)	**101.1%**	103.0%
Number of used vehicles sold	**36,912**	23,092
— Inclusive of used vehicles sold to franchisees via installment program	**1,664**	2,011
Total number of used vehicles disposed	**36,912**	23,092

The Company disposed of 36,912 used vehicles for the year ended 31 December 2017, compared with 23,092 vehicles for the same period of 2016. The number of retired vehicles awaiting for sale was 7,568 due to more used car disposal during the Reporting Period to expedite vehicle replacement. During the Reporting Period, 20,320 vehicles were sold to Maimaiche.

Cost of sales of used vehicles was 101.1% of revenue from the sales of used vehicles for the year ended 31 December 2017, compared with 103.0% for the same period of 2016. For the fourth quarter of 2017, cost of sales of used vehicles was 99.0%. The close-to-breakeven results continued to demonstrate the Company's proven capabilities at managing the full cycle of rental vehicles, supported by improved used car disposal channels, deeper penetration into the B2C channel and effective estimation of residual values.

Gross profit

	Year ended 31 December	
	2017	2016
	RMB	RMB
	(in thousands, except percentages)	
Gross profit of rental business	**1,973,348**	2,128,726
Gross profit margin of rental business	**39.1%**	42.4%
Gross loss of sales of used vehicles	**(28,479)**	(42,680)
Gross loss margin of sales of used vehicles	**(1.1)%**	(3.0)%
Total gross profit	**1,944,869**	2,086,046
Total gross profit margin as a % of rental revenue	**38.5%**	41.6%

Total gross profit of the rental business decreased by 7.3% to RMB1,973.3 million for the year ended 31 December 2017. The margin decreased by 3.1 percentage points to 38.5%. Total gross profit margin decrease for the year ended 31 December 2017 was mainly due to (i) decrease in car rental RevPAC; (ii) decrease in percentage of revenue from UCAR fleet rental, which incurred limited store and payroll expenses; (iii) increase in depreciation cost due to the reduced estimation of the residual values for certain vehicle models; and (iv) offset by increased operating efficiency.

Selling and distribution expenses

	Year ended 31 December			
	2017		2016	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	**2,960**	**0.1%**	22,084	0.4%
Advertising expenses	**20,277**	**0.4%**	31,573	0.6%
Share-based compensation	**235**	**0.0%**	1,510	0.0%
Others	**6,482**	**0.1%**	9,926	0.3%
Total	**29,954**	**0.6%**	65,093	1.3%

Selling and distribution expenses decreased significantly by 54.0% to RMB29.9 million for the year ended 31 December 2017 due to (i) more innovative marketing initiatives, which were more capable of identifying target customers; (ii) marketing initiatives associated with direct rebates to customers; and (iii) the increased use of more cost-efficient and reachable mobile social platform for point-to-point marketing. Selling and distribution expenses were 0.6% as a percentage of rental revenue.

Administrative expenses

	Year ended 31 December			
	2017		2016	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	**285,594**	**5.7%**	276,245	5.5%
Office expenses	**55,722**	**1.1%**	69,936	1.4%
Rental expenses	**25,039**	**0.5%**	20,946	0.4%
Share-based compensation	**4,988**	**0.1%**	78,779	1.6%
Others	**98,686**	**1.9%**	108,223	2.1%
Total	**470,029**	**9.3%**	554,129	11.0%

Administrative expenses decreased by 15.2% to RMB470.0 million for the year ended 31 December 2017. Excluding the impact from share-based compensation, the administrative expenses as percentage of rental revenue was 9.2%, compared with 9.4% for the year ended 31 December 2016. The administrative expenses decreased year-over-year due to (i) robust effort of improving management efficiency and lean organisation; and (ii) extra emphasis on smart cost management.

Other income and expenses, net

	Year ended 31 December	
	2017	2016
	(RMB in thousands)	
Interest income from bank deposit	**33,007**	19,925
Unrealized exchange gain/(loss) related to USD denominated liabilities	**405,206**	(354,303)
Gain on disposal of investments in redeemable preference shares	**150,035**	—
Realized exchange loss	**(28,582)**	(19,122)
Fair value loss on derivative instrument-transaction not qualifying as hedges	**(187,026)**	—
Fair value (loss)/gain from investment in equity shares and redeemable preference shares	**(66,086)**	1,031,603
Government grants	**85,243**	76,860
Loss on disposals of items of other property, plant and equipment	**(7,927)**	(119)
Gain on disposal of subsidiaries	**—**	113,101
Others	**(780)**	9,787
Total	**383,090**	877,732

Net gain was RMB383.1 million for the year ended 31 December 2017, compared with net gain of RMB877.7 million for the year ended 31 December 2016. The net gain for the year of 2017 was mainly due to (i) the unrealized foreign exchange gain related to USD-denominated liabilities as a result of RMB appreciation, offset by loss from the hedging instruments, (ii) gain on disposal of investments in redeemable preference shares of Souche Holdings Ltd. ("Souche"). The net gain for the same period of 2016 was mainly due to the fair value gain on investments in UCAR.

Finance costs. Finance costs increased by 10.5% to RMB652.8 million for the year ended 31 December 2017, primarily due to the Company's higher average debt position and cash positions.

Profit before tax. Profit before tax decreased by 33.2% to RMB1,175.3 million for the year ended 31 December 2017.

Income tax expenses. Income tax expenses decreased by 2.0% to RMB294.2 million for the year ended 31 December 2017 due to decreased profit.

Net profit. As a result of the aforementioned factors, the Company recorded a net profit of RMB881.1 million and RMB1,459.6 million for the years ended 31 December 2017 and 2016, respectively.

Adjusted net profit. Adjusted net profit was RMB612.8 million for the year ended 31 December 2017, compared with RMB821.4 million for the year ended 31 December 2016. Adjusted net profit margin was 12.1%, a combined result of increased car rental margin, the decrease in percentage of UCAR Ride-hailing fleet, strong operating leverage, the reduced residual values of certain vehicle models and increased liquidity positions.

Adjusted EBITDA. Adjusted EBITDA was RMB2,992.8 million for the year ended 31 December 2017, compared with RMB3,056.6 million for the year ended 31 December 2016. Adjusted EBITDA margin was 59.3%, a combined result of increased car rental profitability and the decrease in the percentage of UCAR Ride-hailing fleet rental.

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 2017	31 December 2016
	(RMB in millions)	
Total assets	**20,639.9**	21,189.2
Total liabilities	**12,766.0**	12,970.6
Total equity	**7,873.9**	8,218.6
Cash and cash equivalents	**4,813.3**	5,723.2
Restricted cash	**62.2**	1.3
Total cash	**4,875.5**	5,724.5
Interest bearing bank and other borrowings - current	**2,505.3**	2,425.4
Interest bearing bank and other borrowings - non-current	**3,171.2**	3,820.7
Senior notes	**5,149.2**	5,435.9
Corporate bonds	**296.1**	—
Total debt	**11,121.8**	11,682.0
Net debt (total debt less total cash)	**6,246.3**	5,957.5
Total debt/adjusted EBITDA (times) [1]	**3.7x**	3.8x
Net debt/adjusted EBITDA (times) [1]	**2.1x**	1.9x

Note:

(1) Adjusted EBITDA is calculated based on the total of the most recent four quarters.

Cash

The Company continued to generate strong operating cash flows and maintain strong liquidity during the year ended 31 December 2017. As at 31 December 2017, the Company's total cash balance was RMB4,875.5 million.

Trade receivables and due from related parties

Trade receivables were RMB92.5 million and RMB99.6 million as at 31 December 2017 and 31 December 2016, respectively. The decrease in trade receivables was mainly due to reduced institutional fleet rental business and continuous improvement in trade receivables management.

Due from related parties, which relates to the trade receivables from UCAR, was RMB759.0 million and RMB556.2 million as at 31 December 2017 and 31 December 2016, respectively. The increase was in line with the increase in used car sales. Fleet rented to UCAR Ride-hailing and used vehicles sold to Maimaiche platform both carry a 90-day payment term. UCAR has been making payment on time.

Capital expenditures

The majority of the Company's capital expenditure was for vehicle acquisitions. During the year ended 31 December 2017, the Company purchased approximately RMB4,494.7 million of rental vehicles, which is inclusive of pre-payments for newly ordered rental vehicles that have not commenced services. The Company also spent approximately RMB68.4 million on purchases of other property, plant and equipment, and other intangible assets.

Borrowings

As at 31 December 2017, the Company had total debt of RMB11,121.8 million and net debt of RMB6,246.3 million, compared with RMB11,682.0 million and RMB5,957.5 million as at 31 December 2016, respectively. The Company has a strong cash position and sufficient financing facilities. As at 31 December 2017, the current debt portion was RMB2,505.3 million, representing 22.5% of total debt, which was comparable to 2016 year end balance. Based on the repayment schedule as at 31 December 2017, the Company had a total debt of approximately RMB155.2 million to be repaid in the first quarter of 2018. All the borrowings are mainly denominated in RMB and USD, and 24.7% of them are at fixed interest rates. For more details, please refer to the notes 24 and 27 to the Financial Statements.

The Company has further diversified funding sources and optimized funding structure to support its sustainable business growth, while maintaining a prudent financial policy to ensure balanced leverage ratios and credit metrics. On 26 April 2017, the Company successfully issued its first RMB300.0 million 5.5% Panda Bonds in the Shanghai exchange market, marking a milestone to issue Panda Bonds in China, diversifying and deepening the Company's fund raising channels.

As at 31 December 2017, the gearing ratio for the Group was 30%, compared with 28% as at 31 December 2016. The Group monitors capital using a net debt/asset ratio, which is net debt divided by total assets. For details, please refer to note 43 to the Financial Statements.

Foreign exchange risk management

The Company pays close attention to its asset liability management, especially foreign exchange risk management. As at the date of this report, the Company has entered into forward currency contracts with an aggregate contractual amount of US$630.0 million, which has offered the Company mitigation protection against the foreign exchange risk. The Company will continue to closely evaluate market conditions and ensure appropriate measures are timely implemented to mitigate risks from RMB exchange rate fluctuations.

Pledge of assets

Details of the Group's bank borrowings, which are secured by certain assets of the Group, are included in note 37 to the Financial Statements.

Free cash flow

The Company continued to generate strong cash flow, with an inflow of RMB770.4 million free cash flow for the year ended 31 December 2017, compared with RMB1,795.3 million for the same period of 2016. The decrease was mainly due to the increase in the purchase of vehicles.

Material acquisitions and disposals

On 30 August 2017, the Company and Souche entered into a share repurchase agreement, in which Souche repurchased from the Company all of the shares of Souche held by the Company. Details of the transaction are included in note 20 to the Financial Statements.

Share repurchase

At the Company's annual general meeting (the "AGM") on 16 May 2017, the shareholders granted a general mandate (the "Repurchase Mandate") to the directors of the Company (the "Directors") to repurchase shares of the Company. Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 229,986,581 shares, being 10% of the total number of issued shares of the Company as at the date of the AGM, on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

For the year ended 31 December 2017, the Company repurchased a total of 201,889,000 shares through the Stock Exchange, representing approximately 9.29% of the issued share capital of the Company as at 31 December 2017. The aggregate consideration for the repurchase was HK$1,436.9 million. For 2018, as of the date of this report, the Company has not repurchased any shares through the Stock Exchange. The share repurchase reflects the Company's solid financial position and the Board's strong confidence in the Company's future business prospects. The Company believes that the Repurchase Mandate is in the interest of the shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

NON-IFRS FINANCIAL RECONCILIATION

	For the year ended 31 December	
	2017	2016
	(RMB in thousands, except percentages)	
A.Adjusted net profit		
Net profit	**881,111**	1,459,591
Adjusted for:		
Share-based compensation	**5,334**	80,540
Fair value loss/(gain) from investment in equity shares and redeemable preference shares	**66,086**	(1,031,603)
Fair value loss on derivative instrument-transaction not qualifying as hedges	**187,026**	—
Share of profit of an associate	**(107)**	(5,968)
Gain on disposal of used car B2C business	**—**	(113,101)
Gain on disposal of investments in redeemable preference shares	**(150,035)**	—
Foreign exchange (gain)/loss	**(376,624)**	373,425
Loss relating to the used car B2C pilot program	**—**	58,533
Adjusted net profit	**612,791**	821,417
Adjusted net profit margin (as a percentage of rental revenue)	**12.1%**	16.4%
B. Adjusted EBITDA		
Reported EBITDA calculation		
Profit before tax	**1,175,306**	1,759,745
Adjusted for:		
Finance costs	**652,777**	590,779
Interest income from bank deposit	**(33,007)**	(19,925)
Depreciation of rental vehicles	**1,373,645**	1,257,679
Depreciation of other property, plant and equipment	**77,594**	64,794
Amortization of other intangible assets	**8,506**	9,816
Amortization of prepaid land lease payment	**1,614**	1,614
Impairments on trade receivables	**4,650**	30,289
Reported EBITDA	**3,261,085**	3,694,791

	For the year ended 31 December	
	2017	2016
	(RMB in thousands, except percentages)	
Reported EBITDA margin (as a percentage of rental revenue)	**64.6%**	73.7%
Adjusted EBITDA calculation		
Reported EBITDA	**3,261,085**	3,694,791
Adjusted for:		
Share-based compensation	**5,334**	80,540
Fair value loss/(gain) from investment in equity shares and redeemable preference shares	**66,086**	(1,031,603)
Fair value loss on derivative instrument-transaction not qualifying as hedges	**187,026**	—
Share of profit of an associate	**(107)**	(5,968)
Gain on disposal of used car B2C business	**—**	(113,101)
Gain on disposal of investments in redeemable preference shares	**(150,035)**	—
Foreign exchange (gain)/loss	**(376,624)**	373,425
Loss relating to the used car B2C pilot program	**—**	58,533
Adjusted EBITDA	**2,992,765**	3,056,617
Adjusted EBITDA margin (as a percentage of rental revenue)	**59.3%**	60.9%
C. Free cash flow		
Net cash flows generated from operating activities	**837,398**	2,074,294
Purchases of other property, plant and equipment	**(67,105)**	(273,845)
Proceeds from disposal of other property, plant and equipment	**1,393**	9
Purchases of other intangible assets	**(1,323)**	(5,174)
Net investment activity	**(67,035)**	(279,010)
Free cash flow	**770,363**	1,795,284

The Group employed certain non-IFRS financial measures in measuring the performance of the Group. The presentation of these non-IFRS financial measures are 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 for planning and forecasting future periods. The Group's management believes that adjusted EBITDA, defined as earnings before interest, income tax expenses, depreciation and amortization, impairment on trade receivables, share-based compensation, foreign exchange (gain)/loss, fair value loss/(gain) from investment in equity shares and redeemable preference shares, fair value loss/(gain) on derivative instrument-transaction not qualifying as hedges, gain on disposal of investments in redeemable preference shares, share of profit of an associate and loss relating to the used car B2C pilot program, is a useful financial metric to assess the Group's operating and financial performance.

Foreign exchange (gain)/loss, fair value loss/(gain) from investment in equity shares and redeemable preference shares, gain on disposal of subsidiaries, loss relating to the used car B2C pilot program and share of profit of an associate have been added in the reconciliation in 2016 due to the change in economic situation and the Group's business strategies. Fair value loss/(gain) on derivative instrument-transaction not qualifying as hedges and gain on disposal of investments in redeemable preference shares have been added in the reconciliation in 2017. The management believes that these items do not relate to the Group's business operations. The Group operates mainly in China and its foreign exchange (gain)/loss mainly results from its USD-denominated senior notes. Fair value loss/(gain) from investment in equity shares and redeemable preference shares represents the non-cash fair value gain/(loss) on investments which is recognized in accordance with IAS 39 Financial Instruments. Fair value loss/(gain) on derivative instrument-transaction not qualifying as hedges is recognized based on the market price of the foreign exchange contract that the Company entered into during the Reporting Period. These accounting recognitions and measurements do not relate to the Group's business operations. Share of (profit) of an associate relates to the share of profit from an associate that the Group acquired during the second quarter of 2016.

Free cash flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. Capital expenditures are defined as net expenditures of other property, plant and equipment, other intangible assets and prepaid lease payments. Free cash flow represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base.

EXECUTIVE DIRECTOR

Yifan SONG (宋一凡), aged 41, was appointed as the Chief Executive Officer and an Executive Director on 11 April 2016. Ms. Song has worked as a vice-president for the Group from September 2007 to August 2013, and was promoted to an executive vice-president since September 2013. She is also a founding member of the Group. Before her appointment as the Chief Executive Officer of the Company, she was responsible for general management of processes and standardization; in particular, stores, fleet, repair and maintenance facilities and call centers. Ms. Song has over 19 years of industry experience. She was 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 and 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), an internet service provider company, from January 2003 to March 2005. Ms. Song worked as the head of customer services at Shouchuang Internet Co., Ltd. (首創網絡有限公司), another internet service provider company, from May 2000 to December 2002 and 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. 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 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. She 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.

NON-EXECUTIVE DIRECTORS

Charles Zhengyao LU (陸正耀), aged 48, was appointed as an Executive Director, Chief Executive Officer and Chairman of the Board on 25 April 2014. Mr. Lu resigned from his position as Chief Executive Officer and was re-designated as a Non-executive Director on 11 April 2016. Mr. Lu is currently a member of the Nomination Committee of the Company. He is responsible for participating in formulating the Company's corporate and business strategies. He has 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 also been appointed as a chairman of the board of UCAR Technology Inc., a substantial shareholder of the Company, since 5 June 2015. Mr. Lu is the chairman and chief executive officer of UCAR Inc. (a company listed on the NEEQ of the PRC, Stock Code: 838006 and a substantial shareholder of the Company). Mr. Lu has over 24 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.

Linan ZHU (朱立南), aged 55, was appointed as a 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 21 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 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. 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.

Xiaogeng LI (李曉耕), aged 42, was appointed as a Non-executive Director, a member of the Remuneration Committee of the Company on 17 November 2015 and a member of the Audit and Compliance Committee of the Company on 27 February 2018. Ms. Li has over 12 years of experience in the information technology industry. She is currently a director and vice president of UCAR Inc. (a company listed on the NEEQ of the PRC, Stock Code: 838006 and a substantial shareholder of the Company), where she is primarily responsible for strategic investment. Prior to joining UCAR, Ms. Li served as the vice president of UCAR Technology Inc. from November 2014 to January 2016 and 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 46, was appointed as a Non-executive Director on 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, Stock Code: 2686), and a non-executive director of each of ANE Logistics Co., Ltd., Doyen Edu (Cayman) Ltd., Souche Holdings Ltd. and ZTO Express (Cayman) Inc. (a company listed on the New York Stock Exchange, Stock Code: ZTO). Mr. Wei has resigned as a non-executive director of China Kidswant Investment Holdings Co. Ltd. and Sunnywell Group in May 2016 and August 2016, respectively. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sam Hanhui SUN (孫含暉), aged 45, has served as an Independent Non-executive Director since 18 August 2014. Mr. Sun is currently the Chairman of Audit and Compliance Committee of the Company and a member of the 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 and audit. Mr. Sun has over 23 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 Fang Holdings Limited (formerly named "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 Fang 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 58, has served as an 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 31 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. Since May 2016, Mr. Ding has been serving as managing director and the head of private equity business of China International Capital Corporation Limited. Mr. Ding received a bachelor's degree majoring in finance from Renmin University of China in July 1982. In January 1998, Mr. Ding completed the executive development program at Harvard Business School, which was tailor-made for the World Bank.

Li ZHANG (張黎), aged 50, was appointed as an Independent Non-executive Director, chairman of the Nomination Committee of the Company and members of the Audit and Compliance Committee and the Remuneration Committee of the Company on 27 February 2018. 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 the corporate governance, nomination of directors and remuneration of directors and senior management. He was an Independent Non-executive Director, a chairman of the Nomination Committee of the Company and a member of the Remuneration Committee of the Company from 18 August 2014 to 13 January 2016, and a member of the Audit and Compliance Committee of the Company from 17 November 2015 to 13 January 2016. Mr. Zhang has over 22 years of industry experience. From January 2002 to August 2003, Mr. Zhang was employed by Peking University to participate in project management and teaching. From September 2003 to August 2008, he was working as an associate professor and assistant dean of Beijing International MBA at Peking University, where he was mainly responsible for teaching and research. From September 2008 to September 2013, he was working as a professor and deputy dean of Beijing International MBA at Peking University, where he was mainly responsible for education in management studies, research and administration of school affairs. From October 2013 to May 2016, Mr. Zhang has been serving as a deputy dean of the National School of Development at Peking University. From October 2013 to January 2017, Mr. Zhang has been serving as the dean of BiMBA Business School of the National School of Development at Peking University where he was responsible for education in business administration, research and administration of school affairs. Mr. Zhang received his bachelor's degree in textile engineering from Tianjin Institute of Textile Science &Technology (now known as Tianjin Polytechnic University) in July 1989, his master's degree in commodity sciences from Renmin University of China in July 1995 and a doctor of philosophy degree from the Ohio State University in September 1999.

SENIOR MANAGEMENT

Wilson Wei LI (李維), aged 40, was appointed as the Chief Financial Officer and an executive vice-president of the Company on 15 May 2014 and the Chief Operating Officer of the Company on 11 April 2016. Mr. Li is responsible for matters relating to corporate finance and financial management of the Group and driving business growth and operational excellence of the Group. Mr. Li has over 17 years of experience in corporate finance, risk management, internal audit, treasury and capital market. 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. From January 2007 to July 2010, Mr. Li was the chief financial officer for Global Supply Chain Asia Group in GE Healthcare. 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 August 2002 to January 2004, Mr. Li worked at GE Healthcare as the head of risk and credit management. In July 2002, Mr. Li graduated from a financial management program, an elite corporate leadership program organized by General Electric. Mr. Li graduated from Fudan University with a bachelor of arts in finance in June 2000.

Michael Ming LIN (林明), aged 44, was appointed as the Company's senior management on 11 April 2016. Mr. Lin has been working as a vice-president for the Group since May 2010 and is responsible for store operations, yield management and customer services. Since Mr. Lin joined the Group in 2010, he has held multiple management roles in various functions, including strategies, human resources, and training. He was recently appointed as the general manager of the northern region. Prior to joining us, Mr. Lin worked as a vice-president at Legend Capital Limited (聯想投資有限公司) from February 2005 to April 2010. From January 1999 to January 2003, he worked as manager of the market planning department at Panasonic Corporation of China (松下電器 (中國) 有限公司). From January 1997 to July 1998, he worked as an assistant to director at the Shandong Representative Office of the Singapore-Shandong Business Council (新加坡-山東經貿理事會駐山東代表處). From August 1995 to December 1996, he worked as an assistant to the chief of investment at Shandong Silk Corporation (山東省絲綢總公司). Mr. Lin received a master's degree in business administration from Peking University (北京大學) in April 2005. He graduated from Donghua University (東華大學) and obtained a bachelor's degree in industry and foreign trade in July 1995.

Yandong ZENG (曾龔冬), aged 42, was appointed as the Company's senior management on 11 April 2016. Mr. Zeng has been working as a vice-president for the Group since June 2009 and is responsible for fleet management, including repair and maintenance, insurance and logistics. Since Mr. Zeng joined the Group in 2009, he has assumed a key management role in the fleet management. Prior to joining us, Mr. Zeng worked as a vice-president at Zhongyida Commercial Trading Group Co., Ltd (眾義達商貿集團有限公司) from September 2008 to May 2009. From June 2006 to September 2008, he worked as a sales director at APV Far East Ltd. (APV遠東有限公司). From March 2001 to May 2006, he worked as a national sales manager at Tetrapak China Co., Ltd. (利樂中國有限公司). From September 1998 to March 2001, he worked as a manufacturing engineer at Ford Motor (China) Ltd. (福特汽車 (中國) 有限公司). From August 1997 to September 1998, he worked as a process engineer at Beijing Warner Gear Co., Ltd. (北京華納齒輪有限公司). Mr. Zeng received an Executive Master of Business Administration degree from Peking University (北京大學) in July 2008. He graduated from Tsinghua University (清華大學) and obtained a bachelor's degree in automotive engineering in July 1997.

COMPANY SECRETARY

Ka Man SO (蘇嘉敏), aged 44, was appointed as our company secretary on 30 July 2014. Ms. So has over 19 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. From August 2000 to December 2003, Ms. So worked at Tengis Limited (currently known as Tricor Tengis Limited). She is currently a director at the corporate services division of Tricor Services Limited ("Tricor"), a global professional service provider specializing in integrated Business, Corporate and Investor Services. Ms. So is currently the company secretary of Embry Holdings Limited (安莉芳控股有限公司) (Stock Code: 1388), China Logistics Property Holdings Co., Ltd (中國物流資產控股有限公司) (Stock Code: 1589), Computime Group Limited (金寶通集團有限公司) (Stock Code: 320) and Maoye International Holdings Limited (茂業國際控股有限公司) (Stock Code: 848), all companies are listed on the Stock Exchange. 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. (Note: The Company has engaged Tricor as external service provider and appointed Ms. So as the company secretary since 30 July 2014.)

CORPORATE GOVERNANCE PRACTICES

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 (the "Listing Rules").

The Board is of the view that during the year ended 31 December 2017, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provision E.1.2, and the 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 2017.

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 2017, the Board comprised 9 members, consisting of 1 Executive Director, 4 Non-executive Directors and 4 Independent Non-executive Directors as set out below:

Executive Director:

Ms. Yifan SONG *(Chief Executive Officer)*

Non-executive Directors:

Mr. Charles Zhengyao LU *(Chairman of the Board and member of Nomination Committee)*
Mr. Linan ZHU
Ms. Xiaogeng LI *(Member of Remuneration Committee)*
Mr. Zhen WEI

Independent Non-executive Directors:

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

Mr. Lei LIN resigned as an Independent Non-executive Director, Members of Audit and Compliance Committee and Nomination Committee on 27 February 2018.

Mr. Joseph CHOW resigned as an Independent Non-executive Director, Chairman of Nomination Committee and Members of Audit and Compliance Committee and Remuneration Committee on 27 February 2018.

Mr. Li ZHANG was appointed as an Independent Non-executive Director, chairman of the Nomination Committee and Members of the Audit and Compliance Committee and the Remuneration Committee on 27 February 2018.

Ms. Xiaogeng Li was appointed as a member of the Audit and Compliance Committee on 27 February 2018.

Mr. Sam Hanhui Sun was appointed as a member of the Nomination Committee on 27 February 2018.

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

The positions of Chairman and Chief Executive Officer are held by Mr. Charles Zhengyao LU and Ms. Yifan SONG respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

(2) Independent Non-executive Directors

During the year ended 31 December 2017, 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 leading and controlling 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.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing the implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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/her 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 operation 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 material 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 2017, the Company organized a training session for all Directors. Such training session covers directors' duties and role and functions of the Board committees.

The training records that have been received from the Directors for the year ended 31 December 2017:

Directors	**Type of Training** Note
Executive Director	
Ms. Yifan SONG	A
Non-Executive Directors	
Mr. Charles Zhengyao LU	A
Mr. Linan ZHU	A
Ms. Xiaogeng LI	A
Mr. Zhen WEI	A
Independent Non-Executive Directors	
Mr. Sam Hanhui SUN	A
Mr. Wei DING	A
Mr. Lei LIN	A
Mr. Joseph CHOW	A

Note:

Type of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

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 the Stock Exchange and are available to shareholders upon request.

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.

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 of 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 oversees and monitors the risk management and internal control systems of the Company on an ongoing basis and review with our external auditors and senior management periodically. The Audit and Compliance Committee shall review, at least annually, the scope, adequacy and effectiveness of the Group's corporate accounting and financial controls, risk management and internal control systems, and any related significant findings regarding risks or exposures and consider recommendations for improvement of such controls. Further details regarding the annual review conducted by the Audit and Compliance Committee are set out in the section headed "G. Risk Management and Internal Control".

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 2017, the Audit and Compliance Committee held four meetings to review the quarter, 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/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2017, the Remuneration Committee met once 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 by band for the year ended 31 December 2017 is set out below:

	Number of individuals
Nil to RMB1,000,000	0
RMB1,000,001 to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	0
RMB3,000,001 to RMB10,000,000	1
	3

Details of the remuneration of each of the Directors and chief executive for the year ended 31 December 2017 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 2017, the Nomination Committee met once to review the nomination procedures and the composition and diversity of the Board, Nomination Committee, Remuneration Committee and Audit and Compliance Committee and was satisfied with the current procedures and composition.

D. ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board, Board Committee and shareholders' meetings of the Company held during the year ended 31 December 2017 is 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
Ms. Yifan SONG	4/4	—	1/1*	—	1/1
Mr. Charles Zhengyao LU	4/4	1/1	—	—	0/1
Mr. Linan ZHU *(Note 1)*	4/4	—	—	—	1/1
Ms. Xiaogeng LI	4/4	—	1/1	—	0/1
Mr. Zhen WEI *(Note 2)*	3/4	—	—	—	0/1
Mr. Sam Hanhui SUN	4/4	—	—	4/4	1/1
Mr. Wei DING	2/4	—	1/1	—	0/1
Mr. Lei LIN	4/4	1/1	—	4/4	1/1
Mr. Joseph CHOW	4/4	1/1	1/1	4/4	0/1

* *by invitation*

Notes: (1) Mr. Linan ZHU appointed his representative to attend the Board meetings and annual general meeting held during the year.

(2) Mr. Zhen WEI appointed his representative to attend two Board meetings held during the year.

During the year ended 31 December 2017, an annual general meeting was held on 16 May 2017. The Chairman held a meeting with the Non-executive Directors without the senior management present during the year ended 31 December 2017.

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 2017.

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/payable to the Company's external auditors for the year ended 31 December 2017 amounted to RMB4,200,000.

An analysis of the remuneration paid/payable to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2017 is set out below:

Service Category	Fees Paid/ Payable *RMB'000*
Audit Services	4,200
Non-audit Services	
– Internal Audit	—
– Others	—

G. RISK MANAGEMENT AND INTERNAL CONTROL

According to the requirements under Code Provision C.2.1 of the CG Code set out in Appendix 14 to the Listing Rules, the directors should at least conduct a review annually on the effectiveness of the risk management and internal control systems of the issuer and its subsidiaries and report to the shareholders that they have completed such review in their Corporate Governance Report. The review should cover all material aspects including financial, operational and compliance controls as well as the risk management functions. By combining the internal control system and evaluation method of the Company and on the basis of ordinary regular and special supervision of internal controls, we have conducted an evaluation on the effectiveness of the Company's risk management and internal control systems for the year of 2017.

I. Risk Management and Internal Control

The Board takes overall responsibility for the risk management and internal control systems, and is responsible for reviewing the effectiveness of these systems, evaluating and determining the nature and extent of risks that the Company is willing to take in achieving strategic objectives, and maintaining sound and effective risk management and internal control systems of the Company (including reviewing the relevant functions), so as to safeguard shareholders' investment and the Company's assets. For achieving this purpose, the management has established a risk management and internal control organizational structure by making reference to the internal control structure of corporate management issued by The Committee of Sponsoring Organizations of The National Commission of Fraudulent Financial Reporting (the "COSO Standard"), adopting the following model of three lines of defence, considering the practical circumstances of the Company and under the supervision and guidance of the Board.

First line of defence – Operation and Management

The first line of defence primarily refers to the business and functional departments of all branches of the Company which are responsible for daily operation and management.

Second line of defence – Risk Management

The second line of defence mainly comprises the Internal Control Department (the "Internal Control Department") which is responsible for the formulation of the relevant policies of risk management and internal control of the Company, centralized planning and organization of tasks to establish system management and control for the overall workflow system of the Company, providing assistance to the first line of defence for establishing and improving the risk management and internal control systems, and performing supervision functions to reasonably ensure the effective implementation of the risk management and internal control tasks under the first line of defence.

Third line of defence – Assurance of Independence

The third line of defence is mainly constituted by the audit team and corruption investigation team of the Internal Control Department.

The internal control audit team is responsible for performing the internal audit function and conducting independent review on the sufficiency and effectiveness of the risk management and internal control systems, with a high degree of independence.

The corruption investigation team is responsible for receiving reports from multiple channels and conducting timely follow-up actions and investigations on alleged corruption cases, while at the same time assisting the management to promote the anti-corruption mechanism among all employees of the Company to establish correct values.

A direct reporting relationship has been established between the Internal Control Department and the Audit and Compliance Committee.

The three lines of defence aim at managing, but cannot fully eliminate, the risks that may lead to the failure of achieving our strategic objectives, and providing appropriate, but not absolute, assurance against serious misstatements or losses.

The Company and its business operation environment undergo continuous development and changes, and the risks faced by the Company also undergo continuous evolutions. The Company will continue to review the sufficiency of the risk management and control structure, will always seek improvement opportunities and will increase the relevant resources as and when necessary.

II. Corporate Risk Management Procedure

The Company attaches great importance to the risks relating to business and operation, and is gradually establishing its risk management procedure:

Stage 1: Identify Significant Risks

1. Risk evaluation and identification: Evaluate where the risks are located based on the risk modules combining with the competition landscape and operating environments;
2. Determination of risks that need attention: Environmental competition risk, legal compliance risk and operational compliance risk are determined to be the major risks of the Company.

Stage 2: Cope with Significant Risks

1. Interview with corresponding departments and be aware of the existing risks and their estimated level;
2. Evaluate the existing status of control.

Stage 3: Confirmation by the Management

1. Confirmation by the management whether internal control measures are able to cope with the significant risks;
2. The Internal Control Department evaluates the effectiveness of the existing internal controls and provides handling solutions as and when necessary.

Stage 4: Establish Internal Control Standard and Implement Internal Review

1. Establish internal control standard based on existing procedure and internal control system;
2. Conduct self-evaluation;
3. Analyze and report the findings of evaluation and conduct self-improvement.

III. High-Risk Areas

With expansion in the size of business, diversification of business modes and continuous changes in the external environment, changes may occur in the risk conditions of the Company. According to the risk evaluation results for the year of 2017, the major risks faced by the Company and the risk tackling measures implemented are as follows:

Significant Risks	Tackling Measures
Failure to manage the Company's liquidity and cash flow or inability to obtain additional financing in future	The Company has optimized its financing structure by diversifying its financing channels to support the continuous growth of business, while at the same time adopts a steady financial policy to ensure the balance between leverage ratio and credit indicators. The Company has issued Panda Bonds during 2017, being the first non-conventional business company to issue Panda Bonds in China, which will help to enhance the diversification and penetration of Panda Bonds.
Vehicle residual risk	The Company has strategically accelerated vehicle replacement and generation change to enhance the conditions of vehicles, and strives to enhance the used cars disposal capabilities by penetrating the B2C channels of used cars and through cooperation with the Maimaiche platform under UCAR to obtain higher vehicle residual value.
Foreign exchange risk	The Company has managed foreign exchange risk closely and signed forward foreign exchange contracts with total contract value of US$630 million during 2017 to tackle foreign exchange risk and provide coverage.
Corruption risk	To further improve the professional conduct risk prevention system, the Company has established an anti-corruption mechanism to promote the anti-corruption policy of the Company, provide diverse channels for reporting and collecting various types of reported information for the prevention and discovery of business corruption. The Internal Control Department performs internal anti-corruption function and conducts special investigations to exercise the supervisory function.
Influence of network security	Supervision over network security has been strengthened constantly to satisfy the business development requirements of the Company.

IV. Internal Control

The Company determines the major units, businesses, matters and high-risk areas to be covered by the scope of evaluation based on the risk-oriented principle. Major units incorporated in the scope of evaluation include the headquarters and 10 provincial branches and key subsidiaries of the Company and cover important branch companies in all regions of the Company. The major businesses covered by the scope of evaluation include car rental revenue, sales revenue of used cars, vehicle asset management, cash management, procurement and payment management, cost and expenditure management, financial report management, etc.

The major units, businesses and items and high-risk areas included in the above scope of evaluation covers the major aspects of operation and management of the Company. During the Reporting Period, neither significant control finding nor material control weakness was occurred in the Company.

The Company established the Internal Control Department in the third quarter of 2017 and introduced internal control and evaluation. Individual interview, suitability test, walk through test and sample test are comprehensively used during the evaluation procedure. We analyze and identify whether deficit existed in the design of internal control and whether the implementation of internal control is effective by broadly gathering the evidence of effective operation of internal control within appraised units, and formulating the working paper. The working paper records contents of evaluation in details, including risks of elements in evaluation, control measure taken, relevant evidence information and result of evaluation.

The Internal Control Department consolidates and formulates the internal control evaluation report, submits to the Audit and Compliance Committee for their consideration, and evaluate the procedure through the meeting of the Audit and Compliance Committee held quarterly.

V. Annual Review on Risk Management and Internal Control Systems

For risk management and monitoring, the Audit and Compliance Committee met with the heads of business units, departments and divisions from time to time to monitor risks identified and come up with measures and response plans to manage and mitigate risks identified in day-to-day business operations. The Audit and Compliance Committee also followed-up periodically the implementation of such measures and response plans.

During the year, the management and internal audit department have conducted an annual review on risk management and internal audit systems of the Company, consolidated and formulated the audit report proposal as well as performed the procedure of proposing to the Audit and Compliance Committee for consideration in accordance with the guidelines of disclosure policy formulated by the Company. Through a review on the work and findings of internal audit department, the Audit and Compliance Committee has identified and audited the effectiveness of the risk management and internal control systems in monitoring fraud and non-compliance. According to the findings of internal audit department, the Audit and Compliance Committee concluded that, for the year ended 31 December 2017: (i) the Company should refer to COSO Standard as and when needed, the effectiveness of the Company's risk management and internal control systems is sufficient and adequate, and remains effective internal control in respect of financial report in all material aspects; (ii) the Company has already adopted monitoring mechanism which is necessary for monitoring and rectifying non-compliance; and (iii) the Company has already been in compliance with the requirements on risk management and internal control under the CG Code.

The Audit and Compliance Committee has also reviewed the Company's resources for handling accounting, internal audit and financial reporting issues, the qualifications and experience of the staffs as well as training courses and budget, and it is satisfied with the sufficiency of the resources of abovementioned items.

VI. Disclosure of Inside Information

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

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. Emily PAAU, Director of Strategy and Operations 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 contact 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

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, most of the Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The code provision E.1.2 stipulates that the chairman of the board of directors should attend the annual general meeting. Mr. Charles Zhengyao LU, the Chairman of the Board, was unable to attend the Company's annual general meeting held on 16 May 2017 due to other engagement. In view of his absence, Mr. Lu had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

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 2017 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The Group is a leading auto mobility provider in China, offering car rental and fleet rental services to individual and corporate customers. The principal activities of the Group are as follows:

(i) car rental;

(ii) fleet rental;

(iii) leasing; and

(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 2017 are set out in the Financial Statements 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 section headed "Management Discussion and Analysis" 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 102,500 cars at the end of 2017, we were able to provide green travel solutions to customers in the 117 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.

Please refer to the section headed "Environmental, Social and Governance Report" in this annual report for more details.

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. During the Reporting Period, there was no under-contributed social insurance housing fund and other employee benefit.

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 2017, 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.

Save as disclosed elsewhere in this annual report, the Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (the "SFO") and the CG Code for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code.

The Board has overall responsibility for our environmental, social and governance ("ESG") strategy and reporting. The Board is responsible for evaluating and determining our ESG-related risks, and ensuring that appropriate and effective ESG risks management and internal control systems are in place. A confirmation regarding the effectiveness of these systems has been provided to the Board during the year ended 31 December 2017.

Key Relationships with Stakeholders

Employees

In 2017, the number of our employees has decreased from 7,326 to 6,303, due to increased operating efficiency, enhanced capability of our information technology platform, and the increased use of more cost-efficient and reachable mobile social platform for point-to-point marketing. During the past year, the Company introduced a comprehensive incentive scheme and awarded a considerable amount of performance bonus to relevant employees, who were incentivized to enhance the financial performance of the Company. As a result, the business volume of the Company grew over 60%. We also focused specifically on improving the performance appraisal system of all our staff in order to maximize return for the best performing staff.

Customer

Compared with 2016, the customer base increased by 35% and registered members increased by 49%. We strive to upgrade customer experience from time to time by providing better fleet condition, more convenient and value services.

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 2017 to purchase new cars. A large portion of the capital was from the operating cash flow, proceeds from the sales of used cars, and the borrowings from banks. We have been maintaining a healthy operation, used car disposal capability and 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.

A large amount of our borrowings are USD denominated. If RMB depreciates and we fail to hedge the borrowings, our profitability may be affected.

Our revenue may continue to decrease if UCAR continues to decrease rental cars from the Company. If we are unable to realize new sources of demands to offset the loss, our volume of business and hence the overall growth rate 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 operating cash flow, sales of used cars and borrowings from 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 2017.

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 32 and 33 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 110 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, 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 232 of this annual report. This summary does not form part of the audited financial statements.

CHARITABLE CONTRIBUTION

During the year ended 31 December 2017, the Group made charitable contributions totaling RMB43,000.

RETIREMENT BENEFITS

Details of the retirement benefits of the Group during the Reporting Period are set out in note 2.4 to the Financial Statements.

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 13 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 2017, 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

Ms. Yifan SONG *(Chief Executive Officer)*

Non-executive Directors

Mr. Charles Zhengyao LU *(Chairman)*
Mr. Linan ZHU
Ms. Xiaogeng LI
Mr. Zhen WEI

Independent Non-executive Directors

Mr. Sam Hanhui SUN
Mr. Wei DING
Mr. Lei LIN *(resigned on 27 February 2018)*
Mr. Joseph CHOW *(resigned on 27 February 2018)*
Mr. Li ZHANG *(appointed on 27 February 2018)*

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 Articles 83(3) and 84 of the Articles of Association, Mr. Li ZHANG, who was appointed as the Director by the Board to fill casual vacancy on 27 February 2018 shall hold office until the annual general meeting to be held on 15 May 2018 (the "2018 AGM") and Ms. Yifan SONG, Mr. Zhen WEI and Mr. Sam Hanhui SUN retired by rotation at the 2018 AGM. All of the above retiring Directors, being eligible, offered themselves for re-election and were re-elected at the 2018 AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group as at the date of this annual report 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 four non-executive Directors and three independent non-executive Directors has signed a letter of appointment with our 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 2018 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 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 2017 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 OF THE COMPANY

As at 31 December 2017, 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 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 as contained in Appendix 10 to the Listing Rules, were as follows:

Long position in the shares of the Company

Name	Capacity	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 of Spouse, Interest in a Controlled Corporation and Beneficial Owner	630,956,855	29.03%
Mr. Sam Hanhui SUN (孫含暉) (2)	Beneficial Owner	510,000	0.02%

Notes:

(1) Mr. Lu was deemed to be interested in all of the 307,501,775 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, through UCAR Technology Inc., was deemed to be interested in 260,486,310 shares of the Company. Mr. Lu was interested in 9,245,000 shares of the Company as beneficial owner.

(2) Mr. Sun was interested in 510,000 shares of the Company as beneficial owner.

Long position in the underlying shares of the Company – physically settled unlisted equity derivatives (share options)

Name	Capacity	Number of Underlying Shares in respect of the Share Options Granted	Approximate Percentage of the Company's Issued Share Capital*
Ms. Yifan SONG (宋一凡) (3)	Beneficial Owner	2,889,240	0.13%

Notes:

(3) Ms. Song was interested in 2,889,240 underlying shares of the Company 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 2017.

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 2017.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, 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 were as follows:

Long position in the shares of the Company

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Ms. Lichun GUO[1][3]	Founder of a Trust, Interest in a Controlled Corporation and Interest of Spouse	630,956,855	29.03%
Legend Holdings Corporation[2]	Interest in a Controlled Corporation	563,583,025	25.93%
Right Lane Limited[2]	Interest in a Controlled Corporation	563,583,025	25.93%
Grand Union Investment Fund, L.P.[2]	Beneficial Owner	562,668,025	25.89%
Infinity Wealth Limited[2]	Interest in a Controlled Corporation	562,668,025	25.89%
Cititrust Private Trust (Cayman) Limited[3]	Trustee of a Trust	307,501,775	14.15%
Lucky Milestone Limited[3]	Interest in a Controlled Corporation	307,501,775	14.15%
Haode Group Inc.[3]	Beneficial Owner	307,501,775	14.15%
Amber Gem Holdings Limited[4]	Beneficial Owner	262,471,340	12.08%
Warburg Pincus & Co.[4]	Interest in a Controlled Corporation	262,471,340	12.08%
Warburg Pincus Private Equity XI, L.P.[4]	Interest in a Controlled Corporation	262,471,340	12.08%
Warburg Pincus XI, L.P.[4]	Interest in a Controlled Corporation	262,471,340	12.08%
WP Global LLC[4]	Interest in a Controlled Corporation	262,471,340	12.08%
WP XI Equity Ltd[4]	Interest in a Controlled Corporation	262,471,340	12.08%
UCAR Technology Inc.	Beneficial Owner	630,956,855	29.03%
UCAR Inc.[5]	Interest in a Controlled Corporation	431,350,388	19.85%
Pu Ying Hong Kong Fund SP2[6]	Person having a security interest in shares	125,400,000	5.77%

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Shanghai Pudong Development Bank Co., Ltd(6)	Interest in a Controlled Corporation	125,400,000	5.77%
SPDB International Holdings Limited(6)	Interest in a Controlled Corporation	125,400,000	5.77%
SPDB International Investment Management (Cayman) Company Limited(6)	Interest in a Controlled Corporation	125,400,000	5.77%
SPDB International Investment Management Limited(6)	Interest in a Controlled Corporation	125,400,000	5.77%

Notes:

(1) 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 269,731,310 shares of the Company through the interests of her spouse, Mr. Lu.

(2) Grand Union Investment Fund, L.P. is an exempted liability partnership which is controlled by a sole general partner, Infinity Wealth Limited and a sole limited partner, Right Lane 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 held by Grand Union Investment Fund, L.P.

(3) 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 307,501,775 shares of the Company held by Haode Group Inc.

(4) WP XI Equity Ltd owns 77.59% 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.

(5) Shenzhou Shangdai (Fujian) Auto Services Company Limited is a wholly-owned subsidiary of Shenzhou Shandai (Pingtan) Finance Leasing Company Limited, which, in turn, is wholly owned by UCAR Inc. UCAR Limited is a wholly-owned subsidiary of UCAR Inc. Thus, UCAR Inc. was deemed to be interested in 317,705,566 shares and 113,644,822 shares of the Company held by Shenzhou Shangdai (Fujian) Auto Services Company Limited and UCAR Limited respectively.

(6) Pu Ying Hong Kong Fund SP2 is a wholly-owned subsidiary of SPDB International Investment Management (Cayman) Company Limited, which, in turn, is wholly owned by SPDB International Investment Management Limited. SPDB International Investment Management Limited is a wholly-owned subsidiary of SPDB International Holdings Limited, which, in turn, is wholly owned by Shanghai Pudong Development Bank Co., Ltd. Thus, SPDB International Investment Management (Cayman) Company Limited, SPDB International Investment Management Limited, SPDB International Holdings Limited and Shanghai Pudong Development Bank Co., Ltd. were deemed to be interested in 125,400,000 shares of the Company held by Pu Ying Hong Kong Fund SP2.

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2017.

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 2017.

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 of the Company" above, at no time during the year ended 31 December 2017 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 2017 and up to the date of this annual report.

CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 40 to the Financial Statements, the following transactions constitute continuing connected transactions of the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

Framework Agreement with UCAR Inc. dated 16 March 2016

As disclosed in the announcement of the Company dated 25 January 2015, the Company entered into a co-branding arrangement with UCAR Inc.. On 16 March 2016, the Company and UCAR Inc. entered into a framework agreement in relation to car rental, technical services, leasing and other services with a term of not more than three years and subject to terms and conditions provided therein. The framework agreement replaced and superseded the co-branding arrangement between the Company and UCAR Inc..

Since Mr. Lu is the actual controller of UCAR Inc. and held (together with other shareholders acting in concert with him) approximately 49.68% of the shares in UCAR Inc. as at the announcement dated 17 March 2016, UCAR Inc. constitutes a connected person of the Company and the transactions between the Company and UCAR Inc. constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratio exceeds the de minimus threshold as stipulated under Rule 14A.76 of the Listing Rules, the Company is required to comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company convened an extraordinary general meeting on 17 May 2016 to seek independent Shareholders' approval for the transactions under the framework agreement and the aggregate annual caps for the financial years ending 31 December 2016 to 2018.

For the year ended 31 December 2017, the aggregate amount paid by UCAR Inc. to the Group in relation to car rental, technical services and leasing services under the framework agreement was approximately RMB1,047,742,000, RMB116,113,000 and RMB3,171,000, respectively, and the aggregate amount paid by the Group to UCAR Inc. in relation to leasing services was approximately RMB3,685,000, which did not exceed the aggregate annual cap of RMB4,200,000,000. For details, please refer to the announcements of the Company dated 17 March 2016 and circular dated 28 April 2016.

Framework Agreement with UCAR Inc. dated 29 June 2016

On 29 June 2016, the Company entered into a framework agreement with UCAR Inc. in relation to the sale and reconditioning of used vehicles and the utilization of UCAR Group's repair and maintenance ("R&M") services, with a term of not more than three years and subject to terms and conditions provided therein.

As Mr. Lu is the actual controller of UCAR Inc. and held (together with other shareholders acting in concert with him) approximately 47.27% in total of the shares in UCAR Inc. as at 29 June 2016, UCAR Inc. constitutes a connected person of the Company and the transactions under the framework agreement between the Company and its subsidiaries and UCAR Inc. constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratio exceeds the de minimus threshold as stipulated under Rule 14A.76 of the Listing Rules, the Company is required to comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company convened an extraordinary general meeting on 12 August 2016 to seek independent Shareholders' approval of the transactions under the framework agreement and the aggregate annual caps for the financial years ending 31 December 2016 to 2018.

For the year ended 31 December 2017, the aggregate amount paid by UCAR Group to the Company in relation to the sale and reconditioning of used vehicles and the aggregate amount paid by the Company to the UCAR Group in relation to the utilization of UCAR Group's R&M services under the framework agreement was approximately RMB1,598,963,000 and RMB41,394,000, respectively, which did not exceed the aggregate annual caps of RMB1,618,700,000 and RMB43,300,000, respectively. For details, please refer to the announcement of the Company dated 29 June 2016 and circular dated 27 July 2016.

Methods and procedures adopted by the Company to monitor the continuing connected transactions

To monitor the abovementioned continuing connected transactions, the Company has designated the special compliance committee, which consists of senior management from business operation, legal and finance departments (the "Special Compliance Committee") to continuously monitor the transactions and ensure that the pricing mechanism has been followed. The Special Compliance Committee also ensures that the management and business operations are independent between the Company and UCAR Inc., and that the transactions between the two companies are conducted within arm's length basis.

The Special Compliance Committee continuously traces and regularly monitors the progress of the continuing connected transactions and report to management of the Company. The Special 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 Special 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 are conducted in accordance with the terms of the relevant agreement, pricing policies and on normal commercial terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Independent Non-executive Directors and the auditor of the Company have reviewed the nature and process of the business transactions, discussed the pricing methodology of the referred transactions, and have confirmed that the above continuing connected transactions have been 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.

The auditor of the Company has issued its letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions 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 transactions have not been approved by the Board, (ii) for transactions involving provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group, (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions, and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company. A copy of the auditor's letter has been provided by the Company 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.

For the year ended 31 December 2017, rental revenue contribution from the UCAR collaboration was RMB1.2 billion, which was significant to our total rental revenue. UCAR rented cars from the Company in two ways, namely under committed long-term rental terms, and on demand short term dynamic sharing. The revenue portion from the long-term rental business was governed by a committed agreement with pre-determined price reviewed regularly based on prevailing market prices and fixed rental terms. As of the end of the Reporting Period, UCAR has been paying the rental fees in compliance with the payment terms. UCAR also rented cars from the Company on an as needed basis for a term of a variable number of days. The sharing of fleet is complementary due to the different seasonality periods of the two companies. Our rental revenue might be significantly affected if UCAR collaboration dropped sizably. We believe that the rental agreement for the long-term rental business provides sufficient protection for the Company. If UCAR failed to execute the agreement, the Company would have the options to sell the unused cars to the used car markets or return the fleet to the short-term rental fleet. In regard to the short-term rental fleet sharing with UCAR, if UCAR rented significantly fewer cars from the Company, a short term impact might occur due to excess supply that would be gradually offset by increased volume stimulated by dynamic pricing. In the long run, the rate of adding fleet could be adjusted to accommodate the change of needs for short-term fleet sharing.

The Company has been selling a large number of used cars to UCAR's B2C channel. If the channel failed to function properly, the Company would engage multiple smaller and different channels to make up the reduced capacity.

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 2017.

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 2017 and up to the date of this annual report.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, there is no other contract of significance entered into between the Company and our controlling shareholders.

MANAGEMENT CONTRACTS

No contracts other than the employment 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 2017, we had 6,303 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 2017, 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 2017, a total of 34,493,564 options were outstanding under the 2014 Pre-IPO Share Option Scheme I. Set out below are details of the outstanding options granted to senior management under the 2014 Pre-IPO Option Scheme I:

Relevant Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Outstanding as of 1 January 2017	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2017
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	730	–	–	–	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	1,197,510	–	–	–	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	1,691,000	–	–	–	1,691,000
	4,663,240					2,889,240		–	–	2,889,240
Employees	34,272,260	16 June 2014	100% on the date of grant	10 years from 20 December 2013	US$0.058	9,913,505	(2,412,570)	–	–	7,500,935
Employees	33,492,475	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	US$0.174	21,077,341	(5,747,425)	–	(255,717)	15,074,199
Employees	18,533,440	31 July 2014	25% each on 31July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	US$0.174	11,514,440	(2,016,500)	–	(468,750)	9,029,190
Employees	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	500,000	–	–	(500,000)	–
Total	**92,461,415**					**45,894,526**	**(10,176,495)**	**–**	**(1,224,467)**	**34,493,564**

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 33 to the Financial Statements.

2014 PRE-IPO SHARE OPTION SCHEME II

The Company has 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 2017, a total of 1,540,535 options were outstanding under the 2014 Pre-IPO Share Option Scheme II. Set out below are details of the outstanding options granted to senior management under the 2014 Pre-IPO Option Scheme II:

Relevant Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Outstanding as of 1 January 2017	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2017
Employee	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	3,081,070	(1,540,535)	—	—	1,540,535

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 33 to the Financial Statements.

POST-IPO SHARE OPTION SCHEME

The Company adopted the Post-IPO Share Option Scheme by an ordinary resolution passed by its shareholders at the extraordinary general meeting held on 5 April 2016.

The Post-IPO Share Option Scheme has become effective for the period of 10 years commencing on the effective date. The maximum number of the Company's shares in respect of which options may be granted pursuant to the Post-IPO Share Option Scheme is 239,494,759 shares, being 10% of the total issued shares of the Company on the date of approval of the Post-IPO Share Option Scheme. The details of the Post-IPO Share Option Scheme are set out in the section headed "Report of the Directors – Summary of the Share Option Scheme" in this report and note 33 to the Financial Statements.

No share options have been granted under the Post-IPO Share Option Scheme since its adoption on 5 April 2016 and there are no outstanding share options as at 31 December 2017.

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
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 judgment, 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.	Eligible participants include (i) the full-time employees of the Company; (ii) the full-time employees of any of the subsidiaries; and (iii) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company and/or any of its subsidiaries.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
3.	Total number of shares available for issue	As at 31 December 2017, options to subscribe for an aggregate of 7,501,665 shares were outstanding under Tranche A, options to subscribe for an aggregate of 16,271,709 shares were outstanding under Tranche B and options to subscribe for an aggregate of 10,720,190 shares were outstanding under Tranche C, representing approximately 0.3452%, 0.7487% and 0.4932% of the issued capital of the Company as at 31 December 2017, respectively. In total, options to subscribe for an aggregate of 34,493,564 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 2017 and the date of this report, options to subscribe for an aggregate of 1,540,535 shares were outstanding, representing approximately 0.0709% of the issued share capital of the Company as at 31 December 2017 and 0.0717% 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.	No share options have been granted since adoption of the scheme.
4.	Maximum entitlement of each participant	Determined by the Board	Determined by the Board	Substantial shareholders/ Independent Non-executive Directors: 0.1% of the issued Shares/aggregate value not exceeding HK$5 million Other participants: 1% of the issued Shares Details of the maximum entitlement are set out in Rules 17.03(4) and 17.04(1) of the Listing Rules.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
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	10 years from 11 April 2016
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.		An offer shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the offer is duly signed by the grantee, together with a remittance in favor of the Company of RMB1.00 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.	Exercise price is US$0.174	Exercise price shall not be less than the highest of (i) the nominal value of a share; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted, which must be a business day; and (iii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is granted.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
8.	Basis of determining the exercise price	The exercise price was determined based on estimated reward level to grantees.		See above disclosure under "7. Exercise price".
9.	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.	The Post-IPO Share Option Scheme shall be valid and effective for the period of 10 years commencing on the effective date, i.e. from 11 April 2016.

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 41.39% of the Group's revenue and the revenue derived from the largest customer, namely UCAR Inc., which included therein amounted to 35.80%. Our five largest vehicle suppliers accounted for approximately 75.42% of our vehicle purchases during the year ended 31 December 2017 and the purchases from the largest supplier included therein amounted to 37.13%.

Save as disclosed under the section headed "Continuing Connected Transactions" that Mr. Lu, our Non-executive Director, who is the actual controller of UCAR Inc., 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 2017, 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 2017.

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

During the year ended 31 December 2017, the Company has repurchased 201,889,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately HK$1,436.9 million. The share repurchase reflects the Company's solid financial position and the Board's strong confidence in the Company's future business prospects. The Company believes it is in the interest of the shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company. Details of the share repurchased are as follows:

Month of share repurchase	Total number of shares repurchased	Price per share Highest (HK$)	Price per share Lowest (HK$)	Aggregate consideration (HK$)
March 2017	28,947,000	7.54	7.06	211,786,900
April 2017	12,940,000	7.4	7.2	94,319,490
May 2017	23,652,000	7.26	6.86	168,947,242
June 2017	26,544,000	7.25	6.8	187,159,185
July 2017	27,584,000	7.4	7.12	201,183,850
August 2017	31,962,000	7.25	6.65	224,882,934
September 2017	15,859,000	7.25	6.94	113,264,481
October 2017	8,216,000	7.36	7.04	59,416,887
December 2017	26,185,000	7.02	6.15	175,977,626

Save for the above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2017.

EVENTS AFTER THE REPORTING PERIOD

The treasury shares of 26,185,000 shares in the consolidated statements of financial position as at 31 December 2017 were cancelled on 19 January 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. During the year ended 31 December 2017, the Company has complied with the code provisions in the CG Code, save and except for code provision E.1.2, details of which are set out in the Corporate Governance Report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2017 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 2018 AGM.

CHANGES IN THE INFORMATION OF THE DIRECTORS SINCE LAST INTERIM REPORT

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. Zhen WEI has been appointed as a non-executive director of each of Doyen Edu (Cayman) Ltd. and Souche Holdings Ltd. with effect from 24 October 2017 and 7 December 2017, respectively. He has also been appointed as a non-executive director of ZTO Express (Cayman) Inc. and the said company is listed on the New York Stock Exchange (Stock Code: ZTO).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 May 2018 to 15 May 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2018 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. (Hong Kong time) on 9 May 2018.

VOTING BY POLL

All votes of shareholders were taken by poll in the AGM of the Company. Pursuant to the 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, 27 February 2018

EXPLANATION OF THE REPORT

The Company believes that a healthy environmental, social and governance performance is decisive for us to make sustainable development in the future, achieve our long-term goal and create values for our shareholders in the long run. While enhancing our steady and strong financial performance, the Company pays close attention to the fulfilment of corporate social responsibility and the sustainable development.

The Board of Directors takes full responsibility for the strategies and reports on environment, society and governance of the Company. We have specially set up a special environmental, social and governance group to work with relevant responsible departments and coordinate all relevant employees, so as to prepare this ESG Report (the "Report") in accordance with the Environmental, Social and Governance Reporting (the "ESG") Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Report covers the ESG subject areas in relation to rental revenue as the Company's main source of operating income from 1 January to 31 December 2017 (the "Reporting Period" or "FY2017"). The business departments and the management have participated in the materiality assessment to identify and disclose the Company's relevant important ESG policies in the Report.

1. GREEN DEVELOPMENT

The Company continues to promote the green travel concept, and is committed to reducing the impact of our own operations on environment. The Company has formulated various energy conservation and emission reduction policies, implemented environmental protection measures, put in practice such energy conservation and emission reduction work at the daily work and corporate operation levels; meanwhile, we have been promoting the car-sharing culture, and continuously advancing the green development process of the Company. During the Reporting Period, the Company had not been subject to any litigation and related penalties arising from any environmental non-compliance.

1.1 Practise Emission Management

The Company continuously complies with the laws such as the Environmental Protection Law (環境保護法), the Atmospheric Pollution Prevention and Control Law (大氣污染防治法), the Water Pollution Prevention and Control Law (水污染防治法) and the Law on the Prevention and Control of Environmental Pollution by Solid Wastes (固體廢物污染環境防治法), and the administrative laws and regulations such as the Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例) and the Implementation Rules of the Water Pollution Prevention and Control Law (水污染防治法實施細則) as well as other rules and regulatory requirements in the regions where we operate, to carry out emission management. Also, the Company has established relevant internal management policies and improved various initiatives in the Reporting Period, with an aim to boost the implementation of emission management.

During our operations, the major emissions include greenhouse gas, waste gas, waste water and wastes, of which the greenhouse gas is mainly generated from the use of energy. Greenhouse gases of scope 1 are emission of three major types of greenhouse gas, i.e. CO_2, CH_4 and N_2O, arising from the burning of petrol by official cars and short-term rental vehicles, burning of diesel by freight vehicles, combustion of liquefied petroleum gas utilized in canteens; scope 2 are emission of CO_2 greenhouse gas due to usage of electricity purchased from the external parties. Industrial wastewater is mainly produced in the repairing and cleaning of our own vehicles, while domestic wastewater is mainly produced in daily office work and car rental outlet operations. We have built the standard drainage system to ensure smooth drainage and no stagnant water, through which the sewage is discharged into the municipal pipe network for the purpose of central standard disposal. Other waste gas and particulate matter mainly include organic waste gas and overspray painting mist generated in the maintenance and preparing of vehicles at our own vehicle repair shops, while emission of organic waste gas and fog of over-spray paint are carried out according to requirements of the place of operation and in line with relevant state regulations. Wastes mainly include waste oil, waste tires and Lead car battery scraps etc., which achieved 100% recycling, and qualified processors are selected to recycle and dispose of the the waste oils and waste batteries properly. Besides, there are domestic wastes generated by office operations, which are all passed to third parties for proper emission and treatment.

The Company has built its own factories for vehicle repair and maintenance. The construction of the self-built factories is strictly in compliance with the relevant national or local requirements for the industry, and the construction are examined and approved by the local government where the self-built factories are located. Its own factories comply with requirements of business operation qualification covering business license, environmental assessment and repair qualification.

During our operations, the Company continuously enhances emission management capabilities, and conducts multi-dimensional management specific to the characteristics of emissions:

Greenhouse Gas

- Take advantage of the electronic meeting system actively, give priorities to work by way of teleconference, and try the best to reduce carbon emissions from unnecessary business travels. The headquarter of the Company was relocated to a new site during the Reporting Period, and simultaneously the electronic conference system was upgraded to a more perfect and convenient version, effectively reducing the convening of the centralized conferences.

Waste Water	• Carry out regular maintenance on the supporting facilities of sewage pools in the headquarters and all the outlets, enhance the sewage treatment capacity of the headquarters and all the outlets, ensure the compliance with laws and regulations of the sewage discharge and meet high standards, and integrate the waste water into local pipeline networks for discharge.
Waste Gas	• During the operation of self-built repair shops, they actively cooperate with local governments to go through annual reviews and follow relevant regulations of local governments. For example, our self-built new spray booth in Beijing has built a 15-meter-high exhaust duct to discharge the exhaust gas at a high level according to the requirements of the government.

Wastes	• The Company requires that all kinds of wastes generated from the headquarters and the outlets should be sorted, recycled and disposed according to the municipal waste sorting requirements, and attention should be paid to the deadlines and effects.
	• In the renovation and decoration process of the headquarters and outlets' office area, the Company entrusts and supervises the property management units and construction units to implement relevant requirements, such as personal safety, fire prevention, dust prevention, pollution prevention and daily clearings of construction waste, so as to avoid the production of any kind of harmful or harmless waste.

- The Company has disposed wastes including hazardous wastes such as waste oil and lacquer produced during the operation of its own factories and filtration consumable wastes produced in spray booth in accordance with the requirements on specified quantity and specified location of the local government.
- For other scrapped parts, the part management department at the headquarter requires that the recycled quantities must reach 75% of the stock output and the selection of suppliers responsible for the recycling shall depend on the location of cities.
- Lead car battery scraps, liquid waste, scrap metal parts, waste plastic parts and waste tires produced when repairing vehicles are recycled by the suppliers designated by the government in accordance with the relevant national and local requirements with the excess being recycled by other professional processing suppliers.
- During the improvement and renovation of the office area, the property management companies and the construction units are under authority and supervision to implement the relevant requirements on human safety, fire prevention, dust prevention, pollution prevention and daily removal of construction wastes so as to avoid production of various hazardous or harmless wastes. In the new office area, the Company has adopted more complete waste management measures, such as setting up a number of waste disposal sites in canteens, toilets, meeting rooms and other places.
- Waste management policies developed by the Company are distributed to the staff through e-mails and other means, with a mechanism of reward and punishment put in place, in order to encourage the staff to practise waste management.
- The repair shops sort the wastes and store them in set locations.
- Wastes generated during the repair process are recovered by the government-designated suppliers for a specified amount, with the exceeding amount being recovered by other suppliers. All waste tires, waste oil, waste car batteries have reached 100% recycling.

With the implementation of emission management policies and initiatives during the Reporting Period, the respective emission information in the Reporting Period is set out as below:

Indicator	**Unit**	**2017**
Total greenhouse gas emissions (Scope 1 + Scope 2)	Ton	26,941
Greenhouse gas emissions per million of turnover	Ton of CO_2e/ RMB million	3.52
Scope 1: Greenhouse gas emissions from direct emission sources	Ton of CO_2e	21,834
Scope 2: Greenhouse gas emissions from indirect emission sources	Ton of CO_2e	5,107
Emissions of CO_2	Ton	26,861
Emissions of CH_4	Ton	0.9392
Emissions of N_2O	Ton	0.1877
Domestic sewage emissions	Ton	90,450
Domestic sewage emissions per million of turnover	Ton/RMB million	11.82
Output of domestic waste	Ton	511
Output of domestic waste per million of turnover	Ton/RMB million	0.0688
Output of waste engine oil	Ton	379
Output of waste engine oil per million of turnover	Ton/RMB million	0.0495
Output of scraped old car batteries	Ton	226
Output of scraped old car batteries per million of turnover	Ton/RMB million	0.0295
Output of waste tires	piece	31,820
Output of waste tires per million of turnover	piece/RMB million	4.16

Notes:
1. The calculation of greenhouse gas emissions refers to the "Greenhouse Gas Auditing System Enterprise Auditing and Reporting Standard 2012 (Amendment)"
2. The calculation of domestic sewage emissions refers to GB 50318-2017 "The People's Republic of China National Standard of Urban Drainage Works Planning specification"
3. The calculation of output of domestic waste refers to "The First National Survey of Pollution Sources on Urban Waste Source Discharge Coefficients Handbook"
4. Major wastes such as waste oil, waste tires and lead car battery scraps achieved 100% recycling

1.2 Reduce Resource Consumption

During the Reporting Period, the Company continued to strictly comply with the laws and regulations related to resource utilization such as the Environmental Protection Law (環境保護法) in the regions where we operate, took effective measures to protect the environment and conserve resources, constantly enhanced the supervision capacity and regulatory level of the Company's resource utilization, as well as strived to practise green operation and reduce resource consumption.

During our operations, the resources consumption by the Company mainly includes consumption of gasoline, diesel and liquefied petroleum gas in municipal water supply, and purchased electricity. As the nature of principal operation of the Company is the provision of car rental services to its customers, no use of packaging materials for finished products is involved. The Company puts emphasis on resource conservation in the operating course and also provides training to the staff, with an aim to cultivate every employee's environmental protection and energy saving concept. The Company has primarily taken the following measures to reduce resource consumption:

- To save paper, the Company advocates paperless office and encourages our employees to print on both sides of paper and paper recycling;
- E-office. During the Reporting Period, the Company processed a total of 3,505,482 e-orders and completed 83,012 online reimbursements, saving about 17,942,470 sheets of paper[1];
- Actively promote recycling. The Company recycles recyclable materials such as carton boxes for packaging computers, GPS, toner cartridges and daily office supplies that the Company purchased, some packages in good condition will be recycled in daily office work and those damaged packages will be sold to recyclers;
- To save electricity, set the air conditioning system in summer and manually turn on the air conditioner at different times;
- Set warm reminders in many places in the office area to remind our employees to save water and electricity;
- Shut down water and power supply before public holidays and designate personnel in charge of the supply management to avoid unnecessary resources waste during day-offs;
- Use energy-saving and environmental-friendly equipment to operate in maintenance shops in various regions to promote energy conservation and emission reduction effectively;
- Adopt intelligent functions such as electronic payment and vehicle examination in stores in various regions to reduce paper consumption while providing customers with convenient services.

[1] The data is calculated based on 5 sheets of paper for each e-order or online reimbursement on average

Case 1: launch online payment function in stores in various regions

With the increasing popularization of intelligent terminals and social requirements for the sustainable development, CAR's stores have opened new online payment function on 10 January 2017. The application of this function can effectively reduce the usage of the POS paper and enhance the customers experience.

As to the traditional procedure of pick-up and drop-off, the customers are required to pick up and drop off in stores by using POS machine. After the launch of the online payment function, the customers are capable to pay on their own through the official website or the mobile APP. In the past, store staff needed to charge POS machines daily and prepare sufficient POS paper. After the launch of the online payment function, based on three transactions for one order, it saved about 20 million pieces of POS paper throughout a year. At the same time, decrease in the offline transactions can play a role in saving paper, saving electricity, and contribute to energy saving and environmental protection.

As of 15 November 2017, this function has been optimized 3 times by adding a variety of payment methods, to significantly reduce the use of paper while providing the customers more convenient operation.

Case 2: launch vehicle e-examination function in stores in various regions

On 14 September 2017, we launched vehicle e-examination function. This function not only enables the Company to efficiently manage vehicle examination information, but also reduces the use of paper-based document for vehicle examination.

Prior to the launch of the vehicle e-examination, a paper-based vehicle examination sheet was used for each pick-up and drop-off procedure and the vehicle condition was marked on a paper-based vehicle examination sheet. After the launch of the vehicle e-examination function, no paper is used as a carrier to state the vehicle condition, but indicate the results of the vehicle examination in the intelligent terminal for customers to confirm. The vehicle e-examination reduces the cost and workload for printing vehicle examination sheet, and is more conducive to the archiving of vehicle examination results, which can make vehicle condition management more efficient.

Based on the number of 50,000 books (approximately 5 million pieces) of paper-based vehicle examination sheet issued in 2016 and 72,000 books (approximately 7.3 million pieces) of paper-based vehicle examination sheet issued in 2017, the paper-based vehicle examination sheet will only serve as an emergency backup for stores in case of system failure due to the launch of this function, it is expected that the total number of paper-based vehicle examination sheet issued in 2018 will be approximately 4,000 books and the minimum decrease in the use of paper-based vehicle examination sheet will reach 69,000 books, effectively achieving the purpose of saving paper.

With the implementation of resource conservation policies and measures during the Reporting Period, the resource consumption data for the Reporting Period (2017) are set out in the following table:

Indicator	**Unit**	**2017**
Total water consumption	Ton	106,411
Water consumption per million of turnover	Ton/RMB million	13.90
Total electricity consumption	Kwh	7,297,811
Electricity consumption per million of turnover	Kwh/RMB million	953.54
Total gasoline consumption	Litre	9,920,679
Gasoline consumption per million of turnover	Litre/RMB million	1,296.25
Diesel consumption	Litre	19,317
Diesel consumption per million of turnover	Litre/RMB million	2.52
LPG consumption	Kg	27,086
LPG consumption per million of turnover	Kg/RMB million	3.54

1.3 Propose Green Travel

As a vehicle rental company, CAR has deemed it as its duty to promote green travel and cultivate the culture of new auto consumption, and has disseminated and practiced green travel in the respect of selecting green vehicles, encouraging employees to practice green travel, promoting the development of green travel industry and strictly controlling service life of vehicles, in order to make a contribution with its own efforts to reducing the damage to the environment and natural resources.

Purchase green vehicles	Choose small-to-medium displacement vehicles as preferred purchase to minimize the exhaust emission at the stage of purchasing vehicles for rental; and at the same time, purchase electric vehicles and hybrid electric new energy vehicles. As of the end of the Reporting Period, the Company had a total of 2,171 hybrid electric vehicles.
Encourage employees to travel by public transportation	Set out strict requirements for the vehicle management, spare no efforts in decreasing the use frequency and driving distance of official cars, and recommend and encourage the employees to use public transportation, in order to reduce the emission of greenhouse gas and alleviate environmental pressure.

Promote green travel mode	Provide specialized car rental services including short-term rental, long-term rental and finance lease through actively learning from the successful international car rental modes combined with the spending habits of Chinese customers, recommend green travel mode, and promote green travel services.
Strictly control service life of vehicles	Regularly eliminate vehicles that reach certain years of life or kilometres to strictly control and reduce exhaust emission.

2. FOCUS ON EMPLOYEES

The Company continues to follow its core values of "efficiency, aggressiveness and care" and guarantee the interests and the physical and mental health of its employees; create a comfortable office environment for its employees; practice employee care; actively promote employee development; and create "a big warm family, a big classroom for learning and a big platform for development" for its employees.

2.1 Guarantee Employee Interests

The Group persistently implements the national and local regulations in relation to employment and abides by the relevant laws and regulations such as the Labour Law (《勞動法》), the Labour Contract Law (《勞動合同法》) and the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) to conduct human resource related work.

In order to provide CAR employees with good interest protection and meet its own human resource management needs, the Company has established a series of management systems in the respect of remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination and other treatments and benefits, such as the Employee Performance Appraisal Measures (《員工績效考核辦法》) and the Staff Handbook (《員工手冊》), to protect the basic employee interests. In 2017, the membership rate of the Labor Union reached 100%. The Company is opposed to any form of forced labor; and ensures that employees will not be discriminated due to race, age, gender and other factors.

We endeavor to establish a fair, equitable and open promotion system and have formulated the Promotion Management Measures (《晉升管理辦法》), in order to clarify the diversified employee promotion channels, regulate employee promotion standards and processes, and achieve transparent and fair promotions.

In order to clarify the proportion of salary growth of our employees, we comply with and strictly implement (among others) the Dedicated Collective Wage Contract (《工資集體專項合同》) and the Collective Contract (《集體合同》) that are participated in and signed by employee representatives. At the same time, the Company strictly prohibits the employment of child labor and has adopted effective measures to identify the true age of candidates to ensure a minimum employee entry age of 16 years old during the recruitment phase. The Company recruits employees on a voluntary basis and employment is established by agreement of both parties without any coercive behavior. During the Reporting Period, the Company had no violations of relevant laws and regulations in relation to employment of child labor and forced labor.

Meanwhile, the Company insists on employing diversified employers. During the Reporting Period, the Company had a total of 6,303 employees with the following specific distributions:

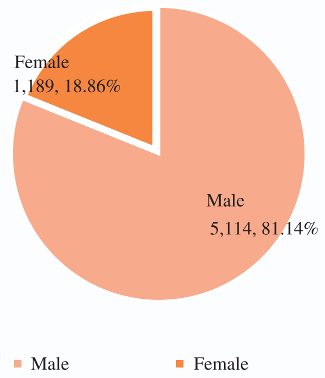


Chart of Employee Distribution by Gender

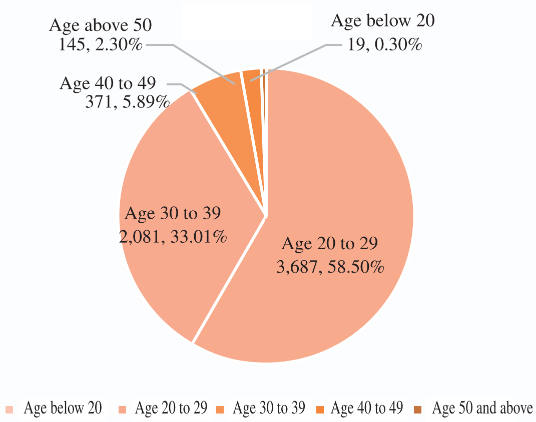


Chart of Age Composition

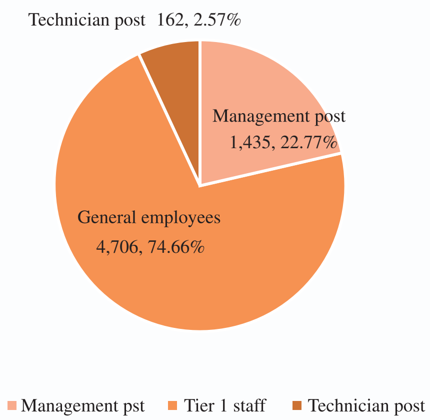


Chart of Role Composition

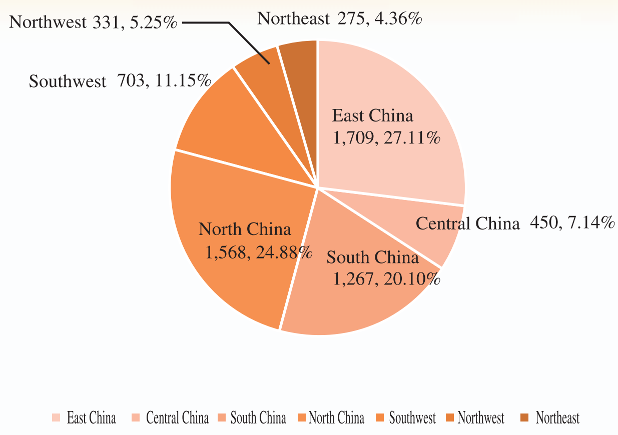


Chart of Regional Composition

2.2 Focus on Staff Care

We continue to abide by the laws and regulations such as the Trade Union Law and the Occupational Disease Prevention Law in the PRC and other places where we operate and followed the overall management system and management measures formulated by UCAR Group such as the Company Safety Management System and the Company occupational and health management system. During the Reporting Period, no fatalities of the Company's employees occurred due to work-related injuries. We provide our employees with safety and physical and psychological health protection, create a comfortable working environment for our employees and provide employee abundant activities to enhance our employees' happiness.

The Company always attaches importance to safety of employees. To prevent occupational hazards and ensure the safety and health of workers, the Company strictly abides by relevant laws and regulations such as the Labor Safety and Health Law (《勞工安全衛生法》) to create a safe working environment for employees and ensure the personal safety of employees during work. Meanwhile, the Company always pay close attention to the physical and mental health of its employees. To ensure employee safety and promote the physical and mental health of its employees, the Company adopted the following measures:

- The Company provides labor protective gears for employees. Our employees can obtain protective gears such as protective gloves as required by their own work content. We respect the Special Rules on the Labor Protection of Female Employees (《女職工勞動保護特別規定》), protect the health of female employees during pregnancy and lactation and give them certain holidays. Meanwhile, we deliver small gifts to and held related activities for female employees on "March 8 Women's Day".

- For site operation of maintenance plants, we have developed a series of safety systems and safe operation procedures such as the Procedures for Safe Operation of Lift (《舉升機安全操作規程》), Operation Procedures for Balancing Machines (《動平衡機操作規程》) and Procedures for Safe Operation of Grilled Tires (《扒胎機安全操作規程》) to regulate the safe operation during maintenance and avoid injuries of employees.

- We require our employee to practice safe driving while working and we carry out periodic safety training, including fastening the seat belt when driving and comply with Traffic Safety Law of the People's Republic of China (《中華人民共和國道路交通安全法》); no drunk driving under any circumstances; no over loading, speeding, dangerous driving; no drowsy driving.

- We are all concerned about the health of our employees, and organizes regular health check for our employees.

- The Company took employee's health as a starting point, developed a safe drinking water plan, and placed smart water purifier in the office area.

- The Company advocated the concept of "healthy work and decent living". The Company has a gym and its employees regularly enjoyed free-of-charge cervical spine massage and acupuncture and enjoyed health benefits such as psychological consultant training at the Company's expense.

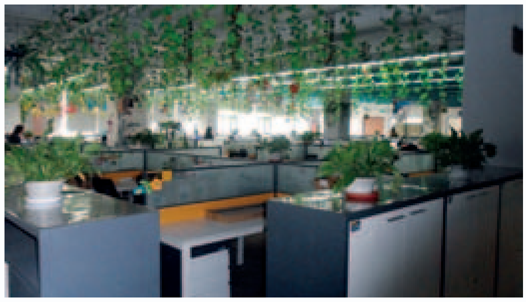
- We have a Chief Executive Officer mailbox and a Wechat official account "CAR Without Distance" (神州無距離) to accept internal suggestions and complaints. We listen to the demands of employees and solve the difficulties encountered by employees timely.

- The Company is committed to creating a relaxed and comfortable working environment for its staff. For example: the Company headquarters in Beijing placed many activated carbon bags and green plants after moved to the new office and replaced on a regular basis, with aims to clean the office air and enhance the comfort level of the office environment.

Case 1: "Dressing with Dab Hands" office design competition

In order to create a comfortable office environment, the Company organized the "Dressing with Dab Hands" office design competition for employees to create their own desirable "home" and build a good corporate image. The office of the Company has a leisure & reading area, Hall of Fame with departmental features, and cozy and personalized dining area and so on.

Our employees planted their own green plants to create green office area and deeply feel the fresh, natural and comfortable office environment. Vending machines installed on floors provide employees great shopping convenience. Our employees enjoy daily comforts brought about by a neat and beautiful environment and motivate employees to love their corporate community and their enthusiasm for work.



We always take employee activity as an important way to promote the healthy and harmonious development of labor relation, mobilize the enthusiasm of employees and enhance the cohesion of the Company. We are committed to providing our employees with a variety of colorful employee activities that not only enhance the cohesion among employees but also provide display space for employees with special skills.

During the Reporting Period, the Company established three teams of Taiji Performance Team, CAR chorus and Yoga Interest Group successively to carry out staff exchange activities and set up reading rooms for staff. At the same time, the Tianjin headquarters of the Company also actively participated in the local labor union activities. It has successively participated in the"Joyrun around the Lake", the essay competition of "China Dream, Beauty of Labor" in Binhai New District, the 1st staff chess game in Binhai, "Tianbao Cup" spring football game, Female staff "38 Fun Game" in Binhai New District and other activities. Meanwhile, the Company formed a "CAR Running Team", and organized running and other outdoor activities from time to time to enhance the physical quality of employees and build a positive corporate culture.

38 women's day activity

Yoga activity

Staff basketball game

Blind date activity

Choral Competition

CAR Running Group (神州跑團)

2.3 Promote the Staff's Development

The Company has been adhering to the employment philosophy of "People Foremost and Growth with Employees" and provides a career platform with most brilliant prospect. We specially established Shenzhou Institute to promote the development and growth of the staff, providing various learning materials and supporting career development of the staff as well as promoting their expertise and leadership development.

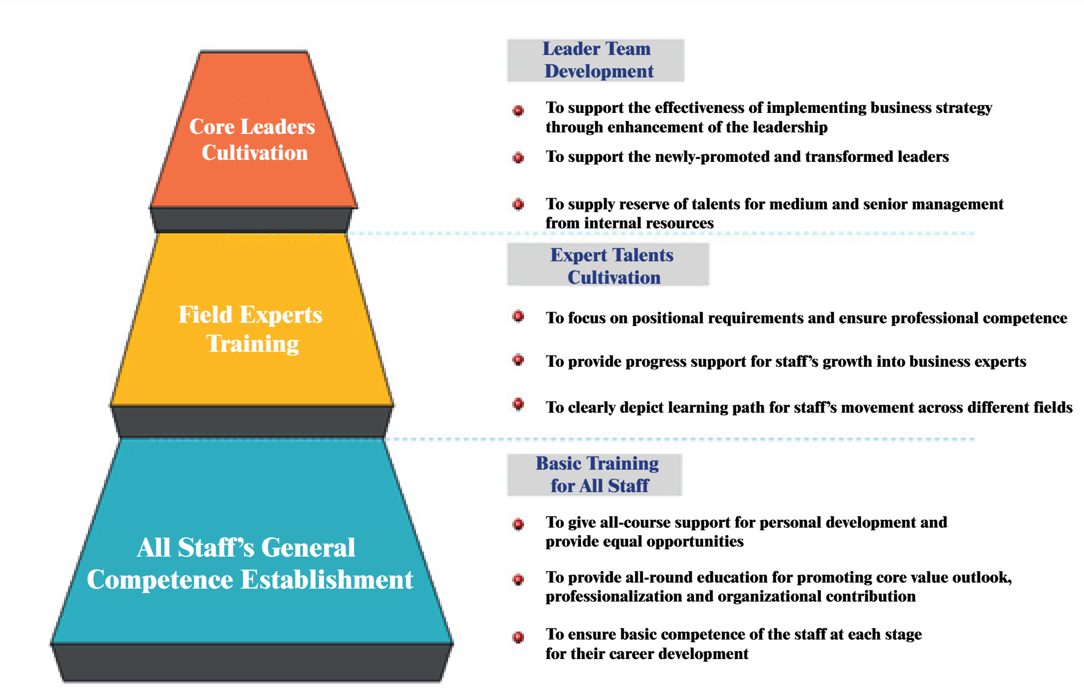
We have established a systematic training program which includes new staff training, ELN online training and managerial training, and helping staff to learn know-how, accumulate experience, cultivate managerial skills and develop good habit for jobs during their work and practice process. In the reporting period, a total of 263 trainingsfor staff has been held, covering 20,454 person-time employees with an average of 15.2 training hours for each person[2].

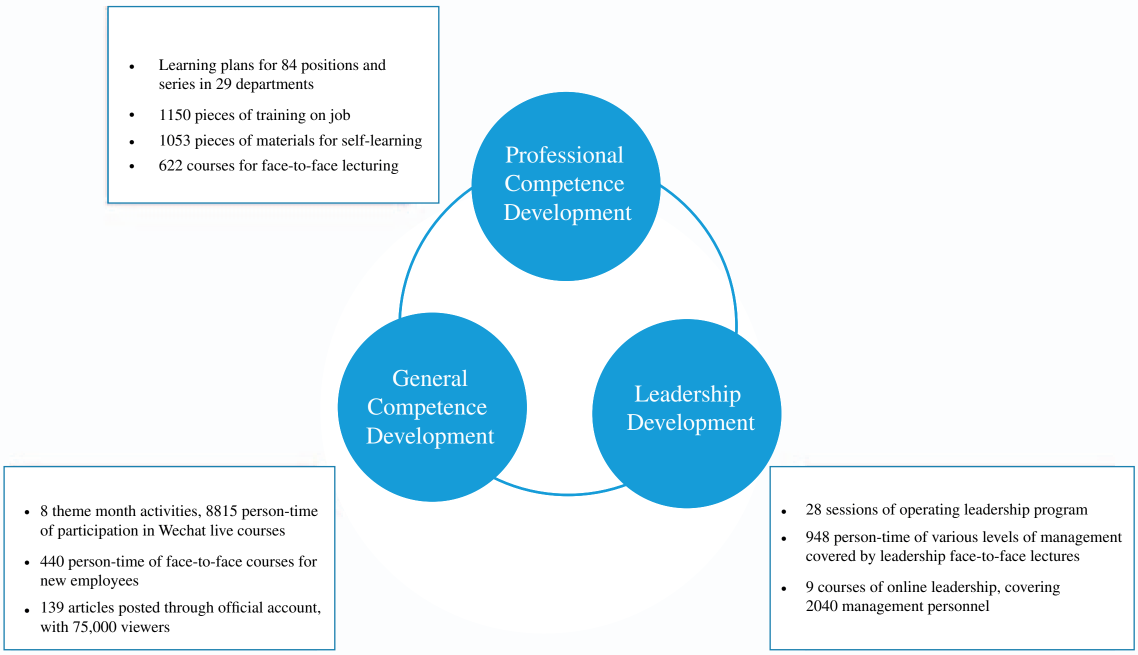
Case 1: Three-Module Personnel Training System

[2] The total number of trainings for employees, the person-times and the average training hours were calculated based on the number of employees of 7,601 in the Group and the rental car segment

With the module of positional competence at the core place, a training system including three modules of leadership, expertise and general competence has been established with three learning maps for such three modules.

The learning maps cover employees in all positions and series, clearly planning the know-how and skills that need to be learned and cultivated by each staff at each stage during their career development and will be iterated and optimized in respect of the training system on a continuous basis.





In respect of staff promotion, the Company is committed to the developing of optimistic corporate culture and puts in place various promotion paths to help our staff grow and make progress. The

Company has drawn up *The Administration Measures of Promotion* (《晉升管理辦法》) which formulates the standards and procedures for staff promotion in the aspect of administration, truly providing platform and path for staff's development and promotion, letting them realize personal value to the best of their ability. Meanwhile, the Company also adopts the method of examination in place of training to help staff realize expected income. In the reporting period, the Company implement its first round of professional promotion with 1471 employees taking part, 1130 of which gained the opportunities for promotion and raise.

Case 2: The Flying Eagle Plan (飛鷹計劃)

To fully explore and utilize internal resources, and provide qualified reserve of talents for business segment, the Company launched a training program of reserve of managers for branches, namely the Flying Eagle Plan. This program lasts for a term of 3 months. In order to maximize the training effect, the Company has made modelling for the competence required for position of branch manager before the training begins and design the teaching program based on the gap between the participating staff's competence and that required thereunder. With regard to the training contents, the plan uses a mixed teaching method with a combination of: online knowledge self-learning + face-to-face lecturing on a gathering basis+ rotational internship + query solving on a gathering basis, thus helping trainees fully integrate theory with actual working circumstances, enhancing the efficiency and practicability of knowledge as well as providing more diversified promotion opportunities for the staff.

3. SUPPLY CHAIN MANAGEMENT

In the procurement-related processes, the Company adheres to the concept of win-win cooperation with suppliers to develop and select suitable suppliers and established long-term trust or strategic procurement cooperation with them. The Company has definitive procurement policy in place and established compliant and transparent criteria for product procurement. We pay attention to relevant qualifications of suppliers to ensure that procurements are fair. In procurement activities, the Company strictly follows the relevant processes to consider and screen the environmental and social risk of suppliers in order to reduce its own operational risks and achieve supply chain collaboration win-win.

3.1 Improve Supply Chain Management

In the purchasing management, purchases are divided into two major purchase templates: "vehicle purchases" and "parts and other materials purchases" based on the type and characteristics of purchased goods. At the end of the Reporting Period, the number of vehicle suppliers was 34 and the number of parts and other materials suppliers was 187.

- We strictly follow the supplier certification process and assessment process established by them. We have set up a database for managing information on suppliers and equipped with constantly updated approval systems and transparent internal approval chains. In the fundamental screening level, we ensure that all suppliers who have signed contracts with CAR are suppliers who have passed relevant state or regional qualification certification related to quality system, environmental system etc. When conducting major projects, national open tender process is followed to guarantee the fairness, at the same time enhancing the assessment level of environmental system and execution towards suppliers and add extra points base on specific professional requirements;

- Our executive committee has established stringent procurement process and supplier marking mechanism. In the supplier selection process, in order to ensure the quality of products procured and reasonable cost control, the philosophy of "comparison among three suppliers" is adhered. From the perspective of suppliers' brands and qualifications and on the basis of procurement products with high quality, the price comparison process is required. The strict selection and optimization of cost-effective suppliers who meet our procurement demands are conducted through comparing the performance and price of compliant suppliers. Thus, the fairness and transparency are guaranteed in the screening process;

- We have updating mechanism in place for suppliers. Due to our constantly changing product requirements and changes from the market, we follow up suppliers' availability in a timely manner. CAR takes the measure of performing supplier screening and updating mechanism on an irregular basis and eliminates suppliers whose prices are falsely high or whose product quality significantly decreases and whose goods supply efficiency is excessively low. We must review suppliers' qualifications on a regular basis and cancel the cooperation with them when their qualifications are found to be insufficient or lost. The efficiency of supply chains should be guaranteed to mitigate the risks in relation to procurement.

Vehicle Purchases	• The Company has prepared Vehicle Purchases Management Manual for the purchase of vehicles to standardize the vehicle purchasing process. • In selecting vehicle suppliers, the Company will comprehensively assess the overall strength, vehicle sales capabilities, funding conditions, cooperative intention, relationship with host manufacturers and emergency vehicle source solutions of alternative suppliers. The assessment on the suppliers' environment and social risks will be involved in their overall strength. • Vehicle supplier management system is divided into two parts: supplier certification process and supplier assessment process. Supplier certification classification is based on the type of suppliers and vehicle purchase scale. The suppliers will be included in the list of qualified suppliers after approval. The Company will conduct periodically assessment on suppliers and notify suppliers the assessment results and ratings on a monthly basis, and negotiate follow-up solutions and improvement plans for the problems encountered in assessment with suppliers to understand suppliers' comments and suggestions on assessment results. For suppliers who are subject to rectification, they are required to provide improvement measures and make rectification within a prescribed time limit. For those who have failed to meet the conditions of qualified suppliers, the Company should cancel their qualification after approval.
Parts and Other Materials Purchases	• The Company has prepared and strictly implemented management documents "Parts Purchases and Supplier Management Process". • The Company has established and implemented a market research and supplier research system and mastered all aspects of suppliers in order to avoid risk of selecting and improve the efficiency of purchasing. • The Company should define clearly the products that enterprises need and the suppliers it cooperated with and establish criteria for supplier screening. • The Company should establish a scientific and efficient supplier assessment method to evaluate and assess suppliers and inspire suppliers with this mode in order to ensure the quality of goods purchased by enterprises. • The Company should standardize the matters relating to the supplier relationships maintenance, promote the establishment of strategic cooperative relations between enterprises and suppliers to explore a win-win model and improve their own competitive advantages.

4. QUALITY SERVICES

The Company continued to comply with the requirements of the relevant laws and regulations of places in which we operate such as the Interim Provisions on the Administration of the Automobile Leasing Industry (《汽車租賃業管理暫行規定》) and the Basic Operating Conditions of Automobile Leasing in Beijing (Interim) (《北京市汽車租賃基本經營條件 (暫行) 》) to ensure that the Company has the qualifications of business permit; various types of driving documents are in place; the number of vehicles and the level of technical quality have reached the standards; and have maintained insurance effectively implemented corporate product liability.

Meanwhile, we always adhered to the corporate vision of "aiming to become consumers' priority of car rental service brand in China" and the service concept of "4 Anys", namely "Any One, Any Time, Any Car, Any Where". Starting from aspects such as enhancing customer experience, protecting customer privacy and focusing on customer communications, we kept improving our service quality and providing customers with warm and personalised service anytime anywhere in strict compliance with the provisions and requirements of relevant laws such as the General Principles of Civil Law (《民法通則》), the Contract Law (《合同法》) and the Administrative of Internet Information Services Procedures (《互聯網資訊服務管理辦法》).

4.1 Improve Customer Experience

- Optimise Business Layout

  The Company continues to optimize the locations of our stores. We will choose convenient locations which can directly impact customers' experiences and create more convenient conditions for customers. At the end of the Reporting Period, the CAR service network has expanded to 898 directly-operated service locations in 117 cities, including 373 stores and 525 pick-up points, increased by 103 locations in 24 cities as compared with last year.

  The Company has continuously optimised the layout of its stores, not only covering the first- and second-tier cities and tourist attractions but also opening service locations in some third-tier cities where economies are growing rapidly. Of the 898 directly-operated service locations, there are 252 locations in first-tier cities which accounted for 28.06%, 406 locations in second-tier cities which accounted for 45.21% and 240 locations in third-tier cities and major tourist attractions which accounted for 26.73%, allowing customers to use the services of the Company at any time and place more conveniently.

  In order to expand service range, the Company opened 69 physical stores in 2017, representing an increase of 22.7% over 2016. Moreover, there are 76 24-hour stores across the country, providing pick-up and delivery services 24 hours a day.

In order to apply to a wider customer base, the Company launched the international car rental service in June 2017, and customers can directly book international car rental orders through the official website of CAR. The international car rental service has expanded the scope of car rental services of the Company and better provided customers with overseas car rental services.

- Improve service quality

We remain focused on providing convenient, simple, fast and caring car rental services for our customers, with service quality increased via optimization and finetune of service model. During the Reporting Period, with addition of electronic car checking and driving license validating functions, procedures to be handled by our customers have become more normalized and efficient, saving their time, increasing their experience, and resultantly, offering intelligent car life for rental customers. Meanwhile, we refine our services to every detail. For example, renewing the sunscreen film in midsummer; preparing umbrellas and small tips for customers in rainy days; also preparing detailed traffic maps for emergency use for customers in other cities; and setting detailed mechanism for returning visits after the customers have completed the car rental.

Continuous free door-to-door delivery initiative

In August 2017, our systematic functions were optimized as for door-to-door delivery range to ensure punctual and accurate service provided to door-to-door delivery customers, reducing the cases where customer experience is spoiled due to irrational delivery range, traffic jam, etc., thus improving such customers' car use experience.

Launch of "A-cup-of Water" activity

To enhance our outlets' sense of service, we launched "A-cup-of Water (一杯水)" activity, from February 2017, in our national outlets. During the activity, our outlets are required to normalize service process, increase their staff's sense of service starting from small stuff. Staff of our outlets shall "welcome customers sincerely; when the customers are performing procedures, serve the customers a cup of water and remind them to take their personal belongings", etc.

National outlets' New, Bright, Clean campaign

During the New, Bright, Clean ("新""亮""潔") campaign, our outlets are specifically required to have cleaning before open for business, assuring cleanliness within all visible range, such as outlet signage, ground and counter, ensuring no sundries or peculiar smell in the outlet, or water or sundries in front of the door. In the outlet, no expired publicity materials and decorations should be displayed, with contents of the poster be changed in time and the latest version be posted. When work, staff should wear their uniforms and name tags and maintain good appearance to meet the Company's requirements. The purpose is to increase the overall image of our outlets and the Company's brand image and service quality.

Driving license validating function

In November 2017, to safeguard the accuracy of checking driving license, there was an addition of online driving license validating function.

Before launch of such function, the validity of driving license can merely be checked in the outlet manually, while after its launch, the outlet can automatically capture the results of checking a customer's driving license. If the customer fails in such check, or its driving license is expired, no vehicle will be offered to it.

As for the customer, it can also know the status of its driving license itself. If any abnormal conditions, it may seek for processing in the local traffic management department in time to duck subsequent fines. As for the Company, the function protects the safety of the customer who rents a car, that's an important means for maintaining public security.

Free delivery of snow tires service

In December 2017, to cope with the snowy seasons, CAR upgraded and equipped snow tires for 15 cities including Harbin, Changchun and Changbaishan. Compared to ordinary tires, snow tires can protect the driving safety of customers in many aspects.

As customer demand for use of car increased in northern snowy tourism season since 2016, we upgraded tires to antiskid snow tires for vehicles in some cities and also provided customers with discount resources such as ski resorts. We continued such activity in 2017 and provided customers with all-around services. Such activity is widely recognized and favoured by customers.

- Protect customer safety

To protect customer safety is the top priority commitment to our customers for the Company. We assist our customers with traffic safety all along with more easiness to customers in using car rental service provided by us.

- We establish a complete vehicle maintenance process. For short-term rental vehicles having a driving mileage of 7,500 km, specific high-end models having a driving mileage of 10,000 km, we will carry out repair and maintenance; for long-term vehicles with no repair and maintenance carried out over 2 months, customer service of the Company will contact the customer enquiring the car condition and provide assistance in arranging maintenance for customers who match with the repair service requirements, ruling out potential safety hazards due to vehicle conditions.
- By working with professional bodies, we provide a range of services covering car rescue, consultation, etc. to solve the worries of car renters; normally, a rescue vehicle arrives within 45 minutes for cities at prefecture level and above and 60 minutes for county-level cities.

4.2 Protect Customer Privacy

Privacy protection is a key right for customers, whose personal information are approached in a responsible manner. We strictly protect customers' information in accordance with the state's Security Protection Statutes for Computer Information System (《計算機資訊系統安全保護條例》), Measures for Public Computer Internet International Network Management (《公用計算機互聯網國際聯網管理辦法》) and other administrative regulations. Internally, we have developed the CAR Members Personal Information Confidentiality System (《神州租車會員個人資訊保密制度》) to protect customers' personal information. Such system is available on the Company's official website, through which customers may learn our privacy protection principles.

- The Company has formulated the Regulations on Data Security Management of CAR's Call Center (《神州租車呼叫中心數據安全管理規定》), which defines the scope of confidentiality for such confidential contents as customer information, company software system, manpower training, technical documents and company commercial campaigns; clarifies the duty of confidentiality of employees at all levels, and standardizes and prohibits the possible disclosure of confidential information; and formulates a series of layered penalty and accountability provisions in respect of economic penalties, personnel penalties and legal recourse according to the severity of disclosure behavior and the result therefrom. Information security and customer privacy will be strictly protected by preventing beforehand, controlling during the process and pursuing liability afterwards.

- In the process of customer service of the Company, the protection of customers' information and privacy involves the logical and rigorous authentication process including password authentication and password reset. Only if a customer pass authentication process, customer service representatives can inform the customer in the call of the private information regarding his/her own account. According to the business rules, in the case that a customer had a capital transaction with the Company but did not take the car renting order, there is a clear provision on order ownership. For orders that have been clearly vested, it is forbidden to modify the lessee information to ensure the safety of customer funds and information.

4.3 Focus on Customer Communication

Customers are one of our most important stakeholders. Creating smooth communication channels between the enterprise and customers and timely listening to customers' demands are the critical actions that the Company can protect the rights and interests of customers and improve the service quality. The Company strictly controls the quality of service and always puts the customer service experience first, and optimizes the customer experience under the restrictions of various rules and procedures. While the satisfaction is constantly improving, the customers' praise through various channels to the Customer Service Centre has been increasing. The annual customer satisfaction in 2017 reached 98.45%, up from the same period in 2015 and 2016 in terms of comparative data.

- Establish various ordering channels such as the internet, mobile app, 24-hour call centre and stores by fully taking into account customers' habits for customers' convenience of booking at any time; we provide customers with 365 days' 7x24 round-the-clock service. In terms of geographical deployment, the dual center operations and mutual backup mode has been implemented to reduce the impact of force majeure on the operations of the Customer Service Center.
- In terms of customer comments and complaints, the Customer Service Center collects customer feedbacks and complaints through various channels including the Company's official website satisfaction assessment, official Weibo, WeChat, official website online service and telephone customer service.
- We have integrated call center systems upgrade iteratively, using faster and more powerful systems to serve customers faster and more efficiently.

Case 1: The Sixth Skills Competition Event of "Challenging All-around and Being Top-skilled in Car (挑戰全能技滿神州)"

In order to strengthen the protection of the safety of customers who rent cars and their service experience, effectively implement the around-the-clock customer service function entrusted by the group companies, continuously improve teamwork skills, continuously enhance employee learning skills and continuously improve the flexible handling capability, in the fourth quarter of 2017, the Customer Service Centre of the Company launched a large-scale full-staff event, namely the Sixth Skills Competition Event with the theme of "Challenging All-around and Being Top-skilled in Car". In order to select potential employees with solid business capacity, positive working attitude and strong sense of service, the Company held a large-scale full-staff competition, commended and rewarded outstanding employees, and at the same time provided employees with a platform to display themselves and then selected potential training targets from them, continuously promoting the service skills of all staff and improving their service awareness.

5. ANTI-CORRUPTION

The Company continued to strictly comply with the bribery, blackmailing, fraud and money laundering related regulations under the Criminal Law (《刑法》), the Anti-Unfair Competition Law (《反不當競爭法》) in where we operate and the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), and promulgated specialized anti-embezzlement and anti-corruption policy accordingly.

During the Reporting Period, the Company strictly followed the anti-corruption policies set up by the Company to eradicated bribery, extortion, fraud and money laundering inside the Company.

Meanwhile, in light of the business links with possibility of fraud and corruption, the Company has regularly revised relevant business processes and management systems, and further monitored internally whether the procurement behaviour of purchasers has been observing the procurement policies of the Company and following the relevant national and regional laws and regulations through upgrading the management system and improving the internal control mechanism. As for external suppliers, the Company has set up anti-commercial bribery provisions and independent complaint channels in the procurement contracts to restrain the purchasers and suppliers from the relevant violations that may occur during the procurement process and eliminate corruption, embezzlement, bribery from the internal and external levels, respectively. Meanwhile, we have offence reporting mailbox to improve the closed-loop management of anti-corruption.

During the Reporting Period, as we have strictly abided by the laws of country and place where we operate and the anti-corruption policies established within the Company, we have not experienced any lawsuits or corresponding penalties resulting from acts such as corruption, fraud, bribery and money laundering.

5.1 Implementation of Anti-Corruption Campaigns

- The Company have anti-corruption and anti-fraud policy, which stipulates that employees may not use their positions to seek improper interests;
- We have anonymous offence reporting mailbox with prize that is against corruption. In the event of corruption, fraud and bribery, the irregularities can be reported; if the offence reporting case is true, the informer would receive a bonus. We would protect the informer to the utmost extent and punish the person being reported against the laws;
- The Company has regularly revised the management system such as the Procurement Management Process (《採購管理流程》), the Supplier Management Measures (《供應商管理辦法》) and the Contract Management Measures (《合同管理辦法》), and extended its monitoring scope to the entire process from the initiation of procurement requirements to contract signing, execution and conclusion through the contract management system. The Company has regularly checked the implementation of the procurement process through internal control measures and provided feedbacks to the management to further urge the procurement behavior to follow the Company's procurement policy.
- In order to ensure the independence and transparency of suppliers and to guard against potential bribery and corruption between suppliers and purchasing departments, we have set up anti-commercial bribery provisions in externally-signed procurement contracts to legally regulate and supervise suppliers' behaviors.
- For key and large amount of purchases, the Company has clearly stipulated that bid processes shall be organized for such purchases, and purchase prices shall be scientifically and reasonably determined so as to reduce the risk of fraud and corruption.

6. COMMUNITY WELFARE

The Company cherishes its heritage and stays true to the mission. While ensuring its own steady operation, the Company should not forget to fulfil our corporate social responsibilities and devote itself to charity and volunteer activities so as to dedicate its efforts to local communities.

6.1 Devotion to Public Welfare

The Company continued to participate in various Public Welfare activities and actively took effective measures to support the community's infrastructure and various activities. In these activities, the Company gave full play to its own resources and social influence, incorporated the concept of Public Welfare into its corporate culture, practiced corporate social responsibility, and provided powerful support for all kinds of community Public Welfare activities with vehicle services and material sponsorship. These include:

- Actively invested resources in earthquake relief after major natural disasters such as floods and earthquakes. In early July 2017, an extremely large flood broke out in Changsha. Our Company dispatched vehicles to the frontline around Changsha to transport shortages. On August 8, 2017, an earthquake of magnitude 7.0 occurred in Jiuzhaigou County, Aba Prefecture, Sichuan Province. The Company promptly started the emergency rescue system to provide vehicle service for the disaster area.

- Provided vehicle support for several projects, including the Guangming Health Welfare Travel (光明健康公益行), the Escort Campaign for Little Migratory Birds by Spruce Philanthropic Fund (美菜公益基金護送小候鳥活動) and other activities.

- Assisted with the "Helping Test with Love (愛心助考)", a large Public Welfare activity, provided by UCAR Group in 2017 during the Reporting Period: since 2015, we have been providing free pick-up service in over 10 cities of the PRC during college admission examination period; during the event in 2017, the number of volunteers reached about 2,000, serving more than 1,000 candidates in more than 30 cities.

Case 1: "Hearing" the call of love

In September 2017, together with UCAR Inc., we launched a donation to help the "Decibel of Love (愛的分貝)" event, which, together with the charity ambassador Zhou Bichang, initiated the Public Welfare activities with the theme of "letting 200,000 hearing-impaired children hear love(讓20萬聽障兒童聽到愛)" and mobilized social forces to raise funds, striving to enable hearing-impaired children from poor families to resume their language skills as soon as possible and return to normal social life.

To the shareholders of CAR Inc.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CAR Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 106 to 231, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Lease classification for car rentals arrangement	
The Group's principal business is the provision of car rental services through arrangements with customers in the form of leases. The Group uses a lease management system to determine the classification and ongoing accounting of its leases.	Our procedures included understanding and testing management's controls on the recognition and classification of leases by the lease management system. For finance leases entered into during the year, we assessed the appropriateness of the discount rates by comparing them with historical data, and industry benchmarks. We also reviewed and tested other aspects of the lease accounting on a sample basis, such as the formula used in the accounting models, the calculation of the minimum lease payments, and the calculation of the rental income.
The Group applies judgement at the initial inception of the leases to determine whether they should be classified as either operating leases or finance leases in accordance with IAS 17 "Leases", depending on the lease terms. Classification of finance leases also requires determining the appropriate discount rate implicit in the lease to discount the minimum lease payments, which in turn also affects the allocation of the rental income over the period of the lease.	We also assessed the adequacy of the related disclosures in the notes to the financial statements.
Related disclosures are included in Note 5 "Revenue, other income and expenses" and Note 14 "Finance lease receivables", respectively, to the financial statements.	

Key audit matter	How our audit addressed the key audit matter
Accounting for investments in equity shares and in redeemable preference shares	
At 1 January 2017, the Group held ordinary share and redeemable preference share investments in respect of three entities operating in the online businesses for the trade-in of used cars and chauffeured car services. The investments were classified as financial assets at fair value through profit or loss and recorded as "Investments in equity shares and redeemable preference shares" on the statement of financial position. The Group disposed of its preference share investment during the year.	Our procedures included agreeing the registration form and relevant documents and ensuring that the investments in equity shares and redeemable preference shares were properly classified in accordance with IAS 39. We also evaluated the methodology adopted by the Group to determine the fair value of the equity share investments at 31 December 2017 and tested the key assumptions and estimations used in the valuation by testing the observable data to third party derived data sources and corroborating the reasonableness of unobservable inputs by comparing to available data sources. We employed EY internal valuation specialists to assist us with our audit of the valuation.
The investments in ordinary shares and in preference shares are carried at fair value determined at each reporting period end date in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The investments in ordinary shares are stated at RMB2,807.24 million at 31 December 2017 and the Group recognised a net loss on fair value of RMB66.09 million, which was recorded as "Other income and expenses, net" in the statement of profit or loss. The investments are classified as Level 3 in the fair value hierarchy. The determination of the fair values involves the use of significant assumptions and estimations including the use of observable and unobservable inputs to the valuation model.	We reviewed the calculation of the gain on disposal of the preference share investment and agreed the disposal proceeds to the disposal agreement.
The Group also recognised a gain on disposal of the preference share investment of RMB150.04 million, which was recorded as "Other income and expenses, net" in the statement of profit or loss.	We also assessed the adequacy of the related disclosures in the notes to the financial statements.
Related disclosures are included in Note 3 "Significant accounting judgements and estimations", Note 5 "Revenue, other income and expenses, net" and Note 20 "Investments in equity shares and redeemable preference shares" to the financial statements.	

Key audit matter	How our audit addressed the key audit matter
Residual values of rental vehicles acquired outside of repurchase programs	
The book amount of rental vehicles acquired outside of repurchase programs at 31 December 2017 was RMB9,416.15 million. As such rental vehicles constitute a significant portion of the Group's assets and its business requires the Group to constantly replenish its fleet, the Group faces significant risks related to the estimated residual values of these rental vehicles acquired outside of repurchase programs. The Group estimates the residual values as at the expected time of disposal and the vehicles are depreciated over the estimated holding period on a straight-line basis, taking into account the residual values. The Group periodically reviews and makes adjustments, if necessary, to the depreciation rates of rental vehicles acquired outside of repurchase programs in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. Significant estimation and judgement is required in determining the residual values of the Group's rental vehicles acquired outside of repurchase programs. Related disclosures are included in Note 3 "Significant accounting judgements and estimates" to the financial statements.	We evaluated the design and tested the operating effectiveness of controls over the periodical review of the residual values of the rental vehicles acquired outside of repurchase programs. In addition, we assessed the key factors (primarily the available market information) applied by the Group to determine the estimated residual values and for a sample of disposals during the year, evaluated the reasonableness of the estimated residual values by comparing them to the disposal proceeds.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Lap, Philip.

Ernst & Young
Certified Public Accountants
Hong Kong
27 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Rental revenue		**5,048,345**	5,015,716
Sales of used vehicles		**2,668,993**	1,438,242
Total revenue	5	**7,717,338**	6,453,958
Depreciation of rental vehicles	7	**(1,373,645)**	(1,257,679)
Direct operating expenses of rental services		**(1,701,352)**	(1,629,311)
Cost of sales of used vehicles	7	**(2,697,472)**	(1,480,922)
Gross profit		**1,944,869**	2,086,046
Other income and expenses, net	5	**383,090**	877,732
Selling and distribution expenses		**(29,954)**	(65,093)
Administrative expenses		**(470,029)**	(554,129)
Finance costs	6	**(652,777)**	(590,779)
Share of profit of an associate		**107**	5,968
Profit before tax	7	**1,175,306**	1,759,745
Income tax expense	9	**(294,195)**	(300,154)
Profit for the year		**881,111**	1,459,591
Attributable to:			
Owners of the parent		**881,111**	1,459,591
Earnings per share attributable to ordinary equity holders of the parent	11		
Basic		**RMB0.391**	RMB0.617
Diluted		**RMB0.386**	RMB0.607

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**881,111**	1,459,591
Other comprehensive income for the year, net of tax	**—**	—
Total comprehensive income for the year	**881,111**	1,459,591
Attributable to:		
Owners of the parent	**881,111**	1,459,591

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Rental vehicles	12	**9,538,828**	9,176,738
Other property, plant and equipment	13	**470,794**	491,942
Finance lease receivables – non-current	14	**115,443**	100,798
Prepayments	15	**116,055**	12,940
Prepaid land lease payments	16	**58,791**	60,405
Goodwill	17	**6,728**	6,728
Other intangible assets	18	**146,902**	154,085
Investment in an associate	19	**32,485**	32,378
Investments in equity shares and redeemable preference shares	20	**2,807,244**	3,073,706
Rental deposits		**19**	12,306
Restricted cash – non-current	24	**1,275**	1,300
Deferred tax assets	31	**183,316**	122,575
Other non-current assets		**16,223**	9,609
Total non-current assets		**13,494,103**	13,255,510
CURRENT ASSETS			
Inventories	21	**159,914**	233,448
Trade receivables	22	**92,452**	99,639
Due from related parties	40	**758,952**	556,201
Prepayments, deposits and other receivables	23	**1,174,657**	1,172,089
Finance lease receivables – current	14	**85,611**	119,171
Deposits for sales-leaseback borrowing		**—**	30,000
Restricted cash – current	24	**60,895**	—
Cash and cash equivalents	24	**4,813,311**	5,723,161
Total current assets		**7,145,792**	7,933,709
CURRENT LIABILITIES			
Trade payables	25	**81,989**	72,668
Other payables and accruals	26	**700,090**	559,353
Advances from customers		**385,119**	331,264
Interest-bearing bank and other borrowings	27	**2,505,286**	2,425,391
Due to a related party	40	**4,964**	33,861
Income tax payable		**129,826**	138,599
Derivative financial instruments	30	**187,026**	—
Total current liabilities		**3,994,300**	3,561,136
NET CURRENT ASSETS		**3,151,492**	4,372,573
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,645,595**	17,628,083

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,645,595**	17,628,083
NON-CURRENT LIABILITIES			
Senior notes	28	**5,149,165**	5,435,942
Corporate bonds	29	**296,089**	—
Interest-bearing bank and other borrowings	27	**3,171,201**	3,820,742
Deposits received for rental vehicles		**568**	1,173
Deferred tax liabilities	31	**154,661**	151,620
Total non-current liabilities		**8,771,684**	9,409,477
Net assets		**7,873,911**	8,218,606
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**134**	144
Treasury shares	32	**(147,481)**	(8,474)
Reserves	34	**4,683,406**	5,711,881
Retained earnings		**3,337,852**	2,515,055
Total equity		**7,873,911**	8,218,606

Yifan SONG
Director

Sam Hanhui SUN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent							
	Share capital RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at 1 January 2016	147	2,382,719	95,866	3,321,238	152,042	—	1,147,309	7,099,321
Profit for the year	—	—	—	—	—	—	1,459,591	1,459,591
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	—	1,459,591	1,459,591
Appropriation of statutory reserve	—	—	91,845	—	—	—	(91,845)	—
Repurchase of shares	—	—	—	—	—	(430,919)	—	(430,919)
Cancellation of shares	(4)	—	—	(422,441)	—	422,445	—	—
Exercise of share options (note 32)	1	—	—	40,666	(30,594)	—	—	10,073
Equity-settled share option arrangements (note 33)	—	—	—	—	80,540	—	—	80,540
As at 31 December 2016	144	2,382,719	187,711	2,939,463	201,988	(8,474)	2,515,055	8,218,606
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**881,111**	**881,111**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**881,111**	**881,111**
Appropriation of statutory reserve	**—**	**—**	**58,314**	**—**	**—**	**—**	**(58,314)**	**—**
Repurchase of shares	**—**	**—**	**—**	**—**	**—**	**(1,242,996)**	**—**	**(1,242,996)**
Cancellation of shares	**(11)**	**—**	**—**	**(1,103,978)**	**—**	**1,103,989**	**—**	**—**
Exercise of share options (note 32)	**1**	**—**	**—**	**50,611**	**(38,756)**	**—**	**—**	**11,856**
Equity-settled share option arrangements (note 33)	**—**	**—**	**—**	**—**	**5,334**	**—**	**—**	**5,334**
As at 31 December 2017	**134**	**2,382,719**	**246,025**	**1,886,096**	**168,566**	**(147,481)**	**3,337,852**	**7,873,911**

* These reserve accounts comprise the consolidated reserves of RMB4,683,406,000 (2016: RMB5,711,881,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,175,306**	1,759,745
Adjustments for:			
Finance costs	6	**652,777**	590,779
Share of profit of an associate	19	**(107)**	(5,968)
Interest income	5	**(33,007)**	(19,925)
Loss on disposal of items of other property, plant and equipment	7	**7,927**	119
Gain on disposal of subsidiaries	5	**—**	(113,101)
Gain on disposal of investments in redeemable preference shares	20	**(150,035)**	—
Fair value loss/(gain) on investments in equity shares and redeemable preference shares	5	**66,086**	(1,031,603)
Fair value loss on derivative instrument transactions not qualifying as hedges	5	**187,026**	—
Depreciation of rental vehicles	12	**1,373,645**	1,257,679
Depreciation of other property, plant and equipment	13	**77,594**	64,794
Amortisation of other intangible assets	18	**8,506**	9,816
Amortisation of prepaid land lease payments	16	**1,614**	1,614
Impairment of trade receivables	22	**4,650**	30,289
Exchange (gain)/loss	5	**(376,624)**	371,616
Equity-settled share option expenses	33	**5,334**	80,540
		3,000,692	2,996,394
Increase in rental vehicles		**(1,735,735)**	(1,095,544)
Decrease in trade receivables		**2,537**	109,432
Increase in amounts due from related parties		**(202,751)**	(45,824)
Decrease/(increase) in inventories		**73,534**	(123,739)
(Increase)/decrease in prepayments and other receivables		**(99,287)**	77,288
Increase in trade payables		**9,321**	51,668
(Decrease)/increase in amounts due to related parties		**(28,897)**	31,276
Increase in advances from customers		**53,855**	138,336
Increase in other payables and accruals		**78,818**	230,769
Decrease/(increase) in finance lease receivables		**18,915**	(64,490)
Tax paid		**(333,604)**	(231,272)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		**837,398**	2,074,294

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of other property, plant and equipment		**(67,105)**	(273,845)
Proceeds from disposal of items of other property, plant and equipment		**1,393**	9
Purchases of other intangible assets		**(1,323)**	(5,174)
Acquisition of subsidiaries		**(3,360)**	(2,050)
Disposal of subsidiaries	36	**—**	(3,662)
Disposal of investments in redeemable preference shares	20	**371,365**	—
Acquisition of an associate	35	**—**	(26,410)
Interest received		**33,622**	18,227
NET CASH FLOWS GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**334,592**	(292,905)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Release of deposits for borrowings		**30,000**	—
(Increase)/decrease in restricted cash		**(60,870)**	51,829
Proceeds from bank and other borrowings		**2,222,883**	4,544,452
Repayments of bank and other borrowings		**(2,649,730)**	(1,706,436)
Proceeds from issuance of corporate bonds	29	**295,548**	—
Proceeds from exercise of share options	32	**11,856**	10,073
Repurchase of shares		**(1,242,996)**	(430,919)
Interest paid		**(599,344)**	(582,218)
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(1,992,653)**	1,886,781
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(820,663)**	3,668,170
Cash and cash equivalents at beginning of year		**5,723,161**	1,987,878
Effect of foreign exchange rate changes, net		**(89,187)**	67,113
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,813,311**	5,723,161

	Notes	2017 RMB'000	2016 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**3,856,353**	5,291,737
Non-pledged time deposits with original maturity of less than three months when acquired	24	**956,958**	431,424
Cash and cash equivalents as stated in the statement of financial position		**4,813,311**	5,723,161
Cash and cash equivalents as stated in the statement of cash flows		**4,813,311**	5,723,161

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 P.O., Box 2681, Cricket Square, Grand Cayman KY1-1111, Cayman Islands. The Group is principally engaged in the car rental business.

Information about subsidiaries and the controlled structured entity

Particulars of the Company's subsidiaries and the controlled structured entity 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	RMB 378 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	RMB 0.3 million	—	100	Car rental
上海神州華東汽車租賃有限公司 Shanghai Shenzhou Huadong Auto Rental Co., Ltd.	PRC/Mainland China	RMB 9 million	—	100	Car rental
北京凱普停車管理有限公司 Beijing Kaipu Parking Management Co., Ltd. ("Beijing Kaipu")	PRC/Mainland China	RMB 5 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	RMB 2.01 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity 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	Percentage of equity interest attributable to the Company Indirect	Principal activities
廣州神州汽車租賃有限公司 Guangzhou China Auto Rental Co., Ltd.	PRC/Mainland China	RMB 1 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	RMB 35 million	—	100	Car rental
貴陽敬呂商貿有限公司 Guiyang Jinglv Trade Co., Ltd.	PRC/Mainland China	RMB 30,000	—	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	RMB 5 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$ 11.2 million	—	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 and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity 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	RMB 0.2 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	RMB 0.5 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	RMB 1,760 million	—	100	Car rental
神州准新車(中國)有限公司 Shenzhou Used Car (China) Limited ("Zhunxinche")	Hong Kong	HK$1	—	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity 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	Percentage of equity interest attributable to the Company Indirect	Principal activities
廣州神洲汽車租賃有限公司 Guangzhou Shenzhou Auto Rental Co., Ltd.	PRC/Mainland China	RMB 1 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	RMB 0.5 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	RMB 0.3 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	RMB 1 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	RMB 0.5 million	—	100	Auto repair service
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	RMB 0.58 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	RMB 0.5 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
濟南申源汽車維修有限公司 Jinan Shenyuan Auto Repair Co., Ltd. ("Jinan Shenyuan")	PRC/Mainland China	RMB 0.5 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	RMB 0.3 million	—	100	Auto repair service
Premium Auto Rental (China) Limited ("Premium")	Hong Kong	US$ 35.83million	—	100	Investment holding
Rent A Car Holdings (HK) Limited ("Rent A Car")	Hong Kong	HK$ 148.64million	—	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
佑安汽車租賃(北京)有限公司 You An Auto Rental (Beijing) Co., Ltd. (formerly known as Hertz Rent A Car (Beijing) Co., Ltd.) ("RAC BJ")	PRC/Mainland China	US$ 22 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity 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
廣州卓越汽車租賃有限公司 Guangzhou Zhuoyue Auto Rental Co., Ltd. (formerly known as Hertz Rent A Car (Guangzhou) Co., Ltd.) ("RAC GZ")	PRC/Mainland China	RMB 19 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	RMB 0.5 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	RMB 0.1 million	—	100	Auto repair service
鄭州眾德立汽車維修服務有限公司 Zhengzhou Zhongdeli Auto Repair Service Co., Ltd. ("Zhengzhou ZD")	PRC/Mainland China	RMB 1 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	RMB 0.5 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
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	RMB 0.5 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	RMB 0.5 million	—	100	Auto repair service
北京華威汽車修理有限責任公司 Beijing Huawei Auto Repair Co., Ltd. ("Beijing HW")	PRC/Mainland China	RMB 1 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
北京神州暢達汽車服務有限公司 Beijing Shenzhou Changda Auto Service Co., Ltd.	PRC/Mainland China	RMB 3 million	—	100	Auto repair service
昆明萬眾汽車維修服務有限公司 Kunming Wanzhong Auto Repair Service Co., Ltd. ("Kunming WZ")	PRC/Mainland China	RMB 0.3 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity 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
天津神州汽車租賃有限公司 Tianjin China Auto Rental Co., Ltd.	PRC/Mainland China	RMB 50 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	RMB 50 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	RMB 0.5 million	—	100	Auto repair service
重慶州凱汽車銷售信息諮詢有限公司 Chongqing Zhoukai Auto Sales Consulting Co., Ltd.	PRC/Mainland China	RMB 3 million	—	100	Sale of used cars and consultation service
海科(平潭)信息技術有限公司 Haike (Pingtan) Information Technology Co., Ltd. ("Haike Pingtan")	PRC/Mainland China	RMB 100 million	—	100	Car rental information system service
拉薩神州租車有限公司 Lhasa China Auto Rental Co., Ltd.	PRC/Mainland China	RMB 100 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	RMB 0.3 million	—	100	Sale of used cars and auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity 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	Percentage of equity interest attributable to the Company Indirect	Principal activities
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	RMB 0.5 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	RMB 3 million	—	100	Car rental and sale of used cars
蘇州神州汽車租賃有限公司 Suzhou China Auto Rental Co., Ltd.	PRC/Mainland China	RMB 1 million	—	100	Car rental
海科融資租賃(天津)有限公司 Haike Leasing (Tianjin) Limited	PRC/Mainland China	RMB 1,600 million	—	100	Car rental
上海凱栩汽车維修服务有限公司 Shanghai Kaixu Auto Repair Service Co., Ltd. ("Shanghai Kaixu")	PRC/Mainland China	RMB 0.5 million	—	100	Auto repair service
神州租車(廈門)有限公司 China Auto Rental (Xiamen) Co., Ltd.	PRC/Mainland China	RMB 30 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	RMB 5 million	—	100	Consulting

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity 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
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	RMB 5 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
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	RMB 5 million	—	100	Management
北京翺翔嘉業科技有限公司 Beijing AoXiang Jiaye Technology Co., Ltd. ("Beijing AX")	PRC/Mainland China	RMB 0.5 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 QS")	PRC/Mainland China	RMB 0.3 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 Fujian")	PRC/Mainland China	RMB 20 million	—	100	IT service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity 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
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	RMB 5 million	—	100	Consulting
廣東全程汽車租賃有限公司 Guangdong Quancheng Auto Rental Co., Ltd.	PRC/Mainland China	RMB 10 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	RMB 10 million	—	100	IT service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity 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
天津凱普汽車維修有限公司 Tianjin Kaipu Auto Repair Co., Ltd. ("TJ Kaipu")	PRC/Mainland China	RMB 0.5 million	—	100	Auto repair service
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	RMB 0.5 million	—	100	Auto repair service
廣州市安鑫汽車維修有限公司 Guangzhou Anxin Auto Repair Co., Ltd.	PRC/Mainland China	RMB 0.5 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	RMB 0.5 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	RMB 0.5 million	—	100	Auto repair service
CAR Holdings Limited (HK)	Hong Kong	US$1	—	100	Investment holding
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	RMB 1 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity 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
哈爾濱凱普汽車維修服務有限公司 Harbin Kaipu Auto Repair Service Co., Ltd.	PRC/Mainland China	RMB 5 million	—	100	Auto repair service
佛山市堅信汽車維修有限公司 Foshan Jianxin Auto Repair Service Co., Ltd. ("Foshan Jianxin")	PRC/Mainland China	RMB 5 million	—	100	Auto repair service
福州凱普汽車維修服務有限公司 Fuzhou Kaipu Auto Repair Co., Ltd.	PRC/Mainland China	RMB 1 million	—	100	Auto repair service
西寧凱普汽車維修服務有限公司 Xining Kaipu Auto Repair Co., Ltd.	PRC/Mainland China	RMB 0.5 million	—	100	Auto repair service
西安凱普汽車維修服務有限公司 Xian Kaipu Auto Repair Co., Ltd.	PRC/Mainland China	RMB 0.5 million	—	100	Auto repair service
上海凱申汽車維修服務有限公司** Shanghai Kaishen Auto Repair Service Co., Ltd.	PRC/Mainland China	RMB 0.5 million	—	100	Auto repair service
神州租車電子商務(長樂)有限公司** China Auto Rental E-Commerce (Changle) Co., Ltd.	PRC/Mainland China	RMB 200 million	—	100	IT Service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

* A series of contractual agreements (the "Structured Contracts") was effectuated on 1 July 2015 among CAR EC Fujian, Haike Pingtan, Mr. Chen Min and Mr. Wang Shuangyun (collectively, the "Registered Shareholders") who are employees of the Group and the legal shareholders of CAR EC Fujian.

The Structured Contracts provide the Group, through Haike Pingtan, with effective control over CAR EC Fujian. In particular, Haike Pingtan undertakes to provide CAR EC Fujian with certain technical services as required to support their operations. In return, Haike Pingtan is entitled to substantially all of the operating profits and residual benefits generated by CAR EC Fujian through intercompany charges levied on these services rendered. The Registered Shareholders are also required to transfer their interests in CAR EC Fujian to Haike Pingtan's designee upon a request made by Haike Pingtan when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in CAR EC Fujian have also been pledged by the Registered Shareholders to Haike Pingtan in respect of the continuing obligations of CAR EC Fujian. Haike Pingtan intends to continuously provide to or assist CAR EC Fujian in obtaining financial support when deemed necessary. Accordingly, Haike Pingtan has rights to variable returns from its involvement with CAR EC Fujian and has the ability to affect those returns through its power over CAR EC Fujian.

As a result, CAR EC Fujian was accounted for as a controlled structured entity of the Group. The formation of the Structured Contracts for CAR EC Fujian was accounted for as a transaction without substance and the Group consolidated CAR EC Fujian as if it was in the Group from date of incorporation as at 29 April 2015.

** Shanghai Kaishen Auto Repair Service Co., Ltd. established on 14 February 2017 in Shanghai, mainland, China, which is wholly owned by Beijing Kaipu

** China Auto Rental E-Commerce (Changle) Co., Ltd. established on 27 March 2017 in Fujian, mainland, China, which is wholly owned by CAR FJ

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 disclosure requirements of 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.

2.1 BASIS OF PRESENTATION *(continued)*

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 2017. 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.

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 above. 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 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrecognised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	Disclosure of Interests in Other Entities: *clarification of the scope of IFRS 12*

The adoption of the above revised standards 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*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Annual improvements 2014-2016 Cycle	*Amendments to IFRSs including:*
* Amendments to IFRS 1	*First-time Adoption of International Financial Reporting Standards*[1]
* Amendments to IAS 28	*Investments in Associates and Joint Ventures*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

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

IFRS 9 Financial Instruments

In July 2014, 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 will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15, issued in May 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt IFRS 15 from 1 January 2018 and plans to adopt the modified retrospective approach. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15. Based on the detailed assessment, the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have a significant impact on the financial position and performance of the Group.

IFRS 16 Leases

IFRS 16, issued in January 2016, replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 *Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases.

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

IFRS 16 Leases *(continued)*

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption, and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 38 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB333,145,000. Upon adoption of IAS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation

or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. The interpretation is not expected to have any significant impact on the Group’s financial statements.

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. The interpretation is not expected to have any significant impact on the Group's financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Transfers of Investment Property — Amendments to IAS 40

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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 period.

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. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Rental vehicles

Rental vehicles are stated at cost, net of accumulated depreciation.

Certain rental vehicles were acquired under repurchase programs, pursuant to which the Group has the option to require the car dealer to repurchase vehicles at a specified price and date, subject to certain vehicle condition and mileage. The Group estimates to execute the repurchase option and depreciates vehicles over the holding period with an amount equal to the difference of the initial purchase payment and the contractual repurchase price, thereby minimising any gain of loss.

Rental vehicles acquired outside of repurchase programs are depreciated over the estimated holding year on a straight-line basis. The initial estimated number of holding years of such rental vehicles is generally 2.5 to 3 years. The Group also estimates the residual value of the rental vehicles acquired outside of repurchase programs at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values are based on factors including model, usage, age, mileage and location. Quarterly adjustments are made the Group to the depreciation rates of such 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 2017, rental vehicles acquired outside of repurchase programs were depreciated at rates ranging from 9.8% to 22.5% per annum.

When an item of rental vehicles is classified as held for sale, 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)*

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 4.74%
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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, 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 in "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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 related parties, deposits received for vehicles rental, interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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)*

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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 a 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. Costs 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Rental revenue derived from operating lease contracts is classified as car rental revenue and fleet rental revenue base on the business natures. The minimum lease payment is recognised as revenue over the lease period on a straight-line basis.

Customer loyalty award credits granted in the 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) Sale of used rental vehicles

Revenue from the sale 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.

(e) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(f) Other service income

Other revenue is generally derived from auto repair and maintenance services, leasing of parking spaces, advertisement income and referral fee from other vehicle rental companies, and is recognised upon the provision of services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 33 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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 a 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.

During the reporting period, no forfeited contributions had been used by the Group to reduce the existing level of contributions

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits *(continued)*

Housing benefits

Employees of the group companies operating in Mainland China participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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 statements 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 sales-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 gain or loss was recognised from these sales 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 acquired outside of repurchase programs

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 model, 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 RMB9,538,828,000 (2016: RMB9,176,738,000) as at 31 December 2017.

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 RMB159,914,000 (2016: RMB233,448,000) as at 31 December 2017.

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

Estimation uncertainty *(continued)*

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 RMB92,452,000 (2016: RMB99,639,000) as at 31 December 2017.

Deferred revenue include in advance from customers

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 is 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 regarding to loyalty program was RMB38,464,000 (2016: RMB17,088,000) as at 31 December 2017.

Useful lives and residual values of other property, plant and equipment

In determining the useful life and residual value of an item of other 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 RMB470,794,000 (2016: RMB491,942,000) as at 31 December 2017.

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

Estimation uncertainty *(continued)*

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 RMB183,316,000 (2016: RMB122,575,000) as at 31 December 2017.

Fair value of investments in equity shares and redeemable preference shares

The fair value of the equity shares investment in UCAR Technology Inc. ("UCAR Cayman") was based on the proportion of the equity amount of UCAR Cayman. The fair value loss on equity share investment in UCAR Cayman was RMB37,018,000 for the year ended 31 December 2017 (2016: RMB140,497,000). Further details are included in note 20 to the financial statements.

The fair value of the equity shares investment in UCAR 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, volatility and dividend yield, and hence they are subject to uncertainty. The fair value loss on the equity share investment in UCAR was RMB32,228,000 for the year ended 31 December 2017 (2016: RMB1,136,712,000). Further details are included in note 20 to the financial statements.

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 RMB6,728,000 (2016: RMB6,728,000) as at 31 December 2017.

4. OPERATING SEGMENT INFORMATION

The Group's principal business is the provision of car rental and related 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 related 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

Revenue of approximately RMB2,762,818,000 (2016: RMB2,580,297,000), accounting for 35.8% (2016: 40.0%) of the Group's revenue was derived from a single customer for the year ended 31 December 2017.

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:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Car rental revenue*	**3,792,184**	2,846,871
Fleet rental revenue*	**1,234,870**	2,125,605
Finance lease income	**6,549**	6,977
Sale of used rental vehicles	**2,668,993**	1,438,242
Franchise related income	**3,354**	3,500
Others	**11,388**	32,763
	7,717,338	6,453,958

5. REVENUE, OTHER INCOME AND EXPENSES *(continued)*

	2017 RMB'000	2016 RMB'000
Other income and expenses, net		
Interest income from bank deposits	**33,007**	19,925
Exchange gain/(loss)	**376,624**	(373,425)
Fair value (loss)/gain on investments in equity shares and redeemable preference shares	**(66,086)**	1,031,603
Fair value loss on derivative instrument transactions not qualifying as hedges (note 30)	**(187,026)**	—
Gain on disposal of subsidiaries (note 36)	**—**	113,101
Gain on disposal of investments in redeemable preference shares (note 20)	**150,035**	—
Government grants**	**85,243**	76,860
Loss on disposal of items of other property, plant and equipment	**(7,927)**	(119)
Donations	**(43)**	(100)
Others	**(737)**	9,887
	383,090	877,732

* The Company has reclassified the rental revenue to better align with its new development in business natures.

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000
Interest on bank and other borrowings	**282,665**	241,029
Interest on senior notes (note 28)	**358,300**	349,750
Interest on corporate bonds (note 29)	**11,812**	—
	652,777	590,779

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017	2016
	RMB'000	*RMB'000*
Cost of sales of used vehicles	**2,697,472**	1,480,922
Depreciation of rental vehicles	**1,373,645**	1,257,679
Depreciation of other property, plant and equipment	**77,594**	64,794
Recognition of prepaid land lease payments	**1,614**	1,614
Amortisation of other intangible assets*	**8,506**	9,816
Minimum lease payments under operating leases in respect of offices and stores	**87,541**	82,300
Minimum lease payments under operating leases in respect of rental vehicles	**39,254**	58,944
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**674,945**	642,843
Equity-settled share option expenses	**3,609**	77,134
Pension scheme contributions**	**129,572**	138,537
Insurance expenses	**193,739**	203,769
Repair and maintenance	**299,331**	299,093
Exchange (gain)/loss	**(376,624)**	373,425
Finance costs	**652,777**	590,779
Auditors' remuneration	**4,200**	4,200
Impairment of trade receivables	**4,650**	30,289
Loss on disposal of items of other property, plant and equipment	**7,927**	119
Gain on disposal of subsidiaries	**—**	(113,101)
Gain on disposal of investments in redeemable preference shares (note 20)	**(150,035)**	—
Advertising and promotion expenses	**20,277**	31,573
Share of profit of an associate (note 19)	**(107)**	(5,968)
Fair value loss on derivative Instrument - transaction not qualifying as hedges	**187,026**	—
Fair value loss/(gain) on investments in equity shares and redeemable preference shares	**66,086**	(1,031,603)

* 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 participant in defined contribution retirement schemes which are administered 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:

	2017	2016
	RMB'000	*RMB'000*
Fees	**2,704**	2,652
Other emoluments		
– Salaries, allowances and benefits in kind	**924**	810
– Equity-settled share option expense	**1,725**	3,406
– Pension scheme contributions	**114**	106
	2,763	4,322
	5,467	6,974

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

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017	2016
	RMB'000	*RMB'000*
Sun Hanhui	**676**	663
Ding Wei	**676**	663
Lin Lei	**676**	663
Joseph Chow	**676**	663
	2,704	2,652

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

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

(b) Executive director and chief executive and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2017						
Executive director and the chief executive:						
– Song Yifan	**—**	**924**	**—**	**1,725**	**114**	**2,763**
Non-executive directors:						
– Lu Zhengyao ("Mr. Lu")	**—**	**—**	**—**	**—**	**—**	**—**
– Li Xiaogeng	**—**	**—**	**—**	**—**	**—**	**—**
– Zhu Linan	**—**	**—**	**—**	**—**	**—**	**—**
– Wei Zhen**	**—**	**—**	**—**	**—**	**—**	**—**
	—	**924**	**—**	**1,725**	**114**	**2,763**
2016						
Executive director and the chief executive:						
– Song Yifan	—	810	—	3,406	106	4,322
Non-executive directors:						
– Lu Zhengyao	—	—	—	—	—	—
– James Peter Mueller*	—	—	—	—	—	—
– Li Xiaogeng	—	—	—	—	—	—
– Zhu Linan	—	—	—	—	—	—
– Li Hui**	—	—	—	—	—	—
– Wei Zhen**	—	—	—	—	—	—
	—	810	—	3,406	106	4,322

* On 18 March 2016, Mr. James Peter Mueller resigned from his position as a non-executive director of the Company.

** On 13 January 2016, Mr. Li Hui resigned from his position as a non-executive director of the Company and Mr. Wei Zhen was appointed as a non-executive director of the Company.

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

(b) Executive director and chief executive and non-executive directors *(continued)*

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 included the chief executive (2016: the chief executive), details of whose remuneration are set out in note 8 (b) above. Details of the remuneration for the year of the remaining four (2016: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,644**	3,158
Equity-settled share option expense	**3,598**	8,837
Pension scheme contributions	**342**	414
	7,584	12,409

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

	2017	2016
	Number of Individuals	Number of individuals
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**2**	—
Over HK$2,000,000	**1**	4
	4	4

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 33 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

The major components of income tax expense of the Group during the year are as follows:

	2017	2016
	RMB'000	*RMB'000*
Current income tax:		
Mainland China	**351,895**	341,993
Deferred tax (note 31)	**(57,700)**	(41,839)
Total tax charge for the year	**294,195**	300,154

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

The provision for current income tax in 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 an encouraged industry company 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 subsidiaries 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 tax is levied on earnings of non-resident enterprise derivatives from the operations in Mainland China. The withholding tax derives from inter-company charges from certain overseas subsidiaries to PRC subsidiaries amounted to RMB24,192,000 for the year ended 31 December 2017 (2016: RMB28,326,000).

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. For the Group, the applicable rate is 10%. 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. At 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB344,668,000 at 31 December 2017 (2016: RMB279,774,000).

9. INCOME TAX *(continued)*

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:

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**1,175,306**	1,759,745
Tax at the PRC statutory tax rate of 25%	**293,827**	439,936
Tax effect of tax rate differences between PRC and overseas entities	**(8,703)**	81,114
Utilisation of unrecognised deferred tax assets	**9,610**	(4,956)
PRC entities with preferential tax rate	**(35,046)**	(22,253)
Gain not subject to tax	**—**	(223,134)
Expenses not deductible for tax	**10,315**	1,121
Withholding tax on the deemed income	**24,192**	28,326
Total charge for the year	**294,195**	300,154

The effective tax rate of the Group was 25.0% (2016: 17.1%) for the year ended 31 December 2017.

The share of tax attributable to an associate amounting to RMB865,000 (2016: RMB2,171,000), respectively, is included in "Share of profit of an associate" in the consolidated statement of profit or loss.

10. DIVIDENDS

The board of the directors did not recommend the payment of any dividend to the ordinary equity holders of the Company for the year ended 31 December 2017 (2016: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE 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 2,251,538,299 (2016: 2,365,986,115) 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:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**881,111**	1,459,591
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,251,538,299**	2,365,986,115
Effect of dilution – weighted average number of ordinary shares:		
Share options	**33,476,753**	40,234,598
	2,285,015,052	2,406,220,713

12. RENTAL VEHICLES

	Total RMB'000
At 1 January 2017:	
Cost	**11,191,607**
Accumulated depreciation	**(2,014,869)**
Net carrying amount	**9,176,738**
At 1 January 2017, net of accumulated depreciation	**9,176,738**
Additions	**4,371,246**
Disposals and transfers to inventories	**(2,633,256)**
Transfers to finance leases	**(2,255)**
Depreciation provided during the year	**(1,373,645)**
At 31 December 2017, net of accumulated depreciation	**9,538,828**
At 31 December 2017:	
Cost	**11,593,572**
Accumulated depreciation	**(2,054,744)**
Net carrying amount	**9,538,828**
At 1 January 2016:	
Cost	11,016,202
Accumulated depreciation	(1,677,329)
Net carrying amount	9,338,873
At 1 January 2016, net of accumulated depreciation	9,338,873
Additions	2,698,735
Disposals and transfers to inventories	(1,601,288)
Transfers to finance leases	(1,903)
Depreciation provided during the year	(1,257,679)
At 31 December 2016, net of accumulated depreciation	9,176,738

Vehicles with a total carrying value of RMB178,844,000 as at 31 December 2017 (2016: RMB48,958,000) were pledged as securities for certain of the Group's interest-bearing loans (note 27).

12. RENTAL VEHICLES *(continued)*

Included in the Group's additions of rental vehicles for the year ended 31 December 2017 were rental vehicles with net carrying amount of RMB136,503,000 purchased from a third party car dealer and the Group has the option to require the car dealer to repurchase vehicles at a specified price and date, subject to certain vehicle condition and mileage. The Group currently estimates to execute the repurchase option and depreciates vehicles with an amount equal to the difference of the initial purchase payment and the contractual repurchase price, thereby minimising any gain or loss.

13. OTHER PROPERTY, PLANT AND EQUIPMENT

	In-car accessories *RMB'000*	Leasehold improvements *RMB'000*	Office furniture and equipment *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2017:						
Cost	145,269	65,213	94,213	309,282	62,491	676,468
Accumulated depreciation	(74,368)	(41,282)	(52,797)	(16,079)	—	(184,526)
Net carrying amount	70,901	23,931	41,416	293,203	62,491	491,942
At 1 January 2017, net of accumulated depreciation	70,901	23,931	41,416	293,203	62,491	491,942
Additions	40,861	9,457	5,605	—	9,843	65,766
Depreciation provided during the year	(42,094)	(10,088)	(14,289)	(11,123)	—	(77,594)
Disposals	(9,199)	—	(121)	—	—	(9,320)
At 31 December 2017, net of accumulated depreciation	60,469	23,300	32,611	282,080	72,334	470,794
At 31 December 2017:						
Cost	139,722	74,670	99,382	309,282	72,334	695,390
Accumulated depreciation	(79,253)	(51,370)	(66,771)	(27,202)	—	(224,596)
Net carrying amount	60,469	23,300	32,611	282,080	72,334	470,794

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

	In-car accessories *RMB'000*	Leasehold improvements *RMB'000*	Office furniture and equipment *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2016:						
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
At 1 January 2016, net of accumulated depreciation	88,095	21,777	35,589	146,868	27,856	320,185
Additions	14,962	18,208	22,373	154,991	34,635	245,169
Acquisition of a subsidiary (note 35)	—	—	7	—	—	7
Depreciation provided during the year	(32,156)	(10,888)	(13,094)	(8,656)	—	(64,794)
Disposals	—	—	(128)	—	—	(128)
Disposals of subsidiaries (note 36)	—	(5,166)	(3,331)	—	—	(8,497)
At 31 December 2016, net of accumulated depreciation	70,901	23,931	41,416	293,203	62,491	491,942
At 31 December 2016:						
Cost	145,269	65,213	94,213	309,282	62,491	676,468
Accumulated depreciation	(74,368)	(41,282)	(52,797)	(16,079)	—	(184,526)
Net carrying amount	70,901	23,931	41,416	293,203	62,491	491,942

14. 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 3 years. Finance lease receivables are comprised of the following:

	2017	2016
	RMB'000	*RMB'000*
Net minimum lease payments receivable	**224,959**	244,130
Unearned finance income	**(23,905)**	(24,161)
Total net finance lease receivables	**201,054**	219,969
Less: Current portion	**85,611**	119,171
Non-current portion	**115,443**	100,798

Future minimum lease payments to be received under non-cancellable finance lease arrangements as at 31 December 2017 and 2016 are as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**102,135**	138,174
In the second to fifth years, inclusive	**122,824**	105,956
	224,959	244,130

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as at 31 December 2017 and 2016 are as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**85,611**	119,171
In the second to fifth years, inclusive	**115,443**	100,798
	201,054	219,969

15. PREPAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Prepayments for rental vehicles	**116,055**	12,940

16. PREPAID LAND LEASE PAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Carrying amount at beginning of the year	**62,019**	63,633
Additions	**—**	—
Recognised during the year	**(1,614)**	(1,614)
Carrying amount at end of the year	**60,405**	62,019
Current portion included in prepayments, deposits and other receivables	**(1,614)**	(1,614)
Non-current portion	**58,791**	60,405

17. GOODWILL

	2017	2016
	RMB'000	*RMB'000*
Cost and net carrying amount at beginning of the year	**6,728**	6,659
Acquisition of subsidiaries (note 35)	**—**	69
Cost and net carrying amount at end of the year	**6,728**	6,728

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 at 31 December 2017 and 2016:

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. A terminal growth rate of 3% (2016: 3%) has been projected beyond five years and the discount rate applied to the cash flow projections is 13.5% (2016: 13.5%).

Assumptions were used in the value in use calculation of the above cash-generating unit for 31 December 2017 and 31 December 2016. 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 the market development of the vehicle rental industry and the 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 2017:							
Cost	**35,838**	**180**	**42,525**	**3,144**	**108,007**	**7,030**	**196,724**
Accumulated amortisation	**(26,033)**	**(180)**	**(8,788)**	**(2,483)**	**—**	**(5,155)**	**(42,639)**
Net carrying amount	**9,805**	**—**	**33,737**	**661**	**108,007**	**1,875**	**154,085**
At 1 January 2017, net of accumulated depreciation	**9,805**	**—**	**33,737**	**661**	**108,007**	**1,875**	**154,085**
Additions	**75**	**—**	**—**	**—**	**1,248**	**—**	**1,323**
Amortisation provided during the year	**(4,874)**	**—**	**(1,869)**	**(357)**	**—**	**(1,406)**	**(8,506)**
At 31 December 2017, net of accumulated depreciation	**5,006**	**—**	**31,868**	**304**	**109,255**	**469**	**146,902**
At 31 December 2017:							
Cost	**35,913**	**180**	**42,525**	**3,144**	**109,255**	**7,030**	**198,047**
Accumulated amortisation	**(30,907)**	**(180)**	**(10,657)**	**(2,840)**	**—**	**(6,561)**	**(51,145)**
Net carrying amount	**5,006**	**—**	**31,868**	**304**	**109,255**	**469**	**146,902**
At 1 January 2016:							
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 2016, net of accumulated depreciation	13,359	—	35,606	879	106,620	3,281	159,745
Additions	3,787	—	—	—	1,387	—	5,174
Acquisition of a subsidiary (note 35)	—	—	—	84	—	—	84
Disposal of subsidiaries (note 36)	(1,102)	—	—	—	—	—	(1,102)
Amortisation provided during the year	(6,239)	—	(1,869)	(302)	—	(1,406)	(9,816)
At 31 December 2016, net of accumulated depreciation	9,805	—	33,737	661	108,007	1,875	154,085
At 31 December 2016:							
Cost	35,838	180	42,525	3,144	108,007	7,030	196,724
Accumulated amortisation	(26,033)	(180)	(8,788)	(2,483)	—	(5,155)	(42,639)
Net carrying amount	9,805	—	33,737	661	108,007	1,875	154,085

19. INVESTMENT IN AN ASSOCIATE

	2017 RMB'000
Share of net assets	24,179
Goodwill on acquisition	8,306
	32,485

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
北京氫動益維科技股份有限公司("QWOM")	Ordinary shares	PRC/Mainland China	30	Providing mobile internet digital marketing solutions based on big data analytics

The Group, through its wholly-owned subsidiary Haike Pingtan Information Technology Co., Ltd., acquired a 30% equity interest in QWOM in April 2016 (note 35). The Group's interest in QWOM is accounted for using the equity method in the consolidated financial statements. QWOM had completed listing on the National Equities Exchange and Quotations (NEEQ) in December 2016.

The following table illustrates the financial information of the Group's associate that is not individually material:

	2017 RMB'000	2016 RMB'000
Share of the associate's profit for the year	107	5,968
Share of the associate's total comprehensive income	107	5,968
Carrying amount of the Group's investment in the associate	32,485	32,378

20. INVESTMENTS IN EQUITY SHARES AND REDEEMABLE PREFERENCE SHARES

		2017 RMB'000	2016 RMB'000
Investments in redeemable preference shares of unlisted companies			
– Souche Holdings Ltd.	(a)	—	197,216
Investments in equity shares of an unlisted company			
– UCAR Technology Inc.	(b)	—	37,018
Investments in equity shares of an publicly held company			
– UCAR Inc. (神州優車股份有限公司) (formerly, Huaxia United Science & Technology Co., Ltd.)	(c)	**2,807,244**	2,839,472
		2,807,244	3,073,706

(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 to provide 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 completion of the investment of the redeemable preference shares, the Group held 19.91% of the equity interests (as converted) in Souche as at 31 December 2015. The directors of the Company are of the opinion that the Group does 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. The directors of the Company were of the opinion that the fair value of the preference shares investment in Souche was not reliably measurable as at 31 December 2015. As a result, the investment in Souche was measured at cost less impairment and the directors of the Company were of the opinion that there was no impairment indication identified for the investment in Souche as at 31 December 2015.

Pursuant to a new round of investment of Souche in May 2016, the equity interest (as converted) held by the Group in Souche was diluted from 19.91% as at 31 December 2015 to 14.79% as at 31 December 2016 after the closing of this new series of investment in 2016.

20. INVESTMENTS IN EQUITY SHARES AND REDEEMABLE PREFERENCE SHARES *(continued)*

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

The redeemable preference shares were measured at fair value and were classified as Level 3 fair value measurement. The fair value of the redeemable preference share investment in Souche was estimated with the assistance of an independent valuation company. The fair value of the redeemable preference share investment in Souche as at 31 December 2016 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.

On 30 August 2017, the Company and Souche entered into a share repurchase agreement, in which Souche repurchased from the Company all of the shares of Souche held by the Company at US$0.8618 per share. The aggregate consideration was US$56,188,236 (approximately RMB371,364,776). This sale transaction was completed in October 2017 with an gain on disposal, net of tax, RMB150,035,000 recognised through profile or loss under "other income and expenses, net".

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

On 1 July 2015, the Group, among others, entered into the Series A preference share subscription agreement with UCAR Cayman, pursuant to which the Group agreed to subscribe for 2,500,000 Series A preference shares in UCAR Cayman at a consideration of US$125 million. On 16 September 2015, the Group, among others, entered into the Series B preference share subscription agreement with UCAR Cayman pursuant to which the Group agreed to subscribe for 443,263 Series B preference shares at a consideration at US$50 million. On the assumption that all Series A and Series B preference shares are converted into ordinary shares of UCAR Cayman 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 Cayman. The directors of the Company are of the opinion that the Group does not have significant influence over UCAR Cayman.

The Group designated such preference share investment in UCAR Cayman (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.

20. INVESTMENTS IN EQUITY SHARES AND REDEEMABLE PREFERENCE SHARES *(continued)*

(b) UCAR Technology Inc. ("UCAR Cayman") *(continued)*

In January 2016, UCAR Cayman transferred its chauffeured car services business to Huaxia United Science & Technology Co., Ltd. ("Huaxia United") (the "Business Transfer"). The Business Transfer resulted in an accounting reclassification of RMB1,542,409,000 from the preference share investment in UCAR Cayman to the ordinary share investment in Huaxia United.

Pursuant to a board resolution of UCAR Cayman dated 5 May 2016, all of the preference shares held by the Company were converted to ordinary shares on a 1:1 basis on the same day. The Group designated such ordinary share investment as a financial asset at fair value through profit or loss.

The unlisted equity shares were measured at fair value and were classified as Level 3 fair value measurement. The fair value of the equity share investment in UCAR Cayman was estimated with the assistance of an independent valuation company. The fair value of the equity share investment in UCAR Cayman as at 31 December 2017 was based on the proportion of the equity amount of UCAR Cayman. The associated fair value loss of RMB37,018,000 for the year ended 31 December 2017 was recognised through profit or loss under "other income and expenses, net".

(c) UCAR Inc. ("UCAR", 神州優車股份有限公司) (formerly, Huaxia United)

In December 2015, UCAR Cayman implemented a corporate restructuring (the "UCAR Cayman Restructuring"), whereby the then shareholders of UCAR Cayman would acquire equity interests and increase capital in Huaxia United. The amount of the capital increase in Huaxia United was contributed by the distribution from UCAR Cayman to its then shareholders. Upon completion of the UCAR Cayman Restructuring, the percentage of equity interests held by the Group, through China Auto Rental Limited ("CAR HK", a wholly-owned subsidiary of the Company), in Huaxia United will be the same as the Company's then shareholding percentage in UCAR (i.e. 9.35%). In January 2016, UCAR Cayman transferred its chauffeured car services business to Huaxia United and the Business Transfer resulted in an accounting reclassification of RMB1,542,409,000 from the preference share investment in UCAR Cayman to the ordinary share investment in Huaxia United. Huaxia United subsequently changed its name to UCAR Inc. (神州優車股份有限公司). The equity interest held by CAR HK in UCAR was diluted from 9.35% as at 31 December 2015 to 7.42% as at 31 December 2016 after a series of capital injections in UCAR from third parties before the completion of UCAR's listing on the National Equities Exchange and Quotations of the PRC ("NEEQ") in July 2016. The equity interest held by CAR HK in UCAR was further diluted to 6.27% as at 31 December 2017 after a series of new capital injections in UCAR from third parties in 2017.

20. INVESTMENTS IN EQUITY SHARES AND REDEEMABLE PREFERENCE SHARES *(continued)*

(c) UCAR Inc. ("UCAR", 神州優車股份有限公司) (formerly, Huaxia United) *(continued)*

The directors of the Company are of the opinion that the Group does not have significant influence over Huaxia United or UCAR and the Group designated such equity investment in Huaxia United or UCAR as a financial asset at fair value through profit or loss upon initial recognition.

The equity shares of UCAR were measured at fair value and were classified as Level 3 fair value measurement. The fair value of the ordinary share investment in UCAR was estimated with the assistance of an independent valuation company. The fair value of the ordinary share investment in UCAR as at 31 December 2017 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 loss of RMB32,228,000 for the year ended 31 December 2017 (2016: RMB1,136,712,000) was recognised through profit or loss under "other income and expenses, net".

21. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Used rental vehicles held for sale	**104,230**	181,658
Fuel	**43,375**	38,984
Others	**12,309**	12,806
	159,914	233,448

22. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**94,926**	107,978
Impairment provision	**(2,474)**	(8,339)
	92,452	99,639

The Company generally does not provide credit terms to car rental customers. The credit period for fleet 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 ageing analysis of the trade receivables as at the end of 2017, based on the invoice date and net of provisions, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	**86,939**	79,824
3 to 6 months	**4,489**	14,613
6 to 12 months	**1,024**	5,202
	92,452	99,639

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

	2017 RMB'000	2016 RMB'000
Balance at beginning of the year	**8,339**	39,092
Impairment losses recognised	**4,650**	30,289
Amount written off as uncollectible	**(10,515)**	(61,042)
Balance at end of the year	**2,474**	8,339

22. TRADE RECEIVABLES *(continued)*

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB2,474,000 as at 31 December 2017 (31 December 2016: RMB8,339,000) with a carrying amount before provision of RMB3,278,000 as at 31 December 2017 (31 December 2016: RMB10,776,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and the receivables are not expected to be recovered.

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

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**53,609**	46,494
Past due but not impaired:		
Less than 3 months past due	**34,363**	48,499
3 months to 1 year past due	**3,676**	2,209
	91,648	97,202

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.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Deductible VAT input	901,266	845,459
Prepayments	235,549	196,573
Other receivables	8,083	96,433
Rental deposits	23,059	24,354
Others	6,700	9,270
	1,174,657	1,172,089

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.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2017 RMB'000	2016 RMB'000
Cash and bank balances	3,856,353	5,291,737
Time deposits	1,019,128	432,724
	4,875,481	5,724,461
Less: Pledged time deposits:		
Pledged for derivative financial instruments*	60,895	—
Pledged for bank overdraft facilities	1,275	1,300
Cash and cash equivalents	4,813,311	5,723,161

* The Group pledged certain deposits of RMB60,895,000 to secure the Group's forward foreign exchange contract as at 31 December 2017.

The cash and bank balances of the Group denominated in RMB amounted to RMB2,771,053,000 and RMB2,671,748,000 as at 31 December 2016 and 31 December 2017, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

25. TRADE PAYABLES

An ageing analysis of the outstanding trade payables as at 31 December 2017 and 31 December 2016, based on the invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**75,580**	64,042
3 to 6 months	**1,363**	4,224
Over 6 months	**5,046**	4,402
	81,989	72,668

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

26. OTHER PAYABLES AND ACCRUALS

	2017	2016
	RMB'000	*RMB'000*
Interest payables	**158,640**	158,657
Deposits by customers – rental deposits	**154,307**	119,443
Payroll payable	**93,899**	102,480
Other tax payable	**182,161**	96,481
Payable for other property, plant and equipment	**13,838**	13,838
Others	**97,245**	68,454
	700,090	559,353

Other payables and accruals are non-interest-bearing.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current:						
Short-term loans						
– unsecured and unguaranteed	**4.57-5.06**	**2018**	**392,834**	4.57-5.06	2017	298,839
Current portion of sale and leaseback obligations						
– secured	**6.20**	**2018**	**100,411**	5.18	2017	25,975
Current portion of long-term bank loans						
– guaranteed	**3.77-5.72**	**2018**	**1,321,196**	3.64-5.78	2017	656,374
– unsecured and unguaranteed	**4.99-5.69**	**2018**	**690,845**	4.99-6.21	2017	838,647
Current portion of long-term other loans						
– secured	**—**	**—**	**—**	7.44-8.23	2017	5,556
– unsecured and unguaranteed	**—**	**—**	**—**	7.50	2017	600,000
			2,505,286			2,425,391
Non-current						
Sale and leaseback obligations						
– secured	**6.20**	**2019**	**26,065**	—	—	—
Bank loans						
– guaranteed	**3.77-5.73**	**2019-2020**	**1,896,348**	3.64-5.78	2018-2019	3,212,007
– unsecured and unguaranteed	**4.99-5.69**	**2019**	**548,788**	4.99-6.21	2018-2019	608,735
Other loans						
– guaranteed	**5.80**	**2019**	**700,000**	—	—	—
			3,171,201			3,820,742
			5,676,487			6,246,133

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

	2017	2016
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,404,875**	1,793,860
In the second year	**2,385,136**	1,952,240
In the third to fifth years, inclusive	**60,000**	1,868,502
	4,850,011	5,614,602
Other borrowings repayable:		
Within one year or on demand	**—**	605,556
In the second year	**700,000**	—
	700,000	605,556
Sale and leaseback obligations:		
Within one year or on demand	**100,411**	25,975
In the second year	**26,065**	—
	126,476	25,975
	5,676,487	6,246,133

As at 31 December 2017, the Group had overdraft bank facilities amounting to RMB8,334,696,000 (2016: RMB9,042,796,000), of which RMB5,567,310,000 (2016: RMB6,206,100,000) were utilised.

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

Bank and other loans with the following amounts outstanding as at 31 December 2017 and 2016 were secured/guaranteed by the following:

2017	2016	**Lender**
RMB'000	*RMB'000*	
126,476	31,531	Secured by certain rental vehicles (a)
1,703,145	1,183,333	Guaranteed by CAR Inc.
2,214,399	2,685,048	Guaranteed by seven offshore subsidiaries of the Group
1,632,467	2,346,221	Unsecured or guaranteed
5,676,487	6,246,133	

(a) Bank and other borrowings of RMB126,476,000 (2016: RMB31,531,000) as at 31 December 2017 were secured by certain of the Group's rental vehicles, the total carrying amount of which at 31 December 2017 was RMB178,844,000 (2016: RMB48,958,000) (note 12).

28. SENIOR NOTES

(1) The 2015 Notes (A)

On 4 February 2015, the Company issued senior notes with an aggregate principal amount of US$500,000,000 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 the 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%

28. SENIOR NOTES *(continued)*

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

(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.

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

	2017	2016
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**3,489,127**	3,248,164
Exchange realignment	**(202,250)**	221,288
Interest expenses	**226,967**	221,518
Interest expense payment	**(208,003)**	(201,843)
Total carrying amount at 31 December	**3,305,841**	3,489,127
Less: Interest payables due within one year reclassified to other payables and accruals	**83,379**	88,519
	3,222,462	3,400,608

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 2017 and 2016.

28. SENIOR NOTES *(continued)*

(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) carry 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 the 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%

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

	2017	2016
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**2,084,293**	1,942,443
Exchange realignment	**(120,762)**	132,449
Interest expenses	**131,333**	128,232
Interest expense payment	**(122,249)**	(118,831)
Total carrying amount at 31 December	**1,972,615**	2,084,293
Less: Interest payables due within one year reclassified to other payables and accruals	**45,912**	48,959
	1,926,703	2,035,334

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

29. CORPORATE BONDS

The Company has received the Approval on the Public Issuance of the Corporate Bonds. (Zheng Jian Xu Ke [2016] No. 1536) (the ''Approval'') issued by China Securities Regulatory Commission (the ''CSRC'') dated 7 July 2016. Matters in relation to the issuance of Corporate Bonds are as follows: CSRC has approved the Company to publicly issue the Corporate Bonds not exceeding than RMB2,000,000,000 to qualified investors in Mainland China. The Corporate Bonds shall be issued in tranches. The first tranche of issuance shall be completed within 12 months from the date of the Approval and the remaining tranches of the issuance shall be completed within 24 months from the date of the Approval.

The public issue of the first tranche of the Corporate Bonds was completed on 26 April 2017. The final principal amount of the first tranche of the Corporate Bonds is RMB300,000,000 with a coupon rate of 5.5% per annum and with a tenure of five years. The Company has an option to adjust the coupon rate and the investors are entitled to request the Company to repurchase the Corporate Bonds after the end of the third year from the date of issuance. The Corporate Bonds are listed on the Shanghai Stock Exchange.

The Corporate Bonds recognised in the statement of financial position were calculated as follows:

	2017
	RMB'000
Total carrying amount at 1 January	**—**
Addition, net of issuance costs	**295,548**
Interest expenses	**11,812**
Interest expense payment	**—**
Total carrying amount at 31 December	**307,360**
Less: Interest payables due within one year reclassified to other payables and accruals	**11,271**
	296,089

The options of the Corporate Bonds entitled to the Company and the investors are regarded as embedded derivatives closely related to the host contract.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Liabilities		
Derivative financial instruments	**187,026**	—

In 2017, the Group entered into certain forward currency contracts, with an aggregate contractual amount of US$630 million, to manage its exchange rate exposures. Such currency forwards represent commitments to purchase a nominal amount of United States Dollar ("US$") against RMB at the strike rate with undelivered spot transactions. These forward currency contracts are not designated for hedging purposes and are measured at fair value through profit or loss. Changes in the fair value of these non-hedging derivatives amounting to RMB187,026,000 were charged to the statement of profit or loss for the year ended 31 December 2017 (2016: Nil).

31. DEFERRED TAX

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

Deferred tax assets

	Accumulated losses RMB'000	Deductible temporary differences RMB'000	Total RMB'000
At 1 January 2017	**5,891**	**116,684**	**122,575**
(Charged)/credited to the statement of profit or loss during the year	**(4,499)**	**65,240**	**60,741**
At 31 December 2017	**1,392**	**181,924**	**183,316**
At 1 January 2016	2,435	61,227	63,662
Credited to the statement of profit or loss during the year	13,331	60,467	73,798
Disposal of subsidiaries (note 36)	(9,875)	(5,010)	(14,885)
At 31 December 2016	5,891	116,684	122,575

The Group had unused tax losses of RMB45,481,000 (2016: RMB11,694,000) available for offsetting against future profits in respect of certain subsidiaries as at 31 December 2017, and the deferred tax assets have not been recognised. Such tax losses will expire during 2018 to 2022.

Deferred tax assets have not been recognised 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.

31. DEFERRED TAX *(continued)*

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 2017	**13,550**	**138,070**	**151,620**
(Credited)/charged to the statement of profit or loss during the year	**(981)**	**4,022**	**3,041**
At 31 December 2017	**12,569**	**142,092**	**154,661**
At 1 January 2016	19,011	100,629	119,640
(Credited)/charged to the statement of profit or loss during the year	(5,482)	37,441	31,959
Acquisition (note 35)	21	—	21
At 31 December 2016	13,550	138,070	151,620

There was no significant unrecognised deferred tax liability as at 31 December 2017 and 31 December 2016 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 at 31 December 2017, no deferred tax (2016: 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.

32. SHARE CAPITAL

Shares

	2017 RMB'000	2016 RMB'000
Authorised:		
26,000,000,000 ordinary shares of US$0.00001 each	**1,586**	1,586
Issued and fully paid:		
2,173,420,201 (2016: 2,338,665,171) ordinary shares of US$0.00001 each	**134**	144

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 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.

32. SHARE CAPITAL *(continued)*

A summary of movements in the Company's share capital for the year ended 31 December 2017 is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:				
As at 1 January 2016	2,393,983,835	147	3,321,238	3,321,385
Issuance of shares pursuant to the option scheme (note 33)	9,488,336	1	40,666	40,667
Cancellation of shares	(64,807,000)	(4)	(422,441)	(422,445)
At 31 December 2016 and 1 January 2017	**2,338,665,171**	**144**	**2,939,463**	**2,939,607**
Issuance of shares pursuant to the option scheme (note 33) (a)	**11,717,030**	**1**	**50,611**	**50,612**
Cancellation of shares (b)	**(176,962,000)**	**(11)**	**(1,103,978)**	**(1,103,989)**
At 31 December 2017	**2,173,420,201**	**134**	**1,886,096**	**1,886,230**

(a) The subscription rights attaching to 11,717,030 share options were exercised during the year ended 31 December 2017, at the average subscription price of USD0.15 per share (note 33), resulting in the issue of 11,717,030 ordinary shares at a total cash consideration of RMB11,856,000, of which RMB11,855,000 was charged to share premium. Meanwhile, an amount of RMB38,756,000 was transferred from the share option reserve to share premium upon exercise of the share options.

(b) On 16 May 2017, the Company's shareholders granted a general mandate (the "Repurchase Mandate") to the directors of the Company to repurchase shares of the Company at the annual general meeting (the "AGM"). Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 229,986,581 shares, being 10% of the total number of issued shares of the Company as at the date of the AGM, on the Stock Exchange. The Company purchased 201,889,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HK$1,436,939,000 (approximately RMB 1,242,996,000) during the year ended 31 December 2017, of which 175,704,000 shares were cancelled afterwards. The remaining 26,185,000 shares of HK$175,978,000 were recorded as treasury shares in the consolidated statement of financial position as at 31 December 2017.

33. SHARE OPTION SCHEME

China Auto Rental Holdings Inc. ("CARH") operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants within the Group who contribute to the success of the Group's operation. Eligible participants of the Scheme include the directors and other employees of the Group. The Scheme became effective on 18 December 2013.

The maximum number of share options currently permitted to be granted under the Scheme is in aggregate 14,035,595 shares, including the Tranche A Options granted for a total number of 7,017,798 shares and the Tranche B Options granted for a total number of 7,017,797 shares. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

On 18 December 2013, 7,017,798 Tranche A options and 7,017,797 Tranche B options have been granted with exercise prices of US$0.29, and US$0.87, respectively. The exercise prices of share option were determined by the directors. The Tranche A Options granted were fully vested on 31 December 2013 with no further service conditions attached, and the Tranche B Options granted become vested on 31 December 2014, 2015, 2016 and 2017, respectively, in four equal batches.

In March 2014, CARH further adopted the 2014 share option scheme ("2014 CARH Pre-IPO Share Option Scheme") which was approved by a board resolution passed on 1 March 2014 and further approved by a resolution passed by CARH shareholders on 1 March 2014. The 2014 CARH Pre-IPO Share Option Scheme Options granted become vested on 1 May 2015, 2016, 2017 and 2018, respectively, in four equal batches.

As part of the reorganisation, the Company was incorporated in Cayman Islands on 25 April 2014. The Company subsequently became the fully-owned subsidiary of CARH and the holding company of the Group accordingly. In connection with the above restructuring, CARH cancelled the 2013 CARH Pre-IPO Share Option Scheme and the 2014 CARH Pre-IPO Share Option Scheme while the Company adopted a new share option scheme (the "2014 Pre-IPO Share Option Scheme") as a replacement. The replacement plan was approved by board resolutions of CARH and the Company, respectively, on 15 June 2014.

The cancelled and the replacement awards involve exactly the same conditions including exercise prices and vesting year, and were treated as modification with the incremental fair value being recognised over the vesting year of the replacement share-based payment award.

33. SHARE OPTION SCHEME *(continued)*

On 14 August 2014, 4,456,688 Tranche C options have been granted with an exercise price of US$0.87. The 300,000 share options granted to certain management members were vested on each of 1 August 2015, 2016, 2017 in equal batches and the remaining share options were/are vested on each of 1 August 2015, 2016, 2017 and 2018.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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.

On 12 April 2016, the employment contracts of 21 executives in the Group were terminated, of whom there were 14,606,233 unvested share options then. As approved by the directors of the Company as at 11 April 2016 and agreed with the employees, such share options became fully vested immediately before the terminations with the exercise price unchanged. The Group treated the immediate vesting as a simultaneous forfeiture of the unvested share options and a grant of an ex-gratia award, which resulted in a net charge of share option expense of RMB54,775,000 during the six months ended 30 June 2016.

On 5 April 2016, the Company adopted a Share Option Scheme by an ordinary resolution passed by its shareholders ("Post-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants within the Group who contribute to the success of the Group's operation. The Post-IPO Share Option Scheme has become effective for the period of 10 years commencing on the effective date. The maximum number of the Company's shares in respect of which options may be granted pursuant to the Post-IPO Share Option Scheme is 239,494,759 shares, being 10% of the total issued shares of the Company on the date of approval of the Post-IPO Share Option Scheme.

No share options have been granted under the Post-IPO Share Option Scheme since its adoption on 5 April 2016 and there are no outstanding share options as at 31 December 2017.

33. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the years ended 31 December 2017 and 2016:

	2017		2016	
	Weighted average exercise price ***US$ per share***	**Number of options**	Weighted average exercise price *US$ per share*	Number of options
At 1 January, after share split	**0.15**	**48,975,596**	0.15	60,083,755
Forfeited during the year*	**0.17**	**(1,224,467)**	0.17	(1,619,823)
Exercised during the year	**0.15**	**(11,717,030)**	0.16	(9,488,336)
At 31 December	**0.15**	**36,034,099**	0.15	48,975,596

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**
7,501,665	0.058	Till 31 December 2023
16,271,709	0.174	Till 31 December 2023
1,540,535	0.174	Till 1 May 2024
10,720,190	0.174	Till 31 August 2024
36,034,099		

No new share options were granted in year of 2017 (2016: Nil). The Group recognised a share option expense of RMB5,334,000 (2016: RMB80,540,000) during the year ended 31 December 2017.

33. SHARE OPTION SCHEME *(continued)*

The fair values of equity-settled share options granted during the reporting period were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

2017

CARH share option scheme	Tranche A	Tranche B	Tranche C	2014 CARH Pre-IPO Share option Scheme
Expected dividend yield (%)	0.0%	0.0%	0.0%	0.0%
Expected volatility (%)	54.0%	54.0%	50.0%	53.0%
Risk-free interest rate (%)	2.54%	2.54%	2.58%	2.59%
Expected life of options (year)	6.5	2.5-6.5	3-7	3-7
Weighted average exercise price (US$), after share split	0.058	0.174	0.174	0.174

2016

CARH share option scheme	Tranche A	Tranche B	Tranche C	2014 CARH Pre-IPO Share option Scheme
Expected dividend yield (%)	0.0%	0.0%	0.0%	0.0%
Expected volatility (%)	54.0%	54.0%	50.0%	53.0%
Risk-free interest rate (%)	2.54%	2.54%	2.58%	2.59%
Expected life of options (year)	7.5	3.5-7.5	4-8	4-8
Weighted average exercise price (US$), after share split	0.058	0.174	0.174	0.174

34. 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.

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.

35. BUSINESS COMBINATIONS

2016

a) Foshan Jianxin

As part of the Group's business strategy to develop auto repair services, the Group, through Beijing Kaipu, acquired 100% equity and voting interests in Foshan Jianxin in 2016 at an aggregate purchase price of RMB140,000.

The fair values of the identifiable assets and liabilities of Foshan Jianxin as at the date of acquisition were as follows:

	Fair value recognised on acquisition ***RMB'000***
Cash and cash equivalents	**1**
Other property, plant and equipment (note 13)	**7**
Other intangible assets (note 18)	**84**
Deferred tax liabilities (note 31)	**(21)**
Identifiable net assets at fair value acquired	**71**
Goodwill (note 17)	**69**
Total consideration	**140**
Satisfied by cash	**140**

The transaction costs incurred for these transactions have been expensed and are included in other expenses in the consolidated statement of profit or loss.

35. BUSINESS COMBINATIONS *(continued)*

2016 *(continued)*

a) **Foshan Jianxin** *(continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	**140**
Cash and cash equivalents acquired	**(1)**
Net outflow of cash and cash equivalents included in cash flows used in investing activities	**139**

Since the acquisition, Foshan Jianxin contributed Group's revenue of RMB220,000 to the Group's revenue and incurred a loss of RMB449,000 to the Group's consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the period, the revenue and the profit of the Group for the year ended 31 December 2016 would have been RMB6,453,958,000 and RMB1,459,584,000, respectively.

35. BUSINESS COMBINATIONS *(continued)*

2016 *(continued)*

b) QWOM

The Group, through Haike Pingtan, acquired a 30% equity interest in QWOM in April 2016.

The fair values of the identifiable assets and liabilities of QWOM as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Cash and cash equivalents	**37,649**
Trade receivables	**22,648**
Prepayments, deposits and other receivables	**330**
Investment in an associate	**4,900**
Other property, plant and equipment	**310**
Other intangible assets	**14,700**
Trade payables	**(4,891)**
Other payables and accruals	**(13,161)**
Income tax payable	**(2,138)**
Identifiable net assets at fair value	**60,347**
Proportion of the Group's ownership	**30%**
Identifiable net assets at fair value acquired by the Group	**18,104**
Goodwill	**8,306**
Total consideration	**26,410**
Satisfied by cash	**26,410**

The transaction costs incurred for these transactions have been expensed and are included in other expenses in the consolidated statement of profit or loss.

Had the combination taken place at the beginning of the period, the profit of the Group for the year ended 31 December 2016 would have been RMB1,461,124,000.

36. DISPOSAL OF SUBSIDIARIES

On 23 August 2016, Zhunxinche entered into a share purchase agreement with UCAR, pursuant to which Zhunxinche agreed to sell to UCAR its 100% equity interests in Shanghai China Auto Used Car Dealing Co., Ltd. ("Shanghai Used Car"上海神州二手車經營有限公司), a wholly-foreign-owned enterprise in the PRC owned by Zhunxinche, together with its 12 wholly-owned subsidiaries and 3 branch offices engaged in the business - to - customer ("B2C") used car sales business, for an aggregate consideration of RMB37,000,000 (the "Disposal of Zhunxinche").

The consideration, i.e., RMB37,000,000, was determined after arm's length negotiations between the Group and UCAR with reference to the valuation conducted by an independent valuation company. The fair value of Shanghai Used Car was based on the income approach, taking into account the total asset value and total liabilities of the Target Company as at 31 July 2016.

The Disposal of Zhunxinche was completed on 8 October 2016.

	2016 *RMB'000*
Net assets disposed of:	
Other property, plant and equipment (note 13)	8,497
Other intangible assets (note 18)	1,102
Deferred tax assets (note 31)	14,885
Cash and bank balances	3,662
Inventories	2,034
Prepayments and other receivables	13,194
Accruals and other payables	(119,470)
Income tax payable	(5)
	(76,101)
Gain on disposal of subsidiaries (note 5)	113,101
	37,000
Satisfied by cash	—

36. DISPOSAL OF SUBSIDIARIES *(continued)*

The transaction incomes incurred for these transactions have been recognised and are included in other incomes in the consolidated statement of profit or loss.

An analysis of the cash flow in respect of the disposal of a subsidiaries is as follows:

	2016
	RMB'000
Cash consideration	37,000
Less: Mainland China withholding taxation	2,475
Unsettled consideration as at 31 December 2017	(34,525)
Cash and bank balances disposed of	(3,662)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(3,662)

No subsidiary was disposed of by the Group during the year ended 31 December 2017.

37. PLEDGE OF ASSETS

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

38. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties, stores and parking lots under operating lease arrangements. Leases for offices, vehicles and store properties are negotiated for terms ranging from one to six years.

As at 31 December 2017 and 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**147,906**	104,755
In the second to fifth years, inclusive	**142,476**	139,031
After five years	**42,763**	52,415
	333,145	296,201

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the year:

	2017	2016
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Rental vehicles	**10,139**	652
Buildings	**16,014**	13,961
	26,153	14,613

40. RELATED PARTY TRANSACTIONS

a) Related parties

Related parties for the years ended 31 December 2017 and 2016 were as follows:

Name	**Relationship**
UCAR Cayman	A shareholder that has significant influence on the Company
UCAR	An entity controlled by the Chairman of the Board
Hertz International Ltd.*	An ultimate shareholder with significant influence on the Company before 18 March 2016

* Hertz International Ltd. is a shareholder of Hertz Holdings Netherlands B.V. ("Hertz Holdings"), which held a 10.23% interest in the Company with the right to appoint one director of the Company before 14 March 2016, when Hertz Holdings sold approximately 8.50% shares of the Company to UCAR Cayman ("share transfer"). As a consequence, Mr. James Peter Mueller, the director appointed by Hertz Holdings, tendered his resignation as a non-executive director of the Company with effect from 18 March 2016. Immediately upon completion of the share transfer, Hertz Holdings ceased to be a substantial shareholder of the Company and Hertz International Ltd. ceased to be a related party of the Company.

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 years ended 31 December 2017 and 2016:

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

	2017	2016
	RMB'000	*RMB'000*
UCAR	**1,163,855**	2,006,814

The prices for the above services were determined in accordance with the prevailing market prices and conditions offered to other customers of the Group, which are stated excluding value-added tax.

40. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions *(continued)*

(ii) Sales of used vehicles to a related party:

	2017	2016
	RMB'000	*RMB'000*
UCAR	**1,598,622**	573,129

The prices on sales of used vehicles to a related party were determined in accordance with the prevailing market price, which are stated excluding value-added tax.

(iii) Provision of reconditioning services to a related party:

	2017	2016
	RMB'000	*RMB'000*
UCAR	**341**	354

The prices for the above services were determined in accordance with the prevailing market prices and conditions offered to other customers of the Group, which are stated excluding value-added tax.

(iv) Auto repair and maintenance services provided by a related party:

	2017	2016
	RMB'000	*RMB'000*
UCAR	**41,394**	9,343

The prices for the above services were determined in accordance with the prevailing market prices and conditions offered to other customers of the related party.

(v) Commission charge from a related party:

	2017	2016
	RMB'000	*RMB'000*
Hertz International Ltd.	**—**	626

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

40. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions *(continued)*

(vi) House rental income from a related party:

	2017	2016
	RMB'000	*RMB'000*
UCAR	**3,171**	3,224

The prices on house rental from the related party were determined in accordance with the prevailing market price, which are stated excluding value-added tax.

(vii) House rental expense to a related party:

	2017	2016
	RMB'000	*RMB'000*
UCAR	**3,685**	—

The prices on house rental to a related party were determined in accordance with the prevailing market price, which are stated excluding value-added tax.

(viii) Disposal of subsidiaries to a related party:

	2017	2016
	RMB'000	*RMB'000*
UCAR (note 36)	**—**	37,000

40. RELATED PARTY TRANSACTIONS *(continued)*

c) Outstanding balances with related parties

	2017	2016
	RMB'000	*RMB'000*
Current assets:		
Due from related parties:		
– UCAR Cayman	**371,831**	371,831
– UCAR	**387,121**	184,370
	758,952	556,201
Current liabilities:		
Due to a related party:		
– UCAR	**4,964**	33,861

As at 31 December 2017 and 31 December 2016, balances with related parties were unsecured, non-interest-bearing and repayable on demand.

d) Compensation of key management personnel of the Group:

	2017	2016
	RMB'000	*RMB'000*
Short term employee benefits	**5,024**	4,488
Equity-settled share option expenses	**5,323**	12,243
	10,347	16,731

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

41. 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 2017

Financial assets

	Financial assets at fair value through profit and loss *RMB'000*	Loans and receivables *RMB'000*	Total *RMB'000*
Finance lease receivables – non-current	—	115,443	115,443
Investments in equity shares and redeemable preference shares (note 20)	2,807,244	—	2,807,244
Rental deposits	—	19	19
Restricted cash – current	—	60,895	60,895
Restricted cash – non-current	—	1,275	1,275
Other non-current assets	—	16,223	16,223
Trade receivables (note 22)	—	92,452	92,452
Due from related parties	—	758,952	758,952
Financial assets included in prepayments, deposits and other receivables (note 23)	—	37,842	37,842
Finance lease receivables – current	—	85,611	85,611
Cash and cash equivalents	—	4,813,311	4,813,311
	2,807,244	5,982,023	8,789,267

41. 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 2017 *(continued)*

Financial liabilities

	Financial liabilities at amortised cost *RMB'000* *(Audited)*	Liabilities fair value through profit or loss *RMB'000* *(Audited)*	Total *RMB'000* *(Audited)*
Trade payables	81,989	—	81,989
Financial liabilities included in other payables and accruals (note 26)	424,029	—	424,029
Interest-bearing bank loans and other borrowings – current	2,505,286	—	2,505,286
Due to a related party	4,964	—	4,964
Derivative financial instruments	—	187,026	187,026
Senior notes	5,149,165	—	5,149,165
Corporate bonds	296,089	—	296,089
Interest-bearing bank loans and other borrowings – non-current	3,171,201	—	3,171,201
Deposits received for rental vehicles	568	—	568
	11,633,291	187,026	11,820,317

41. 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 2016

Financial assets

	Financial assets at fair value through profit and loss *RMB'000*	Loans and receivables *RMB'000*	Total *RMB'000*
Finance lease receivables – non-current	—	100,798	100,798
Investments in equity shares and redeemable preference shares (note 20)	3,073,706	—	3,073,706
Rental deposits	—	12,306	12,306
Deposits for sales–leaseback borrowings – current	—	30,000	30,000
Restricted cash – non-current	—	1,300	1,300
Other non-current assets	—	9,609	9,609
Trade receivables (note 22)	—	99,639	99,639
Amounts due from related parties	—	556,201	556,201
Financial assets included in prepayments, deposits and other receivables (note 23)	—	975,516	975,516
Finance lease receivables – current	—	119,171	119,171
Cash and cash equivalents	—	5,723,161	5,723,161
	3,073,706	7,627,701	10,701,407

41. 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 2016 *(continued)*

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	72,668
Financial liabilities included in other payables and accruals (note 26)	360,392
Interest-bearing bank and other borrowings - current	2,425,391
Amounts due to related parties	33,861
Senior notes	5,435,942
Interest-bearing bank and other borrowings – non-current	3,820,742
Deposits received for vehicle rental	1,173
	12,150,169

42. 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	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Investments in equity shares and redeemable preference shares (note 20)	**2,807,244**	3,073,706	**2,807,244**	3,073,706
Financial liabilities				
Derivative financial instruments (note 30)	**187,026**	—	**187,026**	—

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivable, trade payables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, finance lease receivables, financial liabilities included in other payables and accruals, an amounts due to a related party, interest-bearing bank 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, other non-current assets, 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 to be approximate to their carrying amounts. The Group's own non-performance risk for interest-bearing bank loans and other borrowings and senior notes as at 31 December 2017 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with good credit ratings. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to the discounted cash flow model and the Black-Scholes option pricing model. The models incorporate various market observable inputs including foreign exchange spot, forward rates, risk-free interest rate curves and implied volatility of the foreign exchange rate. The carrying amounts of forward currency contracts are the same as their fair values.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued*

The fair values of Investments in equity shares and redeemable preference shares have been estimated using marketing approach. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2017 and 2016:

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2017

	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 equity shares and redeemable preference shares (note 20)	**—**	**—**	**2,807,244**	**2,807,244**

As at 31 December 2016

	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 equity shares and redeemable preference shares (note 20)	—	—	3,073,706	3,073,706

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

Fair value hierarchy *(continued)*

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

	2017 **RMB'000**	2016 RMB'000
Investments in financial assets at fair value through profit or loss:		
At 1 January	**3,073,706**	1,880,275
Investments during the year	**—**	—
Transfer in during the year	**—**	161,828
Total gains recognised in the statement of profit or loss included in other income	**(66,086)**	1,031,603
Disposal	**(200,376)**	—
At 31 December	**2,807,244**	3,073,706

As at 31 December 2017

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Investments in equity shares of UCAR	Market approach	Concluded market multiples	4.2	20% increase/(decrease) in concluded market multiples would result in increase/(decrease) in fair value by RMB504,900,000/(RMB504,900,000)

As at 31 December 2016

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments in equity shares of UCAR	Market approach	Concluded market multiples	6.0	20% increase/(decrease) in concluded market multiples would result in increase/(decrease) in fair value by RMB490,773,000/(RMB490,773,000)
Investments in redeemable preference shares of Souche	Market approach	Concluded market multiples	145.7	20% increase/(decrease) in concluded market multiples would result in increase/(decrease) in fair value by RMB34,250,000/ (RMB37,117,000)

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

Fair value hierarchy *(continued)*

Liability measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Derivative financial instruments	—	187,026	—	187,026

The movements in fair value measurements within Level 2 during the period are as follows:

	31 December 2017 ***RMB'000***	31 December 2016 *RMB'000*
Derivative financial instruments		
At the beginning of the year	**—**	—
Total loss recognised in the statement of profit or loss included in other income	**187,026**	—
At the end of the year	**187,026**	—

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 (2016: Nil).

43. 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):

	(Decrease)/ increase in basis points	Change in profit before tax *RMB'000*	Change in equity* *RMB'000*
31 December 2017			
RMB	**(100)**	**42,982**	**—**
RMB	**100**	**(42,982)**	**—**
31 December 2016			
RMB	(100)	45,681	—
RMB	100	(45,681)	—

* Excluding retained earnings

43. 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 the foreign currency exchange reserve.

	Fluctuation in foreign exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*RMB'000*	*RMB'000*
31 December 2017			
If RMB weakens against US$	**(5)**	**129,820**	**—**
If RMB strengthens against US$	**5**	**(129,820)**	**—**
31 December 2016			
If RMB weakens against US$	(5)	290,816	—
If RMB strengthens against US$	5	(290,816)	—

* Excluding retained earnings

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 receivables, amounts due from related parties, 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 22.

43. 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 2017			
	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	**81,989**	**—**	**—**	**81,989**
Financial liabilities included in other payables and accruals	**424,029**	**—**	**—**	**424,029**
Interest-bearing bank and other borrowings – current	**2, 752,914**	**—**	**—**	**2,752,914**
Due to a related party	**4,964**	**—**	**—**	**4,964**
Interest-bearing bank loans and other borrowings – non-current	**—**	**3, 291,815**	**—**	**3, 291,815**
Senior notes	**376,405**	**497,999**	**5,264,884**	**6,139,288**
Corporate bonds	**29,121**	**34,795**	**318,584**	**382,500**
Deposits received for vehicle rental	**—**	**568**	**—**	**568**
	3,669,422	**3,825,177**	**5,583,468**	**13,078,067**

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

Liquidity risk *(continued)*

	31 December 2016			
	On demand or less than 1 year *RMB'000*	1 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Trade payables	72,668	—	—	72,668
Financial liabilities included in other payables and accruals	360,392	—	—	360,392
Interest-bearing bank and other borrowings – current	2,660,055	—	—	2,660,055
Amounts due to a related party	33,861	—	—	33,861
Interest-bearing bank loans and other borrowings – non-current	—	4,031,478	—	4,031,478
Senior notes	259,335	898,529	5,559,714	6,717,578
Deposits received for vehicle rental	—	1,173	—	1,173
	3,386,311	4,931,180	5,559,714	13,877,205

Capital management

The primary 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.

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

Capital management *(continued)*

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 ratio as at the reporting date was as follows:

	2017	2016
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings		
– current	**2,505,286**	2,425,391
Interest-bearing bank and other borrowings		
– non-current	**3,171,201**	3,820,742
Senior notes	**5,149,165**	5,435,942
Corporate bonds	**296,089**	—
Cash and cash equivalents	**(4,813,311)**	(5,723,161)
Restricted cash	**(62,170)**	(1,300)
Net debt	**6,246,260**	5,957,614
Total assets	**20,639,895**	21,189,219
Net debt/asset ratio	**30%**	28%

44. EVENTS AFTER THE REPORTING PERIOD

The treasury shares of 26,185,000 shares in the consolidated financial as at 31 December 2017 were cancelled on 19 January 2018.

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 2017 ***RMB'000***	31 December 2016 *RMB'000*
NON-CURRENT ASSETS		
Investments in equity shares and redeemable preference shares	**—**	234,234
Total non-current assets	**—**	234,234
CURRENT ASSETS		
Prepayments, deposits and other receivables	**351**	611
Restricted cash – current	**60,895**	—
Due from subsidiaries	**8,615,112**	8,924,166
Cash and cash equivalents	**740,462**	1,649,241
Total current assets	**9,416,820**	10,574,018
CURRENT LIABILITIES		
Other payables and accruals	**233,006**	151,836
Derivative financial instruments	**187,026**	—
Interest-bearing bank and other borrowings – current	**590,266**	276,980
Total current liabilities	**1,010,298**	428,816
NET CURRENT ASSETS	**8,406,522**	10,145,202
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,406,522**	10,379,436
NON-CURRENT LIABILITIES		
Senior notes	**5,149,165**	5,435,942
Corporate bonds	**296,089**	—
Interest-bearing bank and other borrowings - non-current	**1,624,132**	2,408,068
Total non-current liabilities	**7,069,386**	7,844,010
Net assets	**1,337,136**	2,535,426
EQUITY		
Equity attributable to owners of the parent		
Share capital	**134**	144
Reserves	**1,931,785**	3,018,574
Treasury shares	**(147,481)**	(8,474)
Accumulated losses	**(447,302)**	(474,818)
Total equity	**1,337,136**	2,535,426

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	Treasury shares RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total equity RMB'000
As at 1 January 2016	2,393,983,835	147	3,321,238	29,165	—	331,606	3,682,156
Profit for the year	—	—	—	—	—	(806,424)	(806,424)
Other comprehensive income for the year	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	(806,424)	(806,424)
Repurchase of shares	—	—	—	—	(430,919)	—	(430,919)
Cancellation of shares	(64,807,000)	(4)	(422,441)	—	422,445	—	—
Exercise of share options	9,488,336	1	40,666	(30,594)	—	—	10,073
Equity-settled share option arrangements (note 33)	—	—	—	80,540	—	—	80,540
As at 31 December 2016	2,338,665,171	144	2,939,463	79,111	(8,474)	(474,818)	2,535,426
Profit for the year	**—**	**—**	**—**	**—**	**—**	**27,516**	**27,516**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**27,516**	**27,516**
Repurchase of shares	**—**	**—**	**—**	**—**	**(1,242,996)**	**—**	**(1,242,996)**
Cancellation of shares	**(176,962,000)**	**(11)**	**(1,103,978)**	**—**	**1,103,989**	**—**	**—**
Exercise of share options	**11,717,030**	**1**	**50,611**	**(38,756)**	**—**	**—**	**11,856**
Equity-settled share option arrangements (note 33)	**—**	**—**	**—**	**5,334**	**—**	**—**	**5,334**
As at 31 December 2017	**2,173,420,201**	**134**	**1,886,096**	**45,689**	**(147,481)**	**(447,302)**	**1,337,136**

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 earnings 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 27 February 2018.

FIVE-YEAR FINANCIAL SUMMARY

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 2013, 2014, 2015, 2016 and 2017 is set out below:

	For the years ended 31 December				
	2013	2014	2015	2016	**2017**
	(in RMB thousands)				
Total revenue	2,702,715	3,520,436	5,002,719	6,453,958	**7,717,338**
Depreciation of rental vehicles	(690,027)	(670,163)	(939,364)	(1,257,679)	**(1,373,645)**
Direct operating expenses of rental services	(861,638)	(988,876)	(1,362,519)	(1,629,311)	**(1,701,352)**
Cost of sales of used vehicles	(522,126)	(621,982)	(609,966)	(1,480,922)	**(2,697,472)**
Gross profit	628,924	1,239,415	2,090,870	2,086,046	**1,944,869**
Other income and expenses, net	20,704	26,195	669,821	877,732	**383,090**
Selling and distribution expenses	(152,732)	(92,710)	(79,507)	(65,093)	**(29,954)**
Administrative expenses	(378,226)	(350,107)	(465,608)	(554,129)	**(470,029)**
Finance costs	(334,611)	(309,466)	(546,849)	(590,779)	**(652,777)**
Share of profit of an associate	—	—	—	5,968	**107**
Profit/(loss) before tax	(215,941)	513,327	1,668,727	1,759,745	**1,175,306**
Income tax	(7,424)	(77,214)	(267,331)	(300,154)	**(294,195)**
Profit/(loss) for the year attributable to equity holders of the Company	(223,365)	436,113	1,401,396	1,459,591	**881,111**
Earnings per share – Basic	RMB(0.120)	RMB0.218	RMB0.591	RMB0.617	**RMB0.391**
Earnings per share – Diluted	RMB(0.120)	RMB0.212	RMB0.575	RMB0.607	**RMB0.386**

	As at 31 December				
	2013	2014	2015	2016	**2017**
	(in RMB thousands)				
Total assets	6,167,071	9,842,319	16,342,415	21,189,219	**20,639,895**
Total liabilities	6,094,133	4,252,735	9,243,094	12,970,613	**12,765,984**
Net assets	72,938	5,589,584	7,099,321	8,218,606	**7,873,911**

CORPORATE INFORMATION

As at 27 February 2018

BOARD OF DIRECTORS

Executive Director

Ms. Yifan SONG *(Chief Executive Officer)*

Non-executive Directors

Mr. Charles Zhengyao LU *(Chairman)*
Mr. Linan ZHU
Ms. Xiaogeng LI
Mr. Zhen WEI

Independent Non-executive Directors

Mr. Sam Hanhui SUN
Mr. Wei DING
Mr. Li ZHANG

CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER

Mr. Wilson Wei LI

COMPANY SECRETARY

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

AUDIT AND COMPLIANCE COMMITTEE

Mr. Sam Hanhui SUN *(Chairman)*
Ms. Xiaogeng LI
Mr. Li ZHANG

NOMINATION COMMITTEE

Mr. Li ZHANG *(Chairman)*
Mr. Charles Zhengyao LU
Mr. Sam Hanhui SUN

REMUNERATION COMMITTEE

Mr. Wei DING *(Chairman)*
Ms. Xiaogeng LI
Mr. Li ZHANG

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
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Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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183 Queen's Road East
Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
(Certified Public Accountants)

CORPORATE INFORMATION

As at 27 February 2018

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

HKEx: 699

COMPANY WEBSITE

www.zuche.com

神州租車有限公司

CAR Inc.