2014 神州租車有限公司年度報告

CAR Inc. Annual Report

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

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 December 31, 2014 (the "Reporting Period").

The slowdown in global economic growth in 2014 has resulted in downward pressure on a number of developed countries and regions. The Chinese economy however, was able to maintain stable growth as China remains in a rapid growth phase. In 2014, China recorded GDP growth of 7.4%, slightly lower from the same period last year.

Despite China's decelerating growth rate, the Company was able to take advantage of opportunities by leveraging its leading market position, favorable brand recognition and strong fleet as well as a diversified business portfolio. During the year 2014, the Company's total revenue increased by 30% year-over-year to RMB3,520 million, with gross profit increasing substantially by 97% year-over-year to RMB1,239 million. Various operational indicators performed well. As of December 31, 2014, the Company's total fleet comprised of 63,522 vehicles with an expanded nationwide network covering 723 directly operated service locations, including 234 stores and 489 pick-up points, in 70 major cities. With our large fleet and network coverage, we believe that more customers will be able to enjoy our services.

As a technology driven company, we have established an efficient, reliable and expandable technology platform. Our technology platform integrates every aspect of the operational management process involving transactions, revenues, customers, as well as fleet and financial management. We gather and analyze a large amount of transactions and customer data in order to enhance the operational efficiency and customer experience as well as to explore new products and services. Our information platform has driven growth in the usage of our advanced and convenient website and mobile application. As of December 31, 2014, our mobile application had approximately 7,000,000 installations. In December 2014, the percentage of reservations from our mobile application was 51%.

We are focused on maintaining a customer-oriented corporate culture. We have always been dedicated to improving our service quality and providing various value-added services such as car accident insurance, GPS navigation, 24/7 roadside assistance, car delivery and one-way rentals. We created an innovative rental car business model that differs from the traditional one and provides a fast, convenient, and brand-new rental service experience for customers. We will continue to strength our leadership position and become China's leading mobility provider.

OUTLOOK:

According to China's Ministry of Public Security, China has over 300 million vehicle drivers as of November 2014. China's car rental market is still much smaller than that of other developed countries such as the US. We believe that the market still holds great potential and will continue to grow rapidly.

The Company is committed to the principle of natural growth. By improving its cost structure and quality of service, the Company is enhancing its competitiveness and increasing its scale and market position. We are also very confident in our business development prospects. On January 26, 2015, the Company collaborated with UCAR Technology Inc. ("UCAR"), previously named UCAR Inc., to launch the jointly-branded "UCAR神州專車" mobile app that promotes UCAR's chauffeured car services. By combining its unique resources that include its rental fleet, strong brand, customer sources and offline execution capabilities, the Company will completely change the current chauffeured car services playing field.

The Company will strategically expand product innovation, enhance O2O services and offer broader services to create advantages for the Company compared with other traditional car rental companies.

The Company is also seeking funding platforms to improve the Company's financing structure. In February 2015, the Company issued US$500 million of senior notes due in 2020.

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on September 19, 2014, the first step in the Company's new journey. The Company will strive to maintain the long-term growth strategy and suppress the price of competitors so as to continuously solidify its leading position in the market. The Company also values communication with the market, and intends to update the market with the latest information and trends going forward. On behalf of the Board, I would like to express our gratitude to our shareholders and clients for their support. We will make every effort to maximize the returns for our shareholders.

Charles Zhengyao LU
CAR Inc.
Chairman and CEO

Hong Kong, March 11, 2015

FINANCIAL HIGHLIGHTS

	For the years ended December 31,		
	2014	2013	Year-over-year change
	(in RMB millions, except otherwise stated)		%
Rental revenue	**2,866**	2,208	30%
Total revenue	**3,520**	2,703	30%
Gross profit	**1,239**	629	97%
Grofit margin[2]	**43%**	28%	+15 pp
Net profit/(loss)	**436**	(223)	N.A.
Adjusted EBITDA[1]	**1,629**	918	77%
Adjusted EBITDA margin[2]	**57%**	42%	+15 pp
Adjusted net profit/(loss)[1]	**562**	(155)	N.A.
Adjusted net profit margin[2]	**20%**	N.A.	N.A.
Basic EPS (RMB)	**0.22**	(0.12)	N.A.

Notes:

(1) Adjusted net profit and Adjusted EBITDA are non-IFRS measures. Please refer to Management Discussion and Analysis for details.

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

BUSINESS REVIEW

2014 was a successful year with strong profitability and solid financial positions. We continued to be the clear leader in China's car rental market by leveraging on our superior customer experience, cost leadership, technology innovation and enhanced funding capability.

Our total fleet, which excludes vehicles owned by our franchisees, comprised of 63,522 vehicles as of December 31, 2014, compared to 53,022 vehicles as of December 31, 2013. Our operating fleet was 58,773 vehicles as of December 31, 2014, compared to 42,496 vehicles as of December 31, 2013. We disposed of 15,483 used vehicles in 2014 and achieved a gross profit margin of 4.9% in sales of used vehicles, demonstrating our ability to dispose of a large number of used vehicles effectively close to their estimated residual values.

We had an extensive nationwide network of 723 directly operated service locations, which included 234 stores and 489 pick-up points, in 70 major cities in all provinces of China as of December 31, 2014. The majority of our locations are asset-light pick-up points, which substantially reduces capital expenditure requirements and operating expenses. Pick-up points strategy also enables us to easily expand and adjust our network to provide the easiest access to our customers. Our network is further supplemented by 219 service locations in 176 small cities operated by our franchisees. Our customer base grew steadily in 2014. As of December 31, 2014, we had approximately 2,327,000 individual customers and approximately 14,700 institutional customers.

Short-term rentals remain the core of rental business and continued to deliver strong performance. Our short-term rental fleet grew from 33,986 vehicles as of December 31, 2013 to 43,836 vehicles as of December 31, 2014. The RevPAC, our key operating metric, increased from RMB246 in 2013 to RMB272 in 2014 as we gradually solidified our market leading position in China.

	FY 2013	1Q'14	2Q'14	3Q'14	4Q'14	FY 2014
Fleet size as of period end						
Short-term rental	33,986	34,645	37,195	41,511	43,836	43,836
Long-term rental	6,241	6,111	5,946	5,687	9,368	9,368
Finance leasing	1,097	4,111	4,475	4,845	5,569	5,569
Suspended operating fleet	1,172	575	429	57	—	—
Total operating fleet	42,496	45,442	48,045	52,100	58,773	58,773
Retired vehicles awaiting for sale	5,267	5,062	2,342	3,321	3,497	3,497
Vehicles held for sale (Inventory)	5,259	4,899	2,111	2,324	1,252	1,252
Total fleet	53,022	55,403	52,498	57,745	63,522	63,522

BUSINESS REVIEW AND STRATEGIES

As a technology driven company, we continuously improve operational efficiency and enhance customer experience through technology innovations. We put a significant focus on continuously enhancing our mobile technology. Reservations via mobile application as a percentage of our total reservations increased from 6% for the three months ended March 31, 2013 to 46% for the three months ended December 31, 2014. In December 2014, the percentage of reservations from our mobile application was 51%. As of December 31, 2014, our mobile application had approximately 7,000,000 installations.

We were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on September 19, 2014 (the "Listing Date") with approximately 202 times Hong Kong public offering subscription, marking a milestone for us in accessing the public capital market, increasing our public awareness and improving our corporate governance. We subsequently became the constituent stock of several stock indexes managed by Hang Seng Indexes Company Limited.

In January 2015, three major international credit rating agencies, Moody's, Standard & Poor's and Fitch Ratings assigned credit ratings of Ba1, BB+ and BB+ respectively to us, with stable ratings outlook. In February 2015, we issued our inaugural Reg S/144A US$500 million 6.125% senior unsecured notes due in 2020 to enhance capital structure, diversify funding sources, reduce financing costs and support business growth. The bond represents a landmark development for Chinese non-property high-yield sector and achieved considerable oversubscription with total orderbook exceeding US$7 billion.

STRATEGIES

Over the past year, we continued to expand our rental fleet and increased our revenues while improving our profitability and further solidifying our market leadership position in China's car rental market.

Our short-term rental business continues to be our strategic and operational focus. We intend to continue to grow our rental fleet, increase our fleet utilisation rate, expand our network coverage, enhance customer experience and strengthen our brand. Further, we intend to continue product innovation and closely monitor developments in customer needs, consumer trends using big data analysis, technology, and regulatory landscape in search for new growth opportunities. We believe we are well positioned to expand into other auto related business areas, supported by our clear leadership position in car rental industry, cross business synergies, strong execution capability and funding advantage.

Our vision is to become the leading auto mobility provider in China. As the transportation industry in China evolves, we see ever-increasing consumer adoption of new technologies, such as mobile and location-based services, and growing consumer demand for new forms of auto mobility solutions. We believe these will fuel the need for new mobility options in a market characterized by vehicle purchasing restrictions, increasing costs of car ownership, limited alternative transportation solutions and rigorous legal and regulatory oversight.

Along the value chain, we will continuously explore and evaluate opportunities that will help strengthen our growth prospects. We intend to prudently and selectively enter or further penetrate into adjacent and emerging businesses, such as used car sales, financing services, auto parts and vehicle maintenance.

As China global auto and internet industries evolve, more innovative solutions and technologies will emerge, such as Internet of Cars and Smart Vehicles. We intend to continue product innovation and explore strategic expansion in the broader auto ecosystem.

In January 2015, the Company commenced a collaboration with UCAR, an independent third-party car service provider, under a co-branding arrangement (the "Collaboration"). Under the Collaboration, the Company will rent cars to UCAR under both long-term and short-term rental terms at the prevailing market rates, while UCAR will utilize the rental cars and the drivers it hired from labor companies to make chauffeured car services available to customers under the joint-brand "UCAR神州專車". We believe that the Collaboration will further enhance our brand recognition and customer retention, create cross-selling opportunities, and improve our fleet management efficiency. Under the Collaboration, the Company also enjoys priority rights in UCAR's future equity financings, which we believe secures future strategic opportunities in auto mobility services for us.

1. REVENUES AND PROFITABILITY ANALYSIS

Rental revenue

	Year ended December 31,			
	2014		2013	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Short-term rentals	**2,295,752**	**80.1%**	1,714,485	77.7%
Long-term rentals	**466,418**	**16.3%**	448,903	20.3%
Finance lease	**46,825**	**1.6%**	21,709	1.0%
Other revenue	**57,215**	**2.0%**	22,715	1.0%
Total rental revenue	**2,866,210**	**100.0%**	2,207,812	100.0%

	FY 2013	**1Q'14**	**2Q'14**	**3Q'14**	**4Q'14**	**FY 2014**
Short-term rental metrics						
Average daily short-term rental fleet[(1)]	33,475	35,130	36,068	39,376	40,370	37,755
Average daily rental rate[(2)] (RMB)	246	281	273	277	260	272
Fleet utilisation rate[(3)] (%)	57.9%	60.9%	62.6%	63.7%	61.7%	62.2%
RevPAC[(4)] (RMB)	142	171	171	177	160	170

Notes:

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

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

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

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

Our total rental revenue increased by 30% from RMB2,207.8 million for the year ended December 31, 2013 to RMB2,866.2 million for the year ended December 31, 2014.

- *Short-term rentals*. Our revenue from short-term rentals increased by 34% from RMB1,714.5 million for the year ended December 31, 2013 to RMB2,295.8 million for the year ended December 31, 2014. This increase was mainly due to (i) the growing short-term rental fleet size, as our average daily short-term rental fleet size increased from 33,475 vehicles in 2013 to 37,755 vehicles in 2014, and (ii) the increase in our RevPAC, which increased from RMB142 in 2013 to RMB170 in 2014, primarily due to the increase of our ADRR from RMB246 to RMB272 during the same period. For the year ended December 31, 2014, our revenue from short-term rentals accounted for 80.1% of our rental revenue, compared to 77.7% of our rental revenue for the year ended December 31, 2013. We have continuously increased our short-term rental fleet size in line with our expansion strategy and in anticipation of strong market demand, which resulted in the increase in the average daily short-term rental fleet during the Reporting Period. As we gradually solidified our market leading position in China and continuously improved our dynamic pricing mechanism, we were able to significantly improve our ADRR since 2013. Our fleet utilization rate remained stable during the Reporting Period mainly because we set our target fleet utilisation rate at around 60% in the past few years as part of our growth strategy, which reflected a deliberate balance between our fleet expansion for building scale, securing license plates and our financial results.

- *Long-term rentals*. Our revenue from long-term rentals increased by 4% from RMB448.9 million in 2013 to RMB466.4 million in 2014. Our long-term fleet size increased from 6,241 vehicles as at December 31, 2013 to 9,368 vehicles as at December 31, 2014. The comparatively higher increase in long-term fleet size despite low increase in long-term rentals revenue was because most of the vehicle additions were made in the fourth quarter of 2014 including an addition of 2,575 rental vehicles in late 2014 for the new Zhuanche chauffeured rental business which officially launched to market in January 2015. As a percentage of our rental revenue, our revenue from long-term rentals for the year ended December 31, 2014 was 16.3%, compared to 20.3% of our rental revenue for the year ended December 31, 2013.

- *Finance lease*. Our revenue from finance lease increased by 116% from RMB21.7 million for the year ended December 31, 2013 to RMB46.8 million for the year ended December 31, 2014, primarily because we commenced our franchise business in December 2013. In 2014, we disposed of 5,298 used vehicles to our franchisees through financial leasing.

- *Other revenue*. Our other revenue increased from RMB22.7 million for the year ended December 31, 2013 to RMB57.2 million for the year ended December 31, 2014, primarily due to (i) payments from insurance companies in connection with our in-house vehicle repair and maintenance services, which experienced substantial expansion in the second half of 2013, and (ii) revenue from our franchise business which we commenced in December 2013.

Depreciation and Direct operating expenses of rental services

	Year ended December 31,			
	2014			2013
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Depreciation of rental vehicles	**670,163**	**23.4%**	690,027	31.3%
Direct operating expenses				
– Payroll costs	**354,533**	**12.4%**	235,746	10.7%
– Store expenses	**123,925**	**4.3%**	116,414	5.3%
– Insurance fees	**151,582**	**5.3%**	157,259	7.1%
– Repair and maintenance fees	**98,409**	**3.4%**	120,139	5.4%
– Fuel expenses	**78,336**	**2.7%**	73,949	3.3%
– Others	**182,091**	**6.4%**	158,131	7.2%
Total direct operating expenses	**988,876**	**34.5%**	861,638	39.0%
Total costs of car rental business	**1,659,039**	**57.9%**	1,551,665	70.3%

Depreciation of rental vehicles. Depreciation of rental vehicles decreased slightly by 3% from RMB690.0 million in 2013 to RMB670.2 million in 2014. As a percentage of our rental revenue, depreciation expenses decreased from 31.3% in 2013 to 23.4% in 2014. The decrease was primarily due to an increase in the average purchase discount of our rental fleet and the nation-wide VAT reform in August 2013 in which taxes relating to vehicle purchases became deductible.

Direct operating expenses of rental services. Our direct operating expenses of rental services increased by 15% from RMB861.6 million in 2013 to RMB988.9 million in 2014. The increase was primarily due to our increase in service locations to enhance urban penetration. As a percentage of our rental revenue, direct operating expenses accounted for 34.5% and 39.0% for the year ended December 31, 2014 and 2013, respectively.

Sales of used vehicles (revenue & cost)

	Year ended December 31,	
	2014	2013
	RMB	*RMB*
	(in thousands, except percentages)	
Revenue from sales of used vehicles	**654,226**	494,903
Cost of sales of used vehicles	**621,982**	522,126
Cost as % of revenue from sales of used vehicles	**95.1%**	105.5%
Number of used vehicles disposed	**15,483**	9,986
Number of used vehicles sold	**10,185**	9,986
Number of used vehicles leased to franchisees	**5,298**	—

Our revenue from sales of used vehicles increased by 32% from RMB494.9 million for the year ended December 31, 2013 to RMB654.2 million for the year ended December 31, 2014, primarily as a result of (i) the increase in the number of used vehicles sold, which increased from 9,986 vehicles in 2013 to 10,185 vehicles in 2014, in line with our business expansion and our efforts to keep a young fleet, (ii) the implementation of our disposition channels, which provides a more systematic and cost-efficient way for us to sell our used vehicles to end users, dealers and franchisees, and (iii) the increase of used vehicles sales price on an average basis.

Our cost of sales of used vehicles represents the net book value of the sold rental vehicles from our fleet. We periodically adjust the expected residual value of our rental vehicles to reflect latest market conditions. Our cost of sales of used vehicles were 105.5% and 95.1% of our revenue from sales of used vehicles for the years ended December 31, 2013 and 2014, respectively.

We were able to dispose of our used vehicles in a timely manner. As of December 31, 2014, 3,497 vehicles were retired and awaiting for sale, which included vehicles that would be transferred to our new Zhuanche chauffeured car services.

The results continued to demonstrate our proven capabilities in managing the full cycle of rental vehicles and effective estimation of residual values.

Gross profit

	Year ended December 31,	
	2014	2013
	RMB	*RMB*
	(in thousands, except percentages)	
Gross profit of car rental business	**1,207,171**	656,147
Gross profit margin of car rental business	**42.1%**	29.7%
Gross profit/(loss) of sales of used vehicles	**32,244**	(27,223)
Gross profit/(loss) margin of sales of used vehicles	**4.9%**	(5.5%)
Total gross profit	**1,239,415**	628,924
Total gross profit margin as % of rental revenue	**43.2%**	28.5%

Our total gross profit increased by 97% from RMB628.9 million in 2013 to RMB1,239.4 million in 2014. Our total gross profit margin increased from 28.5% in 2013 to 43.2% in 2014, primarily due to increasing RevPAC, improved operating efficiency and the reduction of costs related to suspended fleet.

Selling and distribution expenses

	Year ended December 31,			
	2014		2013	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	**18,261**	**0.6%**	27,125	1.2%
Advertising expenses	**53,260**	**1.9%**	112,813	5.1%
Share-based compensation	**2,199**	**0.1%**	3,767	0.2%
Others	**18,990**	**0.7%**	9,027	0.4%
Total	**92,710**	**3.3%**	152,732	6.9%

Our selling and distribution expenses decreased by 39% from RMB152.7 million in 2013 to RMB92.7 million mainly due to the increase of reservations via mobile application, downsizing of our long-term rental sales force and reduced brand marketing needs. As a percentage of our rental revenue, our selling and distribution expenses decreased from 6.9% in 2013 to 3.3% in 2014.

Administrative expenses

	Year ended December 31,			
	2014		2013	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	**140,681**	**4.9%**	162,918	7.4%
Office expenses	**42,783**	**1.5%**	55,531	2.5%
Rental expenses	**21,447**	**0.7%**	20,701	0.9%
Share-based compensation	**77,642**	**2.7%**	93,732	4.2%
Others	**67,554**	**2.4%**	45,344	2.1%
Total	**350,107**	**12.2%**	378,226	17.1%

Our administrative expenses decreased by 7% from RMB378.2 million to RMB350.1 million. As a percentage of our rental revenue, our administrative expenses decreased from 17.1% in 2013 to 12.2% in 2014. The decrease was mainly due to economies of scale, enhanced operational efficiency driven by our improved in-house system integration, and the impact from share based compensation.

Other income and expenses, net. Other income and expenses, net increased by 27% from RMB20.7 million in 2013 to RMB26.2 million in 2014, primarily due to the increase in interest income and government grants which was partially offset by the decrease in exchange gain.

Finance costs. Our finance costs decreased by 8% from RMB334.6 million in 2013 to RMB309.5 million in 2014, primarily due to the decrease in our borrowings and average interest rates.

Profit/(loss) before tax. Our profit/(loss) before tax increased from a loss before tax of RMB215.9 million in 2013 to a profit before tax of RMB513.3 million in 2014.

Income tax expenses. Our income tax expenses increased from RMB7.4 million in 2013 to RMB77.2 million in 2014 due to the increased profitability of the group. Effective tax rate was (3.4%) and 15.0% for the years ended December 31, 2013 and 2014, respectively.

Profit/(loss) after tax. As a result of the foregoing, we recorded a net profit of RMB436.1 million in 2014, compared to a net loss of RMB223.4 million in 2013.

2. FINANCIAL POSITIONS

	As at December 31,	
	2014	2013
	RMB	*RMB*
	(RMB in millions)	
Total assets	**9,842.3**	6,167.1
Total liabilities	**4,252.7**	6,094.1
Total equity	**5,589.6**	73.0
Cash and cash equivalents	**1,352.4**	841.8
Restricted cash	**53.1**	1.8
Available-for-sale investments	**1,070.0**	—
Total cash	**2,475.5**	843.6
Interest bearing bank and other borrowings - current	**2,778.9**	2,247.6
Interest bearing bank and other borrowings - non-current	**831.8**	1,563.3
Total debt	**3,610.7**	3,810.9
Net debt (total debt less total cash)	**1,135.2**	2,967.3

Cash

In 2014, we financed our business operations primarily through cash generated from operations, bank and other borrowings, and the net proceeds we received from our initial public offering completed in September 2014.

We continued to generate strong operating cash flows and maintain a strong liquidity position during the year. As at December 31, 2014, we had cash and cash equivalents of RMB1,352.4 million and available-for-sale investments of RMB1,070.0 million. These available-for-sale investments represent investments in certain financial products denominated in RMB offered by certain financial institutions in China and were made as part of our cash management policy to manage the excess cash generated from operations and achieve higher interest income. These investments have expected interest rates ranging from 1.9% to 5.4% per annum. In addition, we had restricted cash of RMB53.1 million as of December 31, 2014.

As at December 31, 2014, all investments are denominated in RMB and are not subject to any hedging arrangement.

For details regarding foreign currency risk, please refer to note 42 to the Financial Statements.

Net proceeds from the initial public offering, after deducting the underwriting commission and other estimated expenses in connection with the offering, which the Company received amounted to approximately RMB3,183.3 million.

Capital expenditures

The majority of our capital expenditure is for vehicle acquisitions. During the year ended December 31, 2014, we incurred RMB2,729.1 million for purchases of rental vehicles. Cash outflows from vehicle acquisitions were partially offset by cash inflows from the disposal of rental vehicles in 2014. Other capital expenditures, which amounted to RMB103.1 million in 2014, were mainly for purchases of other property, plant and equipment, and purchases of intangible assets.

Borrowings

As at December 31, 2014, we had total interest-bearing bank and other borrowings of RMB3,610.7 million compared to RMB3,810.9 million as at December 31, 2013.

Our net debt position improved from RMB2,967.3 million as at December 31, 2013 to RMB1,135.2 million as at December 31, 2014, where net debt is defined as total interest-bearing bank and other borrowings less total cash.

The following table sets forth our outstanding interest-bearing bank and other borrowings as of the dates indicated:

	2014			2013		
	Effective interest rate (%)	***Maturity***	***RMB'000***	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current:						
Short-term loans						
– guaranteed	**6.22**	**2015**	**199,160**	6.00-7.50	2014 or on demand	702,567
Current portion of sale and leaseback obligations						
– secured and guaranteed	**6.97**	**2015**	**51,727**	6.77-7.07	2014	208,640
Current portion of long-term bank loans – guaranteed	**5.92-8.00**	**2015**	**968,063**	5.84-7.32	2014 or on demand	1,085,735
Current portion of long-term other loans						
– guaranteed	**6.83-9.50**	**2015**	**1,439,625**	5.69-9.50	2014 or on demand	140,700
– secured and guaranteed	**11.06**	**2015**	**91,363**	11.00	On demand	90,726
– secured	**5.54-9.30**	**2015**	**28,949**	8.04-12.30	2014 or on demand	19,208
			2,778,887			2,247,576
Non-current:						
Bank loans – guaranteed	**5.92-8.00**	**2016**	**253,793**	5.84-7.32	2015	206,830
Other loans						
– guaranteed	**6.83-9.50**	**2016**	**496,667**	5.69-7.60	2015	1,298,500
– secured	**5.54-9.30**	**2016-2017**	**81,342**	8.04-12.30	2015	6,242
Sale and leaseback obligations						
– secured and guaranteed	–	–	–	6.77-7.07	2015	51,727
			831,802			1,563,299
			3,610,689			3,810,875

The following table sets forth the maturity profile of our interest-bearing bank and other borrowings as of each of the dates indicated:

	As of December 31,	
	2014	2013
	RMB	*RMB*
	(in thousands)	
Bank loans and overdrafts repayable:		
within one year or on demand	**1,167,222**	1,788,302
in the second year	**253,793**	206,830
in the third to fifth years, inclusive	**—**	—
	1,421,015	1,995,132
Other borrowings repayable:		
within one year or on demand	**1,559,938**	250,634
in the second year	**572,419**	1,304,742
in the third to fifth years, inclusive	**5,590**	—
	2,137,947	1,555,376
Sale and leaseback obligations:		
within one year or on demand	**51,727**	208,640
in the second year	**—**	51,727
in the third to fifth years, inclusive	**—**	—
	51,727	260,367
TOTAL	**3,610,689**	3,810,875

As of December 31, 2014, the Group had overdraft banking facilities amounting to RMB2,426,608,000 (2013:2,707,336,000), of which RMB2,026,608,000 (2013:2,707,242,000) had been utilized. All outstanding interest-bearing bank and other borrowings are denominated in RMB. The Group does not use derivative financial instruments to hedge its interest rate risk. For more information regarding outstanding interest-bearing bank and other borrowings, please refer to note 28 to the Financial Statements. For information regarding our gearing ratio, please refer to note 42 to the Financial Statements.

Diversified funding sources

We have access to multiple funding channels, including onshore bank facilities, financial leasing, OEM financing and offshore equity and debt financing.

We continue to possess strong onshore funding capabilities and maintain strong relationships with various PRC banks. After the initial public offering, we have been able to obtain onshore bank facilities without the financial guarantees from Legend Holdings Corporation ("Legend Holdings"). With the recent cuts in benchmark interest rates by China's PBOC, we also expect to enjoy lower costs of borrowing for our existing and future onshore loans.

As a public company since September 2014, we have obtained better access to additional funding sources, including global capital markets, and expect to achieve more favorable financing terms. In February 2015, we issued US$500 million 6.125% five year non-call three year senior unsecured notes. Through maintaining diversified financing channels, we aim to lower our overall funding costs and improve our financial stability.

Credit ratings and credit metrics

For the purpose of the senior notes offering in February 2015, we completed a credit ratings process and obtained corporate and issue ratings of Ba1, BB+ and BB+ from Moody's, Standard & Poor's and Fitch Ratings, respectively.

Alongside our business expansion, we continue to see improvement in our key credit metrics. We will continue to exercise financial discipline and seek to maintain a strong credit profile.

Key credit metrics

	2014	2013
Debt/asset ratio (%)	**36.7%**	61.8%
Net debt[(1)]/asset ratio (%)	**11.5%**	48.1%
Debt/adjusted EBITDA (times)	**2.2x**	4.2x
Net debt[(1)]/adjusted EBITDA (times)	**0.7x**	3.2x
Adjusted EBITDA/gross interest expense (times)	**5.3x**	2.7x
FFO[(2)]/debt (%)	**36.9%**	15.3%

Notes:

(1) Net debt is defined as total interest bearing bank and other borrowings less cash and cash equivalents, restricted cash and available-for-sale investments.

(2) FFO ("funds from operations") is defined as adjusted EBITDA minus net interest expense and taxes paid.

We believe that our strong cash position, cash flow from operations and access to diversified funding channels provide us with significant flexibility and will enable us to meet our working capital, capital expenditures, and other funding requirements in the foreseeable future.

3. NON-IFRS FINANCIAL RECONCILIATION

	For the year ended 31 December,	
	2014	2013
	(in RMB thousands, except percentages)	
A. Adjusted net profit/(loss)		
Net Profit/(loss)	**436,113**	(223,365)
Adjusted for:		
Share-based compensation	**80,632**	101,148
Foreign exchange loss/(gain) related to Corporate Reorganisation	**18,050**	(39,100)
IPO-related expenses	**27,557**	6,142
Adjusted net profit/(loss)	**562,352**	(155,175)
Adjusted net profit/(loss) margin (as a percentage of rental revenue)	**19.6%**	(7.0%)
B. Adjusted EBITDA		
Reported EBITDA calculation		
Profit/(loss) before tax	**513,327**	(215,941)
Adjusted for:		
Finance costs	**309,466**	334,611
Interest income from bank deposit	**(34,620)**	(3,284)
Depreciation of rental vehicles	**670,163**	690,027
Depreciation of other property plant, and equipment	**29,279**	23,076
Amortisation of other intangible assets	**9,390**	6,595
Amortisation of prepaid land lease payment.	**169**	169
Impairments on trade receivables	**5,434**	14,667
Reported EBITDA	**1,502,608**	849,920
Reported EBITDA margin (as a percentage of rental revenue)	**52.4%**	38.5%
Adjusted EBITDA calculation		
Reported EBITDA	**1,502,608**	849,920
Adjusted for:		
Share-based compensation	**80,632**	101,148
Foreign exchange loss/(gain) related to Corporate Reorganisation	**18,050**	(39,100)
IPO-related expenses	**27,557**	6,142
Adjusted EBITDA	**1,628,847**	918,110
Adjusted EBITDA margin (as a percentage of rental revenue)	**56.8%**	41.6%

MANAGEMENT DISCUSSION AND ANALYSIS

The Group employed certain non-IFRS financial measures in measuring the performance of the Group. The presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. The Group believes that, used in conjunction with IFRS financial measures, these non-IFRS financial measures provide meaningful supplemental information regarding the Group's performance, and both management and investors benefit from referring to these non-IFRS financial measures in assessing the Group's performance and when planning and forecasting future periods. Management believes that adjusted EBITDA, defined as earnings before interest, income tax expenses, depreciation and amortisation, share-based compensation, impairment on trade receivables, foreign exchange loss/(gain) related to Corporation Reorganization and IPO related expenses, is an useful financial metric to assess the Group's operating and financial performance.

EXECUTIVE DIRECTOR

Charles Zhengyao LU (陸正耀), aged 45, was appointed as the Company's executive Director, Chief Executive Officer and Chairman of the Board on April 25, 2014. Mr. Lu is currently a member of the Nomination Committee of the Company. He is responsible for the implementation of board resolutions, making company's strategy plans, making decision of and supervising the major products and programs, management and appointment of senior management and fully responsible for the company's development and business. He has also been appointed as a director, the chief executive officer and chairman of the board for China Auto Rental Holdings Inc. ("CARH"), the Company's holding company prior to IPO since September 27, 2007. Mr. Lu has over 21 years of industry experience. Mr. Lu served as the president of Beijing Shenzhou Deke Technology Development Co., Ltd. (北京神州迪科科技發展有限公司), a system integration solutions provider, from February 1994 to March 2005. Mr. Lu served as the president of Beijing Huaxia United Science & Technology Co., Ltd. (北京華夏聯合科技有限公司), a prominent provider of Internet protocol long-distance call services for enterprises, from October 2003 to March 2005. In March 2005, Mr. Lu founded Beijing Huaxia United Automobile Association Co. Ltd. (北京華夏聯合汽車俱樂部有限公司), a prominent automobile club in China, and served as its chief executive officer from March 2005 to August 2007. Mr. Lu graduated from the University of Science & Technology of Beijing (北京科技大學) in July 1991 where he obtained his bachelor's degree majored in industrial electric automation. He received an Executive Master of Business Administration degree from Peking University in July 2010.

NON-EXECUTIVE DIRECTORS

Linan ZHU (朱立南), aged 52, was appointed as the Company's Non-executive Director on April 29, 2014. He is responsible for participating in formulating the Company's corporate and business strategies. He has also been appointed as a director for CARH since November 18, 2010. Mr. Zhu has over 18 years of industry experience. From 1997 to 2001, Mr. Zhu held various positions in Lenovo Group Limited, including the head of Corporate Strategic Planning Department and a senior vice president. He has been a director of Legend Holdings since April 2001 and the director and president of Beijing Legend Capital Co., Limited (北京君聯資本管理有限公司) since November 2003. Mr. Zhu is also a director of Grand Union Management Limited since December 30, 2011. For companies listed on the Hong Kong Stock Exchange, Mr. Zhu was a non-executive director of Peak Sport Products Co., Limited (Stock Code: 1968) from April 2009 to June 2014, and has served as a non-executive director of Lenovo Group Limited (Stock Code: 0992) since April 2005. Mr. Zhu received his master's degree in electronic systems in March 1987 from Shanghai Jiao Tong University (上海交通大學). Mr. Zhu has been a senior engineer certified by the Chinese Academy of Sciences since December 1998.

Erhai LIU (劉二海), aged 46, was appointed as the Company's Non-executive Director on April 29, 2014. Mr. Liu is currently a member of Audit and Compliance Committee and Remuneration Committee of the Company. He is responsible for participating in formulating the Company's corporate and business strategies; and participating in making decisions and advising on issues relating to audit and remuneration of Directors and senior management. He has also been appointed as a director for CARH since December 16, 2009. Mr. Liu has over 12 years of industry experience. Mr. Liu joined Legend Capital in November 2003 and he is currently a managing director of Legend Capital. Mr. Liu serves on the board of directors for a number of Legend Capital portfolio companies, including, Bitauto Holdings Limited since March 2006, a company listed on the New York Stock Exchange, Rock Mobile (Cayman) Corporation since August 2009, Universal Education Holdings since August 2007, Coremax Group Limited since November 2008 and iDreamSky Technology Limited since August 2014, a company listed on the Nasdaq. Mr. Liu is also a director of Grand Union Management Limited, a general partner of Grand Union Investment Fund, L.P., a substantial shareholder of the Company since December 30, 2011. Mr. Liu received his master's degree in telecommunications and information system from Xidian University (西安電子科技大學) in March 1994. Mr. Liu also received a master's degree in business administration from Fordham University in May 2003.

Hui LI (黎輝), aged 46, was appointed as the Company's Non-executive Director on April 29, 2014. He is responsible for participating in formulating the Company's corporate and business strategies. He has also been appointed as a director for CARH since July 18, 2012. Mr. Li has over 21 years of industry experience. From July 1994 to February 2001, Mr. Li was employed by the Morgan Stanley group of companies and was working in the investment banking and global capital markets division based in New York, Singapore and Hong Kong. He was promoted to the position of vice president in December 1998. From March 2001 to February 2002, Mr. Li was working as an executive director in the corporate finance department of Goldman Sachs (Asia) L.L.C. in Hong Kong. In February 2002, Mr. Li joined Warburg Pincus Asia LLC, which is an affiliate of Amber Gem Holdings Limited which is a substantial shareholder of the Company, as an executive director and was promoted to his current position as a managing director in December 2003. Mr. Li has experience in serving as the non-executive director for a number of listed companies. He was a non-executive director for Kasen International Holdings Limited (Stock Code: 496) from May 2006 to October 2008, a non-executive director for Intime Department Store (Group) Company Limited (stock code: 1833) from September 2008 to June 2011 and a non-executive director for Synutra International, Inc. (Stock Code: SYUT) from February 2010 to November 2014. Mr. Li has also been serving as a non-executive director for China Biologic Products, Inc. which is listed on Nasdaq (Stock Code: CBPO) since November 2013, China Huarong Asset Management Company Limited since February 2015, China Advanced Gas Resources (Hong Kong) Limited since October 2014, Beijing Amcare Women's and Children's Hospital Company Limited since March 2015, and Datong International Holdings Limited since March 2011. Mr. Li graduated from Renmin University of China in July 1990 with a bachelor's degree in economics and subsequently obtained a master's degree in public and private management from Yale School of Organization and Management in May 1994.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Narasimhan Brahmadesam SRINIVASAN, aged 42, was appointed as the Company's Non-executive Director on April 29, 2014. He is responsible for participating in formulating the Company's corporate and business strategies. He has also been appointed as a director for CARH since May 1, 2013. Mr. Srinivasan has over 21 years of industry experience. From 1994 to 1997, Mr. Srinivasan was working at Dillon Read & Co. Inc., a merger and acquisition advisory firm. From 1997 to 1999, he was working at Evercore Partners Inc., an independent investment banking advisory firm. From 2001 to 2003, Mr. Srinivasan was working at Continuation Investments Group, a privately held company in New York and part of the Rothschild Group. From 2004 to July 2011, Mr. Srinivasan was the vice president of the Corporate Development & Strategy Group of MeadWestvaco Corporation. Since July 2011, Mr. Srinivasan has been the senior vice president of the Global Strategy & Corporate Development Group of The Hertz Corporation which is an affiliate of Hertz Holdings Netherlands B.V. which is a substantial shareholder of the Company. Mr. Srinivasan graduated from University of Pennsylvania in May 1994 with a bachelor of arts degree in mathematics and bachelor of science degree in economics, and subsequently obtained a master's degree in business administration from Columbia University in May 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sam Hanhui SUN (孫含暉), aged 42, has served as the Company's Independent Non-executive Director since August 18, 2014. Mr. Sun is currently the Chairman of Audit and Compliance Committee of the Company. He is responsible for participating in the decision making of the Company's significant events; and participating in making decisions and advising on issues relating to corporate governance and audit. Mr. Sun has over 20 years of industry experience. Mr. Sun worked in KPMG's auditing practice group from April 1995 to October 2004, including eight years at the Beijing office of KPMG where he was an audit senior manager, and two years at KPMG in Los Angeles, California. From 2004 to 2007, Mr. Sun served in several financial controller positions at SouFun Holdings Limited which is a company listed on the New York Stock Exchange (Stock Code: SFUN), Maersk China Co., Ltd. And Microsoft China R&D Group. Mr. Sun was also an independent director and audit committee member of KongZhong Corporation, a Nasdaq-listed company, from July 2005 to January 2007. He was the chief financial officer of KongZhong Corporation from February 2007 to April 2009. Since January 2010, Mr. Sun has served as the chief financial officer of Qunar Cayman Islands Ltd, a Nasdaq-listed company (Stock Code: QUNR). Since September 2010, Mr. Sun has served as an independent director and the chairman of the audit committee of SouFun Holdings Limited. 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 55, has served as the Company's Independent Non-executive Director since August 18, 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 28 years of industry experience in international finance, commercial banking, investment banking, and private equity industry. Mr. Ding worked at the World Bank and the International Monetary Fund in Washington, D.C. from November 1987 to February 1999, serving as an economist, project manager, divisional manager and the chief representative. From March 1999 to September 2002, Mr. Ding served as the chief country officer for China at Deutsche Bank. From October 2002 to February 2011, Mr. Ding worked at China International Capital Corporation as the managing director and later served as the head of investment banking division. From February 2011 to December 2013, Mr. Ding served as the senior managing director and head of Temasek Greater China, where he was responsible for Temasek's China strategy and investments. Since June 2012, Mr. Ding has been serving as a member of the board for Hwa Pao Investment. Mr. Ding received a bachelor's degree majoring in finance from Renmin University of China in July 1982. In January 1998, Mr. Ding completed the executive development program at Harvard Business School, which was tailor-made for the World Bank.

Li ZHANG (張黎), aged 47, has served as the Company's Independent Non-executive Director since August 18, 2014. Mr. Zhang is currently the Chairman of 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, nomination of Directors and remuneration of Directors and senior management. Mr. Zhang has over 19 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. Since October 2013, Mr. Zhang has been serving as the deputy dean of the National School of Development at Peking University (China Center for Economic Research) (北京大學國家發展研究院(中國經濟研究中心)) and the dean of Beijing International MBA at Peking University where he is responsible for education in business administration, research and administration of school affairs. Mr. Zhang received his bachelor's degree in textile engineering from Tianjin Institute of Textile Science &Technology (now known as Tianjin Polytechnic University) in July 1989, his master's degree in commodity sciences from Renmin University of China in July 1995 and a doctor of philosophy degree from the Ohio State University in September 1999.

Lei LIN (林雷), aged 47, has served as the Company's Independent Non-executive Director since August 18, 2014. Mr. Lin is currently members of Audit and Compliance Committee and Nomination Committee of the Company. He is responsible for participating in the decision making of the Company's significant events; and participating in making decisions and advising on issues relating to corporate governance, audit and nomination of Directors. Mr. Lin has over 20 years of industry experience. Mr. Lin worked as a supervisor at Beijing Sinotrust Business Risk Management Co., Ltd. (北京新華信商業風險管理有限責任公司) from June 1995 to September 2002 and Beijing Sinotrust Marketing Information Consulting Co., Ltd. (北京新華信營銷信息諮詢有限公司) from September 2002 to July 2003. From July 2003 to January 2007, Mr. Lin worked at Beijing Sinotrust Marketing Research and Consulting Co., Ltd. (北京新華信市場研究諮詢有限公司), where he was the president of the company. Mr. Lin was the president and CEO of Sinotrust International Information and Consulting (Beijing) Co., Ltd. (新華信國際信息諮詢(北京)有限公司) since January 2007 to December 2014, and currently he is the Chairman of Siontrust International Information and Consulting (Beijing) Co., Ltd. Since January 2015. Since October 2007, Mr. Lin has been serving as an independent director for Synutra International Inc. (聖元國際集團), which is listed on Nasdaq (stock code: SYUT). In addition, Mr. Lin has also been serving as an independent non-executive director for two companies listed on the Hong Kong Stock Exchange, namely New Focus Auto Tech Holdings Limited (新焦點汽車技術控股有限公司) (Stock Code: 360) since August 2013 and Xiezhong International Holdings Limited (協眾國際控股有限公司) (Stock Code: 3663) since August 2014. In terms of his professional membership and qualifications, Mr. Lin was admitted as a member of the European Society for Opinion and Marketing Research in July 2002, and he was admitted as an vice president of China Association of Market Information and Research in December 2012, and he was also admitted as a director of Society of Automotive Engineers of China (中國汽車工程學會) in December 2012. Mr. Lin received his bachelor's degree in Applied Economic Mathematics from Renmin University of China in July 1990.

Jenny Zhiya QIAN (錢治亞), aged 38, was appointed as the Company's executive vice-president and chief operating officer on May 15, 2014. She is responsible for general management of operations, and in particular, specifically responsible for, product design and pricing, marketing and public relations, and human resources. She has also been working as an executive vice-president and the chief operating officer for CARH since September 27, 2007, and is also a founding member of the Group. Ms. Qian has over 17 years of industry experience. From August 1998 to August 1999, she was an assistant manager at the Wuhan branch of SembCorp (Tianjin) Construction Engineering Co., Ltd. (勝科(天津)建設工程有限公司武漢分公司). She worked at Cheung Kong (Wuhan) Development Co., Ltd. (長江發展(武漢)有限公司) from August 1999 to February 2004 where she served as a personnel manager and an assistant general manager. Ms. Qian served as the assistant to the president of Beijing Huaxia United Science & Technology Co., Ltd. (北京華夏聯合科技有限公司) from February 2004 to March 2005 and a vice-president of operations for Beijing Huaxia United Automobile Association Co. Ltd. (北京華夏聯合汽車俱樂部有限公司) from March 2005 to August 2007. Ms. Qian graduated from Wuhan Institute of Textile Science (武漢紡織工學院) with a bachelor of business degree in June 1998 where she majored in industry and foreign trade. Ms. Qian also received an Executive Master of Business Administration degree from Peking University in July 2012.

Yaxiao LIU (劉亞霄), aged 41, was appointed as the Company's executive vice-president and the chief information officer on July 30, 2014. He is responsible for development of information technology, technological and operational innovation and implementing the mobile internet technology and new information technology strategies. Mr. Liu has over 15 years of experience in the information technology industry. Prior to joining us, Mr. Liu worked at International Business Machines Corporation, also known as IBM, from July 1999 to June 2014. At IBM, he was initially employed as an information technology specialist trainee and was later promoted to different positions within the company; and later became the Chief Technology Officer of Global Technology Services for IBM Greater China Group, which was the position he took until he left IBM in June 2014. Mr. Liu graduated from Tsinghua University with a bachelor's and master's degree in computer science in July 1997 and July 1999 respectively.

Wilson Wei LI (李維), aged 37, was appointed as the Company's executive vice-president and the Chief Financial Officer on May 15, 2014. He is responsible for matters relating to corporate finance and financial management of the Group, including budgeting, disclosure and reporting and overseeing the financial goals of the Company. He has also been appointed as an executive vice-president and the chief financial officer for CARH since May 1, 2014. Mr. Li has over 15 years of experience in corporate finance, risk management, internal audit, treasury and capital market. From August 2002 to January 2004, Mr. Li worked at GE Healthcare as the head of risk and credit management. From January 2004 to January 2007, Mr. Li was part of the General Electric corporate audit staff based in the US, where he had multiple financial or operational assignments in the US and Asia. From January 2007 to July 2010, Mr. Li was the chief financial officer for Global Supply Chain Asia group in GE Healthcare. From July 2010 to April 2014, Mr. Li worked as the chief financial officer of UniTrust Finance & Leasing Corporation, a prominent independent financial leasing company in China. Mr. Li graduated from Fudan University with a bachelor of arts in finance in June 2000. In July 2002, Mr. Li was also a graduate of Financial Management Program, an elite corporate leadership program organized by General Electric.

Yifan SONG (宋一凡), aged 38, was appointed as the Company's executive vice-president on May 15, 2014. She is responsible for general management of processes and standardization; in particular, stores, fleet, repair and maintenance facilities and call centers. She has also been working as an executive vice-president for CARH since September 27, 2007, and is also a founding member of the Group. Ms. Song has over 16 years of industry experience. Before joining us, she was a member of the technical support department at Beijing Ruide Hengchang Computer System Co., Ltd. (北京瑞得恒昌計算機系統集成有限公司) from May 1998 to May 1999. Ms. Song worked at Beijing Youheng Technology Co., Ltd. (北京友恒科技有限公司) as a technical support manager from June 1999 to May 2000, and as the head of customer services at Shouchuang Internet Co., Ltd. (首創網絡有限公司), an Internet service provider company, from May 2000 to December 2002. She served as the head of customer services at Beijing Yingtong Information System Co., Ltd. (北京盈通資訊系統有限公司), another Internet service provider company, from January 2003 to March 2005 and the head of customer services for Beijing Huaxia United Automobile Association Co. Ltd. (北京華夏聯合汽車俱樂部有限公司) from March 2005 to August 2007. Ms. Song graduated from the College of Electric Automation Engineering of Beijing Union University (北京聯合大學電子自動化工程學院) and received her bachelor's degree in communication engineering in July 1998. She obtained a master's degree in business administration from Central University of Finance and Economics of China (中央財經大學) in June 2009.

COMPANY SECRETARY

Ka Man SO (蘇嘉敏), aged 41, was appointed as our company secretary on July 30, 2014. Ms. So has over 16 years of experience in the corporate secretarial field. From August 2000 to December 2003, Ms. So worked at Tengis Limited (currently known as Tricor Tengis Limited). She has been working at Tricor Services Limited since January 2004 and is currently a senior manager at the corporate services division. Ms. So is currently the company secretary of Embry Holdings Limited (安莉芳控股有限公司) (stock code: 1388), a company listed on The Stock Exchange of Hong Kong Limited. Ms. So is a chartered secretary and an associate of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Ms. So obtained a bachelor of arts degree in accountancy from the Hong Kong Polytechnic University in November 1996.

CORPORATE GOVERNANCE PRACTICES

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

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

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

The Board is of the view that during the period from September 19, 2014 (the "Listing Date") to December 31, 2014, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provision A.2.1, details will be set out below.

A. MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the period from the Listing Date to December 31, 2014.

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

The Board currently comprises 9 members, consisting of 1 Executive Director, 4 Non-executive Directors and 4 Independent Non-executive Directors as set out below:

Executive Director:

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

Non-executive Directors:

Mr. Linan ZHU
Mr. Erhai LIU *(Members of Audit and Compliance Committee and Remuneration Committee)*
Mr. Hui LI
Mr. Narasimhan Brahmadesam SRINIVASAN

Independent Non-executive Directors:

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

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

(1) Chairman and Chief Executive Officer

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

Currently, the Chairman of the Board and Chief Executive Officer of the Company are held by Mr. Charles Zhengyao LU. While this constitutes a deviation from code provision A.2.1 as set out in the CG Code, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. Lu acts as the Chairman of the Board and the Chief Executive Officer of the Company. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises four Independent Non-executive Directors out of nine Directors, which is more than the Listing Rules requirement of one-third, and they believe that there is sufficient check and balance in the Board; (ii) Mr. Lu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of the Chairman of the Board and Chief Executive Officer is necessary.

(2) Independent Non-executive Directors

During the period from the Listing Date to December 31, 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

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

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

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

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

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

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

The Board reserves for its decision 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 December 31, 2014, the Directors complied with the code provision A.6.5 of the CG Code and all Directors, namely, Mr. Charles Zhengyao LU, Mr. Linan ZHU, Mr. Erhai LIU, Mr. Hui LI, Mr. Narasimhan Brahmadesam SRINIVASAN, Mr. Sam Hanhui SUN, Mr. Wei DING, Mr. Li ZHANG and Mr. Lei LIN, received regular briefings and updates on the Group's business/operations/corporate governance matters which are relevant to their duties and responsibilities.

C. BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit and Compliance Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and of Stock Exchange website 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 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; oversight of the Company's risk management, financial reporting system, internal control procedures and corporate governance functions; meeting with the internal and external auditors or senior management to discuss the audit plans; and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit and Compliance Committee is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code and such functions include the followings: (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 December 31, 2014, the Audit and Compliance Committee held one meeting to review the audit plan for 2014 financial results.

(2) Remuneration Committee

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

During the year ended December 31, 2014, 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 (other than Directors but including chief executive) by band for the year ended December 31, 2014 is set out below:

	Number of individuals
Nil to RMB1,000,000	1
RMB 1,000,001 to RMB 2,000,000	—
RMB 2,000,001 to RMB 3,000,000	1
RMB 3,000,001 to RMB 10,000,000	3
	5

Details of the remuneration of each of the Directors for the year ended December 31, 2014 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 December 31, 2014, 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 and Board Committee meetings of the Company held during the period from the Listing Date to December 31, 2014 is set out in the table below:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit and Compliance Committee**
Mr. Charles Zhengyao LU	1/1	1/1	—	—
Mr. Linan ZHU	1/1	—	—	—
Mr. Erhai LIU	1/1	—	1/1	1/1
Mr. Hui LI	1/1	—	—	—
Mr. Narasimhan Brahmadesam SRINIVASAN	1/1	—	—	—
Mr. Sam Hanhui SUN	1/1	—	—	1/1
Mr. Wei DING	0/1	—	0/1	—
Mr. Li ZHANG	1/1	1/1	1/1	—
Mr. Lei LIN	1/1	1/1	—	1/1

No general meeting was held during the period from the Listing Date to December 31, 2014.

E. DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2014.

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

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

F. AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2014 amounted to RMB5,902,000 and RMB565,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended December 31, 2014 is set out below:

Service Category	Fees Paid/ Payable *RMB'000*
Audit Services	5,902
Non-audit Services	
– Internal Audit	565
– Others	—

G. INTERNAL CONTROLS

During the year under review, the Board, through the Audit and Compliance Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such system on an annual basis through the Audit and Compliance Committee.

H. COMPANY SECRETARY

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

I. SHAREHOLDERS' RIGHTS

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

(1) Convening a General Meeting

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

(2) Putting Forward Proposals at General Meeting

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

(3) Putting Forward Enquiries to the Board

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

(4) Contact Details

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

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

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

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

(5) Articles of Association of the Company

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

J. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2014 (the "Financial Statements").

PRINCIPAL ACTIVITIES

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

(i) short-term rentals;

(ii) long-term rentals;

(iii) leasing.

Details of the principal activities of the principal subsidiaries are set out in note 24 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 December 31, 2014 are set out in the Financial Statements on pages 57 to 144 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended December 31, 2014.

SHARE CAPITAL

Details of the share capital of the Group during the reporting period are set out in note 30 to the Financial Statements.

USE OF PROCEEDS

The net proceeds from the IPO were approximately RMB3,183 million, after deducting the underwriting fees and commissions and related total expenses paid and payable by us in connection thereto. We have, and will continue to utilize the net proceeds from the IPO for purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated September 8, 2014 (the "Prospectus").

As at March 31, 2015, RMB2,784 million was used in procurement of additional fleet, RMB300 million was used in repayment of certain bank loans, and the remaining was used in providing working capital and other general corporate purposes.

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 61 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2014, the Company had no distributable reserves.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 145 of this annual report.

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 13 and note 16 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 28 to the Financial Statements.

CONTINGENT LIABILITIES

As at December 31, 2014, the Group had no significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of our directors, the Company has maintained the amount of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and agreed by the Stock Exchange as at the date of this annual report.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Director

Mr. Charles Zhengyao LU (Chairman)

Non-executive Directors

Mr. Linan ZHU
Mr. Erhai LIU
Mr. Hui LI
Mr. Narasimhan Brahmadesam SRINIVASAN

Independent Non-executive Directors

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

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

Pursuant to Article 83(3) of the Articles of Association, Mr. Charles Zhengyao LU, who was appointed by the Board on April 25, 2014, shall hold office until the forthcoming annual general meeting of the Company to be held on Tuesday, May 19, 2015 (the "AGM"). Pursuant to Article 84 of the Articles of Association, Mr. Linan ZHU, Mr. Erhai LIU and Mr. Hui LI shall retire by rotation at the AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE AGREEMENT AND LETTER OF APPOINTMENT

Our executive director has entered into a service agreement and four non-executive directors have each signed a letter of appointment with the Company on May 15, 2014, and our four independent non-executive directors have also each signed a letter of appointment with our Company on August 18, 2014. The initial term of the appointment is three years commencing from the execution date of the service agreement or letter of appointment (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the service agreement or letter of appointment or by either party giving to the other not less than one month's prior notice in writing.

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive directors, namely Mr. Sam Hanhui SUN, Mr. Wei DING, Mr. Li ZHANG and Mr. Lei LIN, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these directors. We consider that our independent non-executive directors have been independent for the period from the date of their appointment to December 31, 2014 and remain so as at the date of this annual report.

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

As at December 31, 2014, the interests of the directors and chief executives in the shares of the Company which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Long position in the shares of the Company

Name	Capacity/Nature of Interest	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Mr. Charles Zhengyao LU (陸正耀)(1)	Beneficiary of a Trust and Interest in a Controlled Corporation	347,947,545	14.76%
Mr. Sam Hanhui SUN (孫含暉)(2)	Beneficial Owner	140,000	0.01%

Notes:

(1) Mr. Lu was deemed to be interested in all of the 294,223,775 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.

(2) Mr. Sun is interested in 140,000 shares as beneficial owner.

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at December 31, 2014.

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 December 31, 2014.

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

As at December 31, 2014, the followings are the persons, other than the directors or chief executives of the Company, who had interests in the shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of Part XV of the SFO:

Long position in the shares of the Company

Name	Capacity/Nature of Interest	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Grand Union Investment Fund, L.P.[1]	Beneficial Owner	688,068,025	29.19%
Grand Union Management Limited[1]	Interest in a Controlled Corporation	688,068,025	29.19%
LC Fund III GP Limited[1]	Interest in a Controlled Corporation	688,068,025	29.19%
Amber Gem Holdings Limited[2]	Beneficial Owner	430,471,340	18.26%
Warburg Pincus & Co.[2]	Interest in a Controlled Corporation	430,471,340	18.26%
Warburg Pincus Private Equity XI, L.P.[2]	Interest in a Controlled Corporation	430,471,340	18.26%
Warburg Pincus XI, L.P.[2]	Interest in a Controlled Corporation	430,471,340	18.26%
WP Global LLC[2]	Interest in a Controlled Corporation	430,471,340	18.26%
Hertz Holdings Netherlands B.V.[3]	Beneficial Owner	382,490,265	16.22%
Hertz Global Holdings, Inc.[3]	Interest in a Controlled Corporation	382,490,265	16.22%
Hertz International Limited[3]	Interest in a Controlled Corporation	382,490,265	16.22%
Hertz Investors, Inc[3]	Interest in a Controlled Corporation	382,490,265	16.22%
Stuurgroep Holding C.V.[3]	Interest in a Controlled Corporation	382,490,265	16.22%
The Hertz Corporation[3]	Interest in a Controlled Corporation	382,490,265	16.22%
Ms. Lichun GUO[4][5]	Founder of a Trust, Interest in a Controlled Corporation	347,947,545	14.76%
Haode Group Inc.[5]	Beneficial Owner	294,223,775	12.48%
Lucky Milestone Limited[5]	Interest in a Controlled Corporation	294,223,775	12.48%
Cititrust Private Trust (Cayman) Limited[5]	Trustee of a Trust	294,223,775	12.48%

Notes:

(1) Grand Union Investment Fund, L.P. is an exempted liability partnership which is controlled by a general partner, Grand Union Management Limited, which is in turn wholly owned by LC Fund III GP Limited.

(2) Warburg Pincus Private Equity XI, L.P., a Delaware limited partnership, owns 77.6% of the equity interest in Amber Gem Holdings Limited ("Amber Gem"); Warburg Pincus Private Equity XI-B, L.P., a Delaware limited partnership, owns 14.4% of the equity interest in Amber Gem; Warburg Pincus XI Partners, L.P., a Delaware limited partnership, owns 5% of the equity interest in Amber Gem; Warburg Pincus XI Partners, L.P., a Delaware limited partnership, owns 2.7% of the equity interest in Amber Gem; and Warburg Pincus Private Equity XI-C, L.P., a Cayman Islands exempted limited partnership, owns 0.3% of the equity interest in Amber Gem. Each of the above private equity fund is managed by Warburg Pincus LLC, a New York limited liability company.

(3) Hertz Holdings Netherlands B.V. is wholly owned by Stuurgroep Holding C.V., which, in turn, is owned as to 99.9% by Hertz International Limited. Hertz International Limited is a wholly-owned subsidiary of The Hertz Corporation, which, in turn, is wholly owned by Hertz Investor, Inc., a wholly-owned subsidiary of Hertz Global Holdings, Inc. Thus, Stuurgreop Holding C.V., Hertz International Limited, The Hertz Corporation, Hertz Investor, Inc. and Hertz Global Holdings, Inc were deemed to be interested in 382,490,265 shares of the Company held by Hertz Holdings.

(4) Ms. Guo is the sole shareholder of Sky Sleek Limited. Thus, Ms. Guo was deemed to be interested in 53,723,770 shares of the Company held by Sky Sleek Limited.

(5) Haode Group Inc. is wholly-owned by Lucky Milestone Limited, a Bahamas company, which is in turn ultimately wholly owned by Cititrust Private Trust (Cayman) Limited, as trustee of The Lu's Family Trust. The Lu's Family Trust is an irrevocable trust constituted under the laws of the Cayman Islands with Ms. Guo as the settlor and certain family members of Mr. Lu as the beneficiaries. Thus, Lucky Milestone Limited, Cititrust Private Trust (Cayman) Limited and Ms. Guo were deemed to be interested in 294,223,775 shares of the Company held by Haode Group Inc..

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at December 31, 2014.

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 December 31, 2014.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group, none of the directors and controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2014 and up to the date of this annual report.

CONNECTED TRANSACTIONS

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

Referral Agreement

As disclosed in the Prospectus, on May 1, 2013, Hertz International Limited ("Hertz International") and CARH entered into a referral agreement (the "Referral Agreement"), pursuant to which CARH will refer its customers seeking vehicle rental services outside the PRC to Hertz International and Hertz International will refer its customers seeking vehicle rental services in the PRC to CARH during the term of the Brand Cooperation Agreement, which is for a period of five years. When the Referral Agreement was entered into, Hertz International was an independent third party.

Pursuant to the Referral Agreement, Hertz International shall pay CARH a commission of 5% of the adjusted net revenue received by Hertz affiliates on all CARH referrals resulting in completed rentals under the Referral Agreement which are sourced from CARH websites and CARH call centres within the PRC. CARH shall pay Hertz International a commission ranging from 5% to 15% on (a) adjusted net revenue received by CARH or any CARH licensee or subcontractor on all Hertz referrals resulting in completed rentals under the Referral Agreement which are sourced from Hertz websites, call centres and GDS partners, each of which are outside the PRC; and (b) the incremental difference in revenue between short-term self-drive rentals, short-term chauffeur drive rentals and long term rentals achieved in the actual corporate accounts revenue for any given contract year by comparison to the base revenue attributed to each such rental segment in the corporate accounts revenue base.

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

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

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

The independent non-executive directors of the Company have confirmed that the above continuing connected transaction was entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing it and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance 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 December 31, 2014 and up to the date of this annual report.

MANAGEMENT CONTRACTS

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

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2014, we had 6,758 employees. The remuneration to 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 Group offers competitive remuneration packages to the directors, and the directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's 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.

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 June 15, 2014 and amended on July 30, 2014.

On June 16, 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 July 31, 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 July 3, 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares. In light of the share split, the total number of options granted under the 2014 Pre-IPO Share Option Scheme I were adjusted to 92,461,415.

As at December 31, 2014, a total of 92,329,290 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:

Name of Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Schedule	Option Period	Exercise Price	Exercised since Date of Grant	Cancelled since Date of Grant	Lapsed since Date of Grant	Outstanding as of December 31, 2014
Jenny Zhiya QIAN (錢治亞)	816,730	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	US$0.058	–	–	–	816,730
	2,003,895	June 16, 2014	25% each on December 31, 2014, 2015, 2016 and 2017	10 years from December 20, 2013	US$0.174	–	–	–	2,003,895
	5,408,440	July 31, 2014	25% each on July 31, 2015, 2016, 2017 and 2018	10 years from July 31, 2014	US$0.174	–	–	–	5,408,440
	8,229,065					–	–	–	8,229,065
Yifan SONG (宋一凡)	816,730	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	US$0.058	–	–	–	816,730
	1,596,510	June 16, 2014	25% each on December 31, 2014, 2015, 2016 and 2017	10 years from December 20, 2013	US$0.174	–	–	–	1,596,510
	2,250,000	July 31, 2014	25% each on July 31, 2015, 2016, 2017 and 2018	10 years from July 31, 2014	US$0.174	–	–	–	2,250,000
	4,663,240					–	–	–	4,663,240
Yaxiao LIU (劉亞霄)	1,500,000	July 31, 2014	1/3 each on July 31, 2015, 2016 and 2017	10 years from July 31, 2014	US$0.174	–	–	–	1,500,000

Name of Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Schedule	Option Period	Exercise Price	Exercised since Date of Grant	Cancelled since Date of Grant	Lapsed since Date of Grant	Outstanding as of December 31, 2014
223 employees	33,455,530	June 16, 2014	100% on the date of grant	10 years from December 20, 2013	US$0.058	—	—	—	33,455,530
141 employees	31,488,580	June 16, 2014	25% each on December 31, 2014, 2015, 2016 and 2017	10 years from December 20, 2013	US$0.174	—	—	(132,125)	31,356,455
18 employees	13,125,000	July 31, 2014	25% each on July 31, 2015, 2016, 2017 and 2018	10 years from July 31, 2014	US$0.174	—	—	—	13,125,000
Total	92,461,415					—	—	(132,125)	92,329,290

For further details of the 2014 Pre-IPO Share Option Scheme I, please refer to the section headed "Statutory and General Information" of the Prospectus and note 31 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 June 15, 2014.

On June 16, 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 July 3, 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares. In light of the share split, the total number of options granted under the 2014 Pre-IPO Share Option Scheme II were adjusted to 6,162,140.

As at December 31, 2014, a total of 6,162,140 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:

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

For further details of the 2014 Pre-IPO Share Option Scheme II, please refer to the section headed "Statutory and General Information" of the Prospectus and note 31 to the Financial Statements.

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II
1.	Purpose	To promote the success and enhance the value of the Company by linking the personal interests of the members of the Board, Chief Financial Officer and employees to those of the Company's shareholders, and is intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of the members of the Board, the Chief Financial Officer and the employees upon whose 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.
3.	Total number of shares available for issue	As at December 31, 2014, options to subscribe for an aggregate of 35,088,990 shares were outstanding under Tranche A, options to subscribe for an aggregate of 34,956,860 shares were outstanding under Tranche B and options to subscribe for an aggregate of 22,283,440 shares were outstanding under Tranche C, representing approximately 1.43%, 1.42% and 0.91% of the issued capital of the Company as at December 31, 2014, respectively. In total, options to subscribe for an aggregate of 92,329,290 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 December 31, 2014, options to subscribe for an aggregate of 6,162,140 shares were outstanding, representing approximately 0.25% of the issued share capital of the Company. No further option could be granted under the 2014 Pre-IPO Share Option Scheme II.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II
4.	Maximum entitlement of each participant	Determined by the Board	Determined by the Board
5.	Option period	Tranche A: 10 years from December 20, 2013 Tranche B: 10 years from December 20, 2013 Tranche C: 10 years from July 31, 2014	10 years from March 1, 2014
6.	Acceptance of offer	Options granted must be accepted within 5 days of the offer date by the grantee. Acceptance is deemed when the grantee duly signs the duplicate letter and the Company receives a remittance in favor of the Company of RMB1.00 as stated in the offer letter by way of consideration for the grant.	
7.	Exercise price	Exercise price for each of Tranche A options, Tranche B options and Tranche C options are US$0.058, US$0.174 and US$0.174 respectively.	Exercise price is US$0.174
8.	Remaining life of the scheme	The 2014 Pre-IPO Share Option Scheme I shall be valid and effective until terminated on the 10th anniversary of its adoption date, i.e. from June 15, 2014 to June 14, 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 March 1, 2014 to February 29, 2024.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the amount of the Group's revenue derived from the Group's five largest customers accounted for approximately 11.4% of the Group's revenue. Our five largest vehicle suppliers accounted for approximately 49.2% of our vehicle purchases during the year ended December 31, 2014 and the purchases from the largest supplier included therein amounted to 11.38%.

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 December 31, 2014, 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%.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to December 31, 2014.

EVENTS AFTER THE REPORTING PERIOD

In January 2015, the Company commenced a collaboration with UCAR, an independent third-party car service provider, under a co-branding arrangement (the "Collaboration"). Under the Collaboration, the Company will rent cars to UCAR under both long-term and short-term rental terms at the prevailing market rates, while UCAR will utilize the rental cars and the drivers it hired from labor companies to make chauffeured car services available to customers under the joint-brand "UCAR神州專車". We believe that the Collaboration will further enhance our brand recognition and customer retention, create cross-selling opportunities, and improve our fleet management efficiency. Under the Collaboration, the Company also enjoys priority rights in UCAR's future equity financings, which we believe secures future strategic opportunities in auto mobility services for us.

In January 2015, three major international credit rating agencies, Moody's, Standard & Poor's and Fitch Ratings assigned credit ratings of Ba1, BB+ and BB+ respectively to the Company, with stable ratings outlook. In February 2015, the Company issued Reg S/144A US$500 million 6.125% senior notes due in 2020, which the Company intend to use for capital expenditure and other general corporate purposes, including refinancing outstanding indebtedness, to enhance the capital structure, diversify the funding sources and reduce the financing costs of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. During the period from the Listing Date to December 31, 2014, the Company has complied with the code provisions in the CG Code, save and except for code provision A.2.1, details of which are set out in the Corporate Governance Report.

AUDITORS

The consolidated financial statements of the Group for the year ended December 31, 2014 have been audited by Ernst & Young, certified public accountants.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, May 18, 2015 to Tuesday, May 19, 2015 (both days inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Friday, May 15, 2015.

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

Hong Kong, March 11, 2015

To the directors of CAR Inc.

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CAR Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 144, which comprise the consolidated and company statements of financial position as at December 31, 2014, and the consolidated statement of profit or loss, statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
March 12, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
Rental revenue		**2,866,210**	2,207,812
Sales of used vehicles		**654,226**	494,903
Total revenue	5	**3,520,436**	2,702,715
Depreciation of rental vehicles		**(670,163)**	(690,027)
Direct operating expenses of rental services		**(988,876)**	(861,638)
Cost of sales of used vehicles		**(621,982)**	(522,126)
Gross profit		**1,239,415**	628,924
Other income and expenses, net	5	**26,195**	20,704
Selling and distribution expenses		**(92,710)**	(152,732)
Administrative expenses		**(350,107)**	(378,226)
Finance costs	6	**(309,466)**	(334,611)
Profit/(loss) before tax	7	**513,327**	(215,941)
Income tax expenses	9	**(77,214)**	(7,424)
Profit/(loss) for the year		**436,113**	(223,365)
Attributable to:			
Owners of the parent	10	**436,113**	(223,365)
Earnings/(loss) per share attributed to ordinary equity holders of the parent			
Basic	12	**RMB0.218**	RMB(0.120)
Diluted	12	**RMB0.212**	RMB(0.120)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2014

	2014	2013
	RMB'000	*RMB'000*
Profit/(loss) for the year	**436,113**	(223,365)
Other comprehensive income for the year, net of tax	**—**	—
Total comprehensive income/(loss) for the year, net of tax	**436,113**	(223,365)
Attributable to:		
The owners of the parent	**436,113**	(223,365)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2014

	Notes	December 31, 2014 RMB'000	December 31, 2013 RMB'000
NON-CURRENT ASSETS			
Rental vehicles	13	**5,234,194**	4,023,956
Other property, plant and equipment	16	**213,804**	89,226
Finance lease receivables – non-current	14	**132,782**	68,677
Prepayments	15	**440,910**	54,660
Prepaid land lease payments	17	**6,907**	7,076
Goodwill	18	**6,224**	5,650
Other intangible assets	19	**158,179**	145,294
Rental deposits		**4,626**	2,292
Restricted cash	25	**53,129**	1,830
Deferred tax assets	29	**573**	3,142
Total non-current assets		**6,251,328**	4,401,803
CURRENT ASSETS			
Inventories	20	**121,905**	330,304
Trade receivables	21	**236,407**	208,426
Prepayments, deposits and other receivables	22	**655,172**	342,222
Available-for-sale investments	23	**1,070,000**	—
Due from a related party	38	**—**	119
Finance lease receivables – current	14	**155,072**	42,362
Cash and cash equivalents	25	**1,352,435**	841,835
Total current assets		**3,590,991**	1,765,268
CURRENT LIABILITIES			
Trade payables	26	**24,671**	13,802
Other payables and accruals	27	**326,813**	317,610
Advances from customers		**192,771**	174,838
Interest-bearing bank and other borrowings	28	**2,778,887**	2,247,576
Due to a related party	39	**—**	133,542
Due to shareholders	39	**6,707**	1,597,568
Income tax payable		**38,999**	6,008
Total current liabilities		**3,368,848**	4,490,944
NET CURRENT ASSETS/(LIABILITIES)		**222,143**	(2,725,676)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,473,471**	1,676,127

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2014

	Notes	December 31, 2014 RMB'000	December 31, 2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,473,471**	1,676,127
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**831,802**	1,563,299
Deposits received for rental vehicles		**14,777**	19,291
Deferred tax liabilities	29	**37,308**	20,599
Total non-current liabilities		**883,887**	1,603,189
Net assets		**5,589,584**	72,938
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**145**	—
Reserves	32	**5,762,413**	668,468
Accumulated losses		**(172,974)**	(595,530)
Total equity		**5,589,584**	72,938

Charles Zhengyao LU
Director

Sam Hanhui SUN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2014

	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	Accumulated losses RMB'000	Total equity RMB'000
As at January 1, 2013	—	386,492	1,013	—	—	(371,982)	15,523
Loss for the year	—	—	—	—	—	(223,365)	(223,365)
Other comprehensive income for the year	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	—	(223,365)	(223,365)
Appropriation of statutory reserve	—	—	183	—	—	(183)	—
Contribution from a shareholder	—	179,632	—	—	—	—	179,632
Equity-settled share option arrangements (note 31)	—	—	—	—	101,148	—	101,148
As at December 31, 2013	—	566,124	1,196	—	101,148	(595,530)	72,938
Profit for the year	**—**	**—**	**—**	**—**	**—**	**436,113**	**436,113**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**436,113**	**436,113**
Appropriation of statutory reserve	**—**	**—**	**13,557**	**—**	**—**	**(13,557)**	**—**
Issuance of shares (note 30)	**145**	**—**	**—**	**3,183,161**	**—**	**—**	**3,183,306**
Contribution from a shareholder	**—**	**1,816,595**	**—**	**—**	**—**	**—**	**1,816,595**
Equity-settled share option arrangements (note 31)	**—**	**—**	**—**	**—**	**80,632**	**—**	**80,632**
As at December 31, 2014	**145**	**2,382,719**	**14,753**	**3,183,161**	**181,780**	**(172,974)**	**5,589,584**

* These reserve accounts comprise the consolidated reserves of RMB5,762,413,000 (2013: RMB668,468,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**513,327**	(215,941)
Adjustments for:			
Impairment on trade receivables		**5,434**	14,667
Impairment of inventories		**—**	1,462
Depreciation of rental vehicles	13	**670,163**	690,027
Depreciation of other property, plant and equipment	16	**29,279**	23,076
Loss/(gain) on other disposal of other property, plant and equipment		**49**	(872)
Loss on disposal of a subsidiary		**417**	—
Amortisation of other intangible assets	19	**9,390**	6,595
Amortisation of prepaid land lease payment	17	**169**	169
Exchange loss/(gain) arising from an amount due to a shareholder		**6,235**	(39,100)
Equity-settled share option expenses	31	**80,632**	101,148
Finance costs	6	**309,466**	334,611
Interest income		**(34,620)**	(3,284)
		1,589,941	912,558
Increase of trade receivables		**(33,249)**	(114,141)
Decrease/(increase) of inventories		**208,399**	(314,148)
Increase of prepayments and other receivables		**(700,491)**	(88,919)
Increase/(decrease) of trade payables		**10,869**	(3,051)
Increase of an amount due to a shareholder for operating activities		**24,222**	7,356
Increase of advances from customers		**13,419**	69,733
Decrease of other payables and accruals		**(66,143)**	(10,208)
Increase of rental vehicles		**(1,880,401)**	(1,002,571)
Increase of finance lease receivable		**(176,815)**	(44,023)
Tax paid		**(19,943)**	(2,898)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(1,030,192)**	(590,312)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of other property, plant and equipment		**(81,220)**	(32,171)
Proceeds from disposal of other property, plant and equipment		**3,857**	1,055
Purchases of other intangible assets		**(21,901)**	(27,775)
Acquisition of subsidiaries	33	**(1,321)**	73,687
Redemption of available-for-sale investments		**725,000**	—
Purchase of available-for-sale investments		**(1,795,000)**	—
Interest received		**34,620**	3,274
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(1,135,965)**	18,070
CASH FLOWS FROM FINANCING ACTIVITIES			
Restricted cash		**(51,299)**	7,494
Proceeds from bank and other borrowings		**1,612,618**	3,330,953
Repayments of bank and other borrowings		**(1,812,804)**	(2,663,484)
Proceeds from a shareholder		**195,277**	823,358
Repayment to a shareholder		**—**	(5,994)
Proceeds from issuance of ordinary shares		**3,183,306**	—
Repayments to related parties		**(133,542)**	(649,738)
Interest paid		**(315,762)**	(329,814)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**2,677,794**	512,775
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**511,637**	(59,467)
Cash and cash equivalents at beginning of year		**841,835**	910,372
Effect of foreign exchange rate changes, net		**(1,037)**	(9,070)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,352,435**	841,835

STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2014

	Notes	December 31, 2014 RMB'000	December 31, 2013 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	24	**—**	—
Total non-current assets		**—**	—
CURRENT ASSETS			
Prepayments, deposits and other receivables		**6,055**	—
Due from subsidiaries	24	**2,740,028**	—
Cash and cash equivalents		**445,434**	—
Total current assets		**3,191,517**	—
CURRENT LIABILITIES			
Other payables and accruals		**7,611**	—
Total current liabilities		**7,611**	—
NET CURRENT ASSETS		**3,183,906**	—
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,183,906**	—
EQUITY			
Equity attributable to owners of the parent			
Share capital		**145**	—
Reserves	32(b)	**3,242,064**	—
Accumulated losses		**(58,303)**	—
Total equity		**3,183,906**	—

Charles Zhengyao LU
Director

Sam Hanhui SUN
Director

1. CORPORATE INFORMATION

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

2.1 BASIS OF PRESENTATION

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

Basis of consolidation

Pursuant to a group reorganisation ("Corporate Reorganisation") as more fully explained in "Our History, Reorganisation and Corporate Structure" to the prospectus dated September 8, 2014, the Company became the holding company of the companies now comprising the Group on May 15, 2014. The Corporate Reorganisation has no substance and did not form a business combination and accordingly, the financial statements have been prepared on a consolidated basis by applying the principles of merger accounting as if the Corporate Reorganisation had been completed at the beginning of the year for the purpose of this report.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2014. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

2.1 BASIS OF PRESENTATION *(continued)*

Basis of consolidation *(continued)*

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 and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from July 1, 2014

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

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[2]

1 Effective for annual periods beginning on or after July 1, 2014
2 Effective for annual periods beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after January 1, 2017
4 Effective for annual periods beginning on or after January 1, 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after January 1, 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending December 31, 2015. The Group is in the process of making an assessment of the impact of these changes.

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

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

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

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

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

IFRS 15 establishes a new five-step model that will apply to 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. The Group expects to adopt IFRS 15 on January 1, 2017 and is currently assessing the impact of IFRS 15 upon adoption.

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

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

The Annual Improvements to IFRSs 2010-2012 Cycle issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from January 1, 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the 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 results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

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 that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

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); and
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment 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 HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the year in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Rental vehicles

Rental vehicles are depreciated over the estimated holding year on a straight line basis. The initial estimated holding year of such rental vehicles is generally 2.5 to 3 years. The Group also estimates the residual value of the rental vehicles at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values for rental vehicles are based on factors including model, age, mileage and location.

The Group makes annual adjustments to the depreciation rates of rental vehicles in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. Such adjustments are accounted for as changes in accounting estimates. During the year ended December 31, 2014, rental vehicles were depreciated at rates ranging from 11.4% to 22.5% per annum.

When an item of rental vehicle is classified as held for resale, it is not depreciated and is accounted for as held for sale, as further explained in the accounting policy for "Inventories".

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	2.22% to 2.86%
Office furniture and equipment	20% to 33.33%
In-car accessories	20% to 33.33%
Leasehold improvements	20% to 100%

Where parts of an item of other property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of other property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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 licenses

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

Licence plates

Licence plates are estimated to have indefinite useful life.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Lessee, other than legal title, are accounted for as finance leases.

At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in other property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives or holding period of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms. Where the Group is the lessor, the asset held should be presented as a receivable at an amount equal to the net investment in the lease. The finance lease income is recognised in accordance with the policy set out by "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

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.

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:

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. 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.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the year in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to shareholders, deposits received for vehicles rental, interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories comprise used rental vehicles for sale, fuels and spare parts and are stated at the lower of cost and net realisable value. Cost of used rental vehicles for sale is calculated on specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the vehicles to their present location and condition. Cost of fuels and spare parts are based on purchase costs and are determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

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 basis:

(a) Operating lease rental income

Revenue contracts with a lease term of up to 90 days are classified as short term rental contracts and those with a lease term of more than 90 days are classified as long term rental contracts. The minimum lease payment is recognised as revenue over the lease period on a straight line basis.

Customer loyalty award credits granted in rendering of operating leases services is accounted for as a separate component of the lease transaction in which they are granted. The consideration received in the lease transaction is allocated between the loyalty award credits and the other components of the lease. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(b) Finance lease income

The Group records revenue attributable to finance leases over the lease term on a systematic and rational basis so as to produce a constant rate of return on the net investment in the finance lease.

(c) Sales of rental vehicles

Sales of rental vehicles are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the rental vehicles sold.

(d) Royalty and franchise income

Royalty and franchise income are recognised on an accrual basis in accordance with the terms of the relevant agreements.

(e) Interest income

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

(f) Other service income

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

Share-based payments

Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("Equity-Settled Transactions").

The cost of Equity-Settled Transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

The cost of Equity-Settled Transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension obligations

The group companies operating in Mainland China participate in defined contribution retirement benefit plans organised by the relevant government authorities for its employees in Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognised as employee benefit expenses when incurred.

Housing benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive loss or profit or loss is also recognised in other comprehensive loss or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income 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.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

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

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases and, in respect of finance leases, determining the appropriate discount rate implicit in the lease to discount minimum lease payments. In respect of leases classified as finance leases, it has not been possible to reliably estimate lessors' residual values and management has been required to independently estimate an appropriate discount rate. The accounting policy for leases is set out in Note 2.4.

The Group entered into sale-leaseback arrangements with certain financial institutions (the "Lenders") to obtain financing. Under such arrangements, the Group received the sales proceeds which represented the principal upon the lease inception, and would make monthly instalments during the lease term. The Group is subject to substantially the entire benefits and risks incidental to the ownership of such rental vehicles through leaseback. Under the sale-leaseback agreements, ownership of the underlying vehicles is transferred to the lenders upon the lease inception, and the Group is entitled to obtain their ownership for nil consideration at the end of the lease term. The leaseback was a finance lease due to the transfer of ownership back to the Group at the end of the lease term. The Group accounted for such arrangements as long term borrowing collateralised by rental vehicles and no gains or losses was recognised from these sale leaseback transactions.

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of rental vehicles

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's rental vehicles. This estimate is based on the estimated holding period of such rental vehicles. Management will increase the depreciation charge where useful lives are less than previously estimated, or will write off or write down technically obsolete or damaged rental vehicles that have been abandoned or sold. Actual holding period may differ from estimated useful lives. Periodic review could result in a change in useful lives and residual values which impact depreciation charges in the future periods.

The Group's management determines the estimated residual values at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values for rental vehicles are based on factors including make, age, mileage and location. Management will increase the depreciation charge where residual values are less than previously estimated values, or will write off or write down technically obsolete or damaged rental vehicles that have been abandoned or sold. Actual value at the time of disposal may differ from estimated residual values. Periodic review could result in a change in residual values and therefore depreciation charge in the future periods. The net carrying value of rental vehicles was RMB5,234,194,000 (2013: RMB4,023,956,000) as at December 31, 2014.

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 RMB121,905,000 (2013: RMB330,304,000) as at December 31, 2014.

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 judgment and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the trade receivables and bad and doubtful debt expenses/write-back in the period in which the estimate has been changed. The net carrying value of trade receivables was and RMB236,407,000 (2013: RMB208,426,000) as at December 31, 2014.

Deferred revenue

The amount of revenue attributable to the credit award earned by the customers of the Group's loyalty program is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate was estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed. The carrying value of deferred revenue was RMB3,053,000 (2013: RMB2,691,000) as at December 31, 2014.

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

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of other property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on the changes in circumstances. The net carrying value of other property, plant and equipment was RMB213,804,000 (2013: RMB89,226,000) as at December 31, 2014.

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 RMB573,000 (2013: RMB3,142,000) as at December 31, 2014.

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The carrying value of non-financial assets other than goodwill is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policies as disclosed in the relevant parts in note 2.4 to the Financial Information. The recoverable amount of the non-financial assets other than goodwill is the greater of the fair value less costs to sell and value in use, the calculations of which involve the use of estimates. The net carrying value of non-financial assets (other than goodwill) was RMB5,425,181,000 (2013: RMB4,258,476,000) as at December 31, 2014.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying value of goodwill was and RMB6,224,000 (2013: RMB5,650,000) as at December 31, 2014.

4. OPERATING SEGMENT INFORMATION

The Group's principal business is the provision of car rental and other services to its customers. For management purposes, the Group operates in one business unit based on its services, and has one reportable segment which is the provision of car rental and other services.

Information about geographical area

Since all of the Group's revenue was generated from the car rental and other services in Mainland China and all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented in accordance with IFRS 8 - Operating Segments.

Information about major customers

There was no single customer from which the sales amounted to 10% or more of the Group's revenue during the year ended December 31, 2014 (2013: none).

5. REVENUE, OTHER INCOME AND EXPENSES

Revenue, which is also the Group's turnover, mainly represents the value of car rental service rendered and the net invoiced value of rental vehicles sold, net of business tax and discounts allowed.

An analysis of revenue, other income and expenses, net is as follows:

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Short-term rental income	**2,295,752**	1,714,485
Long-term rental income	**466,418**	448,903
Finance lease income	**46,825**	21,709
Sales of used rental vehicles	**654,226**	494,903
Franchise related income	**11,396**	—
Others	**45,819**	22,715
	3,520,436	2,702,715
Other income and expenses, net		
Interest income from bank deposit	**34,620**	**3,284**
Exchange (loss)/gain	**(19,564)**	**22,711**
Government grants*	**10,530**	**1,834**
(Loss)/gain on disposals of items of other property, plant and equipment	**(49)**	**872**
Others	**658**	**(7,997)**
	26,195	**20,704**

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2014	2013
	RMB'000	*RMB'000*
Interest on bank and other loans wholly repayable within five years	**309,466**	333,876
Others	**—**	735
	309,466	334,611

7. PROFIT/(LOSS) BEFORE TAX

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

	2014	2013
	RMB'000	*RMB'000*
Cost of sales of used vehicles	**621,982**	522,126
Depreciation of rental vehicles	**670,163**	690,027
Depreciation of other property plant, and equipment	**29,279**	23,076
Recognition of prepaid land lease payments	**169**	169
Amortisation of other intangible assets*	**9,390**	6,595
Minimum lease payments under operating leases in respect of offices and stores	**52,802**	50,144
Minimum lease payments under operating leases in respect of rental vehicles	**40,243**	18,118
Wages and salaries	**414,046**	332,469
Equity-settled share option expenses (note 31)	**80,632**	101,148
Pension scheme contribution**	**99,429**	79,991
Insurance expenses	**151,582**	157,259
Repair and maintenance	**98,409**	120,139
Exchange loss/(gain)	**19,564**	(22,711)
Auditors' remuneration	**5,902**	2,851
Impairment on trade receivables	**5,434**	14,667
Loss/(gain) on disposal of items of other property, plant and equipment	**49**	(872)
Advertising and promotion expenses	**53,260**	112,813
Provision for impairment losses of inventories	**—**	1,462

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

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

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014	2013
	RMB'000	*RMB'000*
Fees	**908**	—
Other emoluments		
– Salaries, allowances and benefits in kind	**183**	183
– Pension scheme contributions	**58**	56
	241	239
	1,149	239

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

(a) Independent non-executive directors

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

	2014	2013
	RMB'000	*RMB'000*
Sam Hanhui SUN	**227**	—
Wei DING	**227**	—
Li ZHANG	**227**	—
Lei LIN	**227**	—
	908	—

There were no other emoluments payable to the independent non-executive directors during the year (2013: RMB Nil).

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

(b) An executive director and chief executive officer and non-executive directors

	2014	2013
	RMB'000	*RMB'000*
An executive director and chief executive officer		
– Charles Zhengyao LU ("Mr. Lu")	**241**	239
Non-executive directors		
– Narasimhan Brahmadesam SRINIVASAN	**—**	—
– Liu Erhai	**—**	—
– Zhu Linan	**—**	—
– Li Hui	**—**	—
	241	239

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 individuals

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

	2014	2013
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,378**	2,228
Equity-settled share option expense	**29,601**	10,576
Pension scheme contributions	**360**	388
	32,339	13,192

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

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

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

	2014 Number of Individuals	2013 Number of individuals
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**1**	2
Over HK$2,000,000	**4**	3
	5	5

During the year and in prior years, share options were granted to the above non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the years is included in the above non-director and non-chief executive highest paid employees' remuneration disclosure.

9. INCOME TAX EXPENSE

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

	2014 *RMB'000*	2013 *RMB'000*
Current income tax:		
Mainland China	**57,936**	8,958
Deferred tax (note 29)	**19,278**	(1,534)
Total tax charge for the year	**77,214**	7,424

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

9. INCOME TAX EXPENSE *(continued)*

The provision for current income tax in PRC is based on a statutory rate of 25% of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on January 1, 2008.

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

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

	2014	2013
	RMB'000	*RMB'000*
Profit/(loss) before tax	**513,327**	(215,941)
Tax at PRC statutory tax rate of 25%	**128,332**	(53,985)
Tax effect of tax rate difference between PRC and overseas entities	**21,424**	18,537
(Utilisation)/impact of unrecognised deferred tax assets	**(73,353)**	40,927
Expenses not deductible for tax	**811**	1,945
Total charge for the year	**77,214**	7,424

The effective tax rate of the Group was 15.04% (2013: -3.44%) for the year ended December 31, 2014.

10. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended December 31, 2014 includes a loss of RMB58,303,000 (2013: Nil) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

The board of the directors does not recommend payment of dividend to the ordinary equity holders of the Company for the year ended December 31, 2014 (2013: Nil).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTED TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,005,050,818 (2013: 1,867,220,070) 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. 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 of all dilutive potential ordinary shares into ordinary shares.

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

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**436,113**	(223,365)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**2,005,050,818**	1,867,220,070
Effect of dilution – weighted average number of ordinary shares:		
Share option	**56,498,477**	—*
	2,061,549,295	1,867,220,070

* Because the diluted earnings per share amount is increased when taking share option into account, the share option had an anti-dilutive effect on the basic earnings per share for the year ended December 31, 2013 and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the loss for the year RMB223,365,000, and the weighted average number of ordinary shares of 1,867,220,070 in issue during the year ended December 31, 2013.

13. RENTAL VEHICLES

	Total
	RMB'000
At January 1, 2014:	
Cost	**5,015,742**
Accumulated depreciation	**(991,786)**
Net carrying amount	**4,023,956**
At January 1, 2014, net of accumulated depreciation	**4,023,956**
Additions	**2,729,073**
Disposals and transfers to inventories	**(411,257)**
Transfers to finance leases	**(437,415)**
Depreciation provided during the year	**(670,163)**
At December 31, 2014, net of accumulated depreciation	**5,234,194**
At December 31, 2014	
Cost	**6,420,412**
Accumulated depreciation	**(1,186,218)**
Net carrying amount	**5,234,194**
At January 1, 2013:	
Cost	4,361,760
Accumulated depreciation	(820,731)
Net carrying amount	3,541,029
At January 1, 2013, net of accumulated depreciation	3,541,029
Additions	1,888,999
Acquisition of subsidiaries	170,383
Disposals and transfers to inventories	(806,301)
Transfers to finance leases	(80,127)
Depreciation provided during the year	(690,027)
At December 31, 2013, net of accumulated depreciation	4,023,956

Vehicles with total carrying value of RMB378,816,000 (2013: RMB582,663,000) as of December 31, 2014 were pledged as securities for certain of the Group's interest-bearing loans (note 28).

14. FINANCE LEASE RECEIVABLES

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

	2014	2013
	RMB'000	*RMB'000*
Net minimum lease payments receivable	**360,278**	146,171
Unearned finance income	**(72,424)**	(35,132)
Total net finance lease receivables	**287,854**	111,039
Less: Current portion	**155,072**	42,362
Non-current portion	**132,782**	68,677

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

	2014	2013
	RMB'000	*RMB'000*
Within one year	**204,492**	49,056
In the second to fifth years, inclusive	**155,786**	97,115
	360,278	146,171

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

	2014	2013
	RMB'000	*RMB'000*
Within one year	**155,072**	42,362
In the second to fifth years, inclusive	**132,782**	68,677
	287,854	111,039

15. PREPAYMENTS

	2014 RMB'000	2013 RMB'000
Prepayments for rental vehicles	440,910	54,660

16. OTHER PROPERTY, PLANT AND EQUIPMENT

	In-car accessories RMB'000	Leasehold improvement RMB'000	Office furniture and equipment RMB'000	Buildings RMB'000	Total RMB'000
At January 1, 2014:					
Cost	40,257	31,627	56,598	16,333	144,815
Accumulated depreciation	(17,422)	(19,570)	(17,915)	(682)	(55,589)
Net carrying amount	22,835	12,057	38,683	15,651	89,226
At January 1, 2014, net of accumulated depreciation	22,835	12,057	38,683	15,651	89,226
Additions	5,589	11,994	8,943	131,237	157,763
Depreciation provided during the year	(7,236)	(7,560)	(12,479)	(2,004)	(29,279)
Disposals	—	(2,902)	(1,004)	—	(3,906)
At December 31, 2014, net of accumulated depreciation	21,188	13,589	34,143	144,884	213,804
At December 31, 2014:					
Cost	45,846	40,719	65,782	148,640	300,987
Accumulated depreciation	(24,658)	(27,130)	(31,639)	(3,756)	(87,183)
Net carrying amount	21,188	13,589	34,143	144,884	213,804

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

	In-car accessories	Leasehold improvement	Office furniture and equipment	Buildings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2013:					
Cost	33,912	22,388	31,686	16,333	104,319
Accumulated depreciation	(11,966)	(12,097)	(8,141)	(341)	(32,545)
Net carrying amount	21,946	10,291	23,545	15,992	71,774
At January 1, 2013, net of accumulated depreciation	21,946	10,291	23,545	15,992	71,774
Additions	6,345	7,317	20,432	—	34,094
Acquisition of subsidiaries	—	1,922	4,695	—	6,617
Depreciation provided during the year	(5,456)	(7,473)	(9,806)	(341)	(23,076)
Disposals	—	—	(183)	—	(183)
At December 31, 2013 net of accumulated depreciation	22,835	12,057	38,683	15,651	89,226

The Group has pledged its buildings with a net carrying amount of RMB15,508,000 (2013: RMB15,651,000) as of December 31, 2014 to secure its finance lease payables.

As of December 31, 2014, the Group was in the process of obtaining the property rights certificates of certain of the Group's buildings with a net carrying amount of approximately RMB129,376,000 (2013: Nil).

17. PREPAID LAND LEASE PAYMENTS

	2014	2013
	RMB'000	*RMB'000*
Carrying amount at beginning of the year	**7,245**	7,414
Recognised during the year	**(169)**	(169)
Carrying amount at end of the year	**7,076**	7,245
Current portion included in prepayments, deposits and other receivables	**(169)**	(169)
Non-current portion	**6,907**	7,076

17. PREPAID LAND LEASE PAYMENTS *(continued)*

These leasehold lands are situated in Mainland China and are held under a medium lease.

As of December 31, 2014, the prepaid land lease of RMB7,076,000 (2013: RMB7,245,000) had been pledged to secure the Group's certain interest-bearing loans (note 28).

18. GOODWILL

	2014	2013
	RMB'000	*RMB'000*
Cost and net carrying amount at beginning of the year	**5,650**	1,723
Acquisition of subsidiaries (note 33)	**911**	3,927
Disposal of subsidiaries (note 34)	**(337)**	—
Cost and net carrying amount at the end of the year	**6,224**	5,650

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating unit for impairment testing to the balances of goodwill as of December 31, 2014:

Vehicle rental cash-generating unit

The recoverable amount of the vehicle rental cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. 3% terminal growth (2013: 3%) has been projected beyond the five years and the discount rate applied to the cash flow projections is 13.5% (2013: 16.5%).

Assumptions were used in the value in use calculation of the above cash-generating unit for December 31, 2014 and December 31, 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted income – The basis used to determine the value assigned to the income is the average income achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of vehicle rental industry and discount rate are consistent with external information sources.

19. OTHER INTANGIBLE ASSETS

	Software RMB'000	Customer relationship RMB'000	Vehicle rental business licenses RMB'000	Auto repair service business licences RMB'000	Licence plates RMB'000	Entitlements for license plates RMB'000	Trademark use right RMB'000	Total RMB'000
At January 1, 2014, net of accumulated amortisation	**10,720**	**76**	**39,321**	**1,579**	**87,505**	**—**	**6,093**	**145,294**
Additions	**6,751**	**—**	**23**	**125**	**14,895**	**—**	**—**	**21,794**
Acquisition of subsidiaries (note 33)	**—**	**—**	**—**	**481**	**—**	**—**	**—**	**481**
Amortisation provided during the year	**(5,275)**	**(38)**	**(1,869)**	**(802)**	**—**	**—**	**(1,406)**	**(9,390)**
At December 31, 2014, net of accumulated depreciation	**12,196**	**38**	**37,475**	**1,383**	**102,400**	**—**	**4,687**	**158,179**
At December 31, 2014:								
Cost	**25,723**	**180**	**42,525**	**2,868**	**102,400**	**—**	**7,030**	**180,726**
Accumulated amortisation	**(13,527)**	**(142)**	**(5,050)**	**(1,485)**	**—**	**—**	**(2,343)**	**(22,547)**
Net carrying amount	**12,196**	**38**	**37,475**	**1,383**	**102,400**	**—**	**4,687**	**158,179**
At January 1, 2013:								
Cost	12,752	180	12,200	690	34,013	3,999	—	63,834
Accumulated amortisation	(4,825)	(67)	(1,670)	—	—	—	—	(6,562)
Net carrying amount	7,927	113	10,530	690	34,013	3,999	—	57,272
At January 1, 2013, net of accumulated amortisation	7,927	113	10,530	690	34,013	3,999	—	57,272
Additions	6,220	—	752	—	20,803	—	—	27,775
Acquisition of subsidiaries	—	—	29,550	1,572	28,690	—	7,030	66,842
Transfer to licence plates	—	—	—	—	3,999	(3,999)	—	—
Amortisation provided during the year	(3,427)	(37)	(1,511)	(683)	—	—	(937)	(6,595)
At December 31, 2013, net of accumulated depreciation	10,720	76	39,321	1,579	87,505	—	6,093	145,294
At December 31, 2013:								
Cost	18,972	180	42,502	2,262	87,505	—	7,030	158,451
Accumulated amortisation	(8,252)	(104)	(3,181)	(683)	—	—	(937)	(13,157)
Net carrying amount	10,720	76	39,321	1,579	87,505	—	6,093	145,294

20. INVENTORIES

	2014 RMB'000	2013 RMB'000
Used rental vehicles held for sale	**91,989**	302,714
Fuel	**25,820**	24,029
Others	**4,096**	3,561
	121,905	330,304

21. TRADE RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**262,261**	228,846
Impairment provision	**(25,854)**	(20,420)
	236,407	208,426

The Company generally does not provide credit term to short-term rental customers. The credit period for long-term rental customers and finance lease customers is generally one to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2014 RMB'000	2013 RMB'000
Within 3 months	**156,525**	166,547
3 to 6 months	**38,998**	22,814
6 to 12 months	**40,884**	19,065
Over 1 year	**—**	—
	236,407	208,426

21. TRADE RECEIVABLES *(continued)*

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

	2014	2013
	RMB'000	*RMB'000*
Balance at beginning of the year	**20,420**	5,753
Impairment losses recognised	**5,434**	14,667
Balance at end of the year	**25,854**	20,420

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

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**130,284**	124,492
Past due but not impaired:		
Less than 3 months past due	**57,749**	47,091
3 months to 1 year past due	**46,263**	33,232
Over 1 year past due	**—**	—
	234,296	204,815

Receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Prepayments	**247,128**	156,980
Other receivables	**95,227**	55,181
Deductible VAT input	**278,233**	76,791
Deposits for finance leases	**—**	28,180
Rental deposits	**16,477**	13,515
Others	**18,107**	11,575
	655,172	342,222

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. AVAILABLE-FOR-SALE INVESTMENTS

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

	2014	2013
	RMB'000	*RMB'000*
Available-for-sale investments	**1,070,000**	—

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

24. INVESTMENTS IN SUBSIDIARIES

The amounts due from subsidiaries included in the Company's current assets of RMB2,740,028,000 (2013: Nil), are unsecured, interest-free and are repayable on demand or within one year.

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

As at the end of the year, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
北京神州汽車租賃有限公司 Beijing China Auto Rental Co., Ltd. ("CAR Beijing")	PRC/Mainland China September 27, 2007	RMB378 million	—	100	Car rental
重慶神州汽車租賃有限公司 Chongqing China Auto Rental Co., Ltd.	PRC/Mainland China November 22, 2007	RMB0.3 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 July 30, 2003	RMB9 million	—	100	Car rental
北京凱普停車管理有限公司 Beijing Kaipu Parking Management Co. , Ltd. ("Beijing Kaipu")	PRC/Mainland China October 15, 2010	RMB5 million	—	100	Vehicle parking management
無錫神州汽車租賃有限公司 Wuxi China Auto Rental Co., Ltd.	PRC/Mainland China October 22, 2010	RMB2 million	—	100	Car rental
廣州神州汽車租賃有限公司 Guangzhou China Auto Rental Co., Ltd.	PRC/Mainland China April 12, 2011	RMB1 million	—	100	Car rental

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place and date of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
北京北辰汽車租賃有限公司 Beijing Beichen Auto Rental Co., Ltd.	PRC/Mainland China April 11, 2011	RMB35 million	—	100	Car rental
貴陽敬呂商貿有限公司 Guiyang Jinglv Trade Co., Ltd.	PRC/Mainland China July 31, 2011	RMB30,000	—	100	Car rental
北京達世行華威勞務服務有限公司 Beijing Dashihang Huawei Labor Services Co., Ltd.	PRC/Mainland China December 12, 2011	RMB5 million	—	100	Car rental
China Auto Rental Limited (formerly known as Legend Capital Management (Hong Kong) Limited and LC Industrial Investment Limited)	Hong Kong June 12, 2008	US$200	—	100	Investment holding
聯慧汽車(廊坊)有限公司 Lianhui Auto (Langfang) Co., Ltd. (formerly known as United Auto (Langfang) Co., Ltd.)	PRC/Mainland China December 15, 2011	US$500 million	—	100	Processing and manufacture of auto parts
上海泰暢汽車駕駛服務有限公司 Shanghai Taichang Auto Driving Service Co., Ltd.	PRC/Mainland China January 1, 2012	RMB0.2 million	—	100	Chauffeured services

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place and date of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
北京卡爾汽車租賃有限公司 Beijing Carl Auto Rental Co., Ltd.	PRC/Mainland China January 16, 2012	RMB0.5 million	—	100	Car rental
Main Star Global Limited	British Virgin Islands June 1, 2012	US$2	—	100	Investment holding
Haike Leasing (China) Limited	Hong Kong June 29, 2012	HK$1	—	100	Investment holding
海科融資租賃(北京)有限公司 Haike Leasing (Beijing) Limited	PRC/Mainland China August 22, 2012	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 August 28, 2012	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 September 7, 2012	RMB1,760 million	—	100	Car rental
Shenzhou Used Car (China) Limited	Hong Kong September 19, 2012	HK$1	—	100	Investment holding
廣州神洲汽車租賃有限公司 Guangzhou Shenzhou Auto Rental Co., Ltd.	PRC/Mainland China November 5, 2012	RMB1 million	—	100	Car rental

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place and date of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
廣州市安淼汽車維修有限公司 Guangzhou Anmiao Auto Repair Co., Ltd.	PRC/Mainland China November 10, 2012	RMB0.5 million	—	100	Auto repair service
杭州國嘉名流汽車維修有限公司 Hangzhou Guojia Mingliu Auto Repair Co., Ltd.	PRC/Mainland China November 27, 2012	RMB0.3 million	—	100	Auto repair service
廈門市駿洲汽車維修服務有限公司 Xiamen Junzhou Auto Repair Services Co., Ltd.	PRC/Mainland China December 7, 2012	RMB1 million	—	100	Auto repair service
南京兆和汽車服務有限公司 Nanjing Zhaohe Auto Service Co., Ltd. ("Nanjing ZH")	PRC/Mainland China January 22, 2013	RMB0.5 million	—	100	Auto repair service
上海神州二手車經營有限公司 Shanghai China Auto Used Car Dealing Co., Ltd.	PRC/Mainland China January 30, 2013	US$2 million	—	100	Sales of used car
北京神州暢通舊機動車經紀有限公司 Beijing China Auto Changtong Used Car Dealing Co., Ltd.	PRC/Mainland China April 3, 2013	RMB1 million	—	100	Sales of used car

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place and date of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
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 March 22, 2013	RMB0.6 million	—	100	Auto repair service
長沙神州汽車維修有限責任公司 Changsha China Auto Repair Co., Ltd.	PRC/Mainland China March 19, 2013	RMB0.5 million	—	100	Auto repair service
濟南申源汽車維修有限公司 Jinan Shenyuan Auto Repair Co., Ltd. ("Jinan Shenyuan")	PRC/Mainland China September 18, 2012	RMB0.5 million	—	100	Auto repair service
武漢凱普汽車服務有限公司 Wuhan Kaipu Auto Service Co., Ltd. ("Wuhan Kaipu")	PRC/Mainland China February 27, 2013	RMB0.3 million	—	100	Auto repair service
Premium Auto Rental (China) Limited ("Premium")	Hong Kong April 24, 2013	US$10,000	—	100	Investment holding
Rent A Car Holdings (HK) Limited ("Rent A Car")	Hong Kong September 7, 2007	HK$7	—	100	Investment holding
赫茲汽車租賃(上海)有限公司 Hertz Rent A Car (Shanghai) Co., Ltd. ("RAC SH")	PRC/Mainland China January 13, 2009	RMB199 million	—	100	Car rental

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place and date 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
赫茲汽車租賃(北京)有限公司 Hertz Rent A Car (Beijing) Co., Ltd. ("RAC BJ")	PRC/Mainland China December 17, 2008	RMB83 million	—	100	Car rental
廣州卓越汽車租賃有限公司 Guangzhou Zhuoyue Auto Rental Co., Ltd. (previously known as Hertz Rent A Car (Guangzhou) Co., Ltd.) ("RAC GZ")	PRC/Mainland China March 11, 2013	RMB19 million	—	100	Car rental
上海赫茲國際租車諮詢有限責任公司 Shanghai Hertz International Car Rental Consulting Co., Ltd. ("Shanghai Hertz")	PRC/Mainland China July 28, 2005	RMB1.1 million	—	100	Consulting
海口神州暢行商旅服務有限公司 Haikou Shenzhou Changxing Travel Service Co., Ltd.	PRC/Mainland China December 16, 2013	RMB0.5 million	—	100	Consulting
成都雙新汽車維修有限公司 Chengdu Shuangxin Auto Repair Co., Ltd. ("Chengdu SX")	PRC/Mainland China July 30, 2013	RMB0.1 million	—	100	Auto repair service

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place and date 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
鄭州眾德立汽車維修服務有限公司 Zhengzhou Zhongdeli Auto Repair Serv ice Co., Ltd. ("Zhengzhou ZD")	PRC/Mainland China July 1, 2013	RMB1 million	—	100	Auto repair service
三亞凱普汽車維修服務有限公司 Sanya Kaipu Auto Repair Service Co., Ltd.	PRC/Mainland China November 26, 2013	RMB0.5 million	—	100	Auto repair service
重慶凱普汽車維修服務有限公司 Chongqing Kaipu Auto Repair Service Co., Ltd.	PRC/Mainland China June 19, 2013	RMB0.5 million	—	100	Auto repair service
上海凱普汽車維修服務有限公司 Shanghai Kaipu Auto Repair Service Co., Ltd.	PRC/Mainland China July 12, 2013	RMB0.5 million	—	100	Auto repair service
北京華威汽車修理有限責任公司 Beijing Huawei Auto Repair Co., Ltd. ("Beijing HW")	PRC/Mainland China May 24, 2013	RMB1 million	—	100	Auto repair service
神州租車(天津)有限公司 China Auto Rental (Tianjin) Co., Ltd.	PRC/Mainland China January 27, 2014	US$100 million	—	100	Car rental

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place and date of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
北京神州暢達汽車服務有限公司 Beijing Shenzhou Changda Auto Service Co., Ltd.	PRC/Mainland China August 7, 2013	RMB3 million	—	100	Auto repair service
昆明萬眾汽車維修服務有限公司 Kunming Wanzhong Auto Repair Service Co., Ltd. ("Kunming WZ")	PRC/Mainland China January 21, 2014	RMB0.3 million	—	100	Auto repair service
天津神州汽車租賃有限公司 Tianjin China Auto Rental Co., Ltd.	PRC/Mainland China December 12, 2013	RMB50 million	—	100	Car rental
天津優品汽車租賃有限公司 Tianjin Youpin Auto Rental Co., Ltd.	PRC/Mainland China December 10, 2013	RMB10 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 January 23, 2014	RMB0.5 million	—	100	Auto repair service
重慶州凱汽車銷售信息諮詢有限公司 Chongqing Zhoukai Auto Sales Consulting	PRC/Mainland China February 16, 2014	RMB3 million	—	100	Sale of used car and consultation service

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place and date 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
海科(平潭)信息技術有限公司 Haike (Pingtan) Information Technology Co., Ltd.	PRC/Mainland China April 18, 2014	RMB100 million	—	100	Car rental information system service
拉薩神州租車有限公司 Lhasa China Auto Rental Co., Ltd.	PRC/Mainland China April 22, 2014	RMB100 million	—	100	Car rental and consultation service
東莞市鑫發汽車維修服務有限公司 Dongguan Xinfa Auto Repair Service Co., Ltd. ("Dongguan XF")	PRC/Mainland China November 29, 2012	RMB0.3 million	—	100	Sale of used car and auto repair service
神州租車投資有限公司 China Auto Rental Investment Inc.	British Virgin Islands April 30, 2014	US$1	100	—	Investment holding
西安眾德發汽車維修服務有限公司 Xi'an Zhongde Auto Repair Service Co., Ltd.	PRC/Mainland China July 16, 2014	RMB0.5 million	—	100	Auto repair service
陝西迪卡爾汽車租賃有限公司 Shaanxi Dikaer Auto Rental Co., Ltd.	PRC/Mainland China July 15, 2014	RMB3 million	—	100	Car rental and sale of used car

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place and date of incorporation/ registration and business	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
北京神州競優拍賣有限公司 Beijing Shenzhou Jingyou Auction Co., Ltd.	PRC/Mainland China July 25, 2014	RMB1 million	—	100	Auction
蘇州神州汽車租賃有限公司 Suzhou China Auto Rental Co., Ltd.	PRC/Mainland China July 03, 2014	RMB1 million	—	100	Car rental
海科融資租賃(天津)有限公司 Haike Leasing (Tianjin) Limited	PRC/Mainland China October 15, 2014	RMB1,600 million	—	100	Car rental

* All subsidiaries only have ordinary share unless otherwise stated.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2014	2013
	RMB'000	*RMB'000*
Cash and bank balances	**1,275,245**	843,665
Time deposits	**130,319**	—
	1,405,564	843,665
Restricted bank balances*	**(53,129)**	(1,830)
Cash and cash equivalents	**1,352,435**	841,835

The cash and bank balances of the Group denominated in RMB amounted to RMB673,970,000 and RMB1,215,481,000 as at December 31, 2013 and December 31, 2014, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

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

* Restricted bank balances represented restricted cash held as credit card facilities, a restricted deposit for a performance guarantee, a pledged deposit and the settlement of vehicle rental revenue via the Company's point-of-sale machines, respectively.

26. TRADE PAYABLES

An aging analysis of outstanding trade payables as of December 31 2014 and December 31 2013, based on the invoice date, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**21,023**	11,729
3 to 6 months	**1,921**	1,846
Over 6 months	**1,727**	227
	24,671	13,802

The trade payables are non-interest-bearing.

27. OTHER PAYABLES AND ACCRUALS

	2014	2013
	RMB'000	*RMB'000*
Deposits by customers – rental deposits	**143,221**	130,242
Payroll payable	**54,939**	58,955
Other payables	**128,653**	128,413
	326,813	317,610

Other payables and accruals are non-interest-bearing.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2014			2013		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current:						
Short-term loans – guaranteed	**6.22**	**2015**	**199,160**	6.00-7.50	2014 or on demand	702,567
Current portion of sale and leaseback obligations – secured and guaranteed	**6.97**	**2015**	**51,727**	6.77-7.07	2014	208,640
Current portion of long-term bank loans – guaranteed	**5.92-8.00**	**2015**	**968,063**	5.84-7.32	2014 or on demand	1,085,735
Current portion of long-term other loans						
– guaranteed	**6.83-9.50**	**2015**	**1,439,625**	5.69-9.50	2014 or on demand	140,700
– secured and guaranteed	**11.06**	**2015**	**91,363**	11.00	On demand	90,726
– secured	**5.54-9.30**	**2015**	**28,949**	8.04-12.30	2014 or on demand	19,208
			2,778,887			2,247,576
Non-current						
Bank loans – guaranteed	**5.92-8.00**	**2016**	**253,793**	5.84-7.32	2015	206,830
Other loans						
– guaranteed	**6.83-9.50**	**2016**	**496,667**	5.69-7.60	2015	1,298,500
– secured	**5.54-9.30**	**2016-2017**	**81,342**	8.04-12.30	2015	6,242
Sale and leaseback obligations – secured and guaranteed	**—**	**—**	**—**	6.77-7.07	2015	51,727
			831,802			1,563,299
			3,610,689			3,810,875

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

	2014	2013
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
within one year or on demand	**1,167,222**	1,788,302
in the second year	**253,793**	206,830
in the third to fifth years, inclusive	**—**	—
	1,421,015	1,995,132
Other borrowings repayable:		
within one year or on demand	**1,559,938**	250,634
in the second year	**572,419**	1,304,742
in the third to fifth years, inclusive	**5,590**	—
	2,137,947	1,555,376
Sale and leaseback obligations:		
within one year or on demand	**51,727**	208,640
in the second year	**—**	51,727
in the third to fifth years, inclusive	**—**	—
	51,727	260,367
	3,610,689	3,810,875

As of December 31, 2014, the Group had overdraft bank facilities amounting to RMB2,426,608,000 (2013: RMB2,707,336,000), of which RMB2,026,608,000 (2013: RMB2,707,242,000) had been utilised.

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

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

2014	2013	**Lender**
RMB'000	*RMB'000*	
3,357,306	3,433,332	Guaranteed by Legend Holdings*
59,379	25,450	Secured by certain of rental vehicles (a)
51,728	260,367	Secured by certain of the Group's rental vehicles, prepaid land leases and guaranteed by Legend Holdings* under a sale and leaseback arrangement (a), (b)
—	1,000	Guaranteed by CAR Beijing
91,363	90,726	Secured by certain finance lease income and guaranteed by CAR Beijing
50,913	—	Secured by certain pledged deposits (c)
3,610,689	3,810,875	

* On July 1, 2012, Legend Holdings undertook that it will provide financial assistance to the Group in an amount of no less than RMB4.6 billion. The financial assistance will be in the form of loans made to the Group either directly or indirectly by Legend Holdings, or loans provided by any banks or non-bank financial institutions to the Group secured by guarantees provided by Legend Holdings. As of December 31, 2014, borrowings in an amount of RMB3,409,033,000 (2013: RMB3,693,699,000), before net off with administration fee, have been guaranteed by Legend Holdings.

(a) Bank and other borrowings of RMB111,107,000 (2013: RMB285,817,000) as at December 31, 2014 were secured by certain of the Group's rental vehicles, the total carrying amount of which at December 31, 2014 was RMB378,816,000 (2013: RMB582,663,000) (note 13).

(b) Such borrowings at December 31, 2014 were also secured by the Group's prepaid land lease, the carrying amount of which at December 31, 2014 was RMB 7,076,000 (2013: RMB7,245,000) (note 17).

(c) Other borrowings of RMB50,913,000 (2013: Nil) as at December 31, 2014 were secured by certain of the Group's pledged deposits, the total carrying amount of which at December 31, 2014 was RMB51,829,000 (2013: Nil) (note 25).

29. DEFERRED TAX

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

Deferred tax assets

	Accumulated losses *RMB'000*	Others *RMB'000*	Total *RMB'000*
At January 1, 2014	**1,216**	**1,926**	**3,142**
Charged to the statement of profit or loss during the year	**(1,216)**	**(1,353)**	**(2,569)**
At December 31, 2014	**—**	**573**	**573**
At January 1, 2013	1,318	853	2,171
Charged to the statement of profit or loss during the year	(102)	1,073	971
At December 31, 2013	1,216	1,926	3,142

The Group had unused tax losses available for offsetting against future profits in respect of certain subsidiaries of and RMB128,625,000 (2013: RMB399,165,000) as at December 31, 2014, and the deferred tax assets have not been recognised.

No deferred tax assets have been recognised in respect of these losses due to the unpredictability of future available taxable profit of the subsidiaries to set against the unused tax losses. The available year of the unused tax losses for offsetting against future taxable profits will expire in one to five years.

The Group had temporary differences of RMB4,208,000 (2013: RMB27,080,000) that have not been recognised as deferred tax assets due to the uncertainty of their utilisation as of December 31, 2014.

29. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Depreciation differences between tax and accounting policy *RMB'000*	Total *RMB'000*
At January 1, 2014	**20,599**	**—**	**20,599**
Charged to the statement of profit or loss during the year	**(877)**	**17,466**	**16,589**
Acquisition (note 33)	**120**	**—**	**120**
At December 31, 2014	**19,842**	**17,466**	**37,308**
At January 1, 2013	9,907	—	9,907
Charged to the statement of profit or loss during the year	(563)	—	(563)
Acquisition	11,255	—	11,255
At December 31, 2013	20,599	—	20,599

There was no significant unrecognised deferred tax liability as at December 31, 2014 and December 31, 2013 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 January 1, 2008 and applies to earnings after December 31, 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 January 1, 2008. For the Group, the applicable rate is 10%.

As of December 31, 2014, no deferred tax (2013: Nil) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2014	2013
	RMB'000	*RMB'000*
Authorised:		
26,000,000,000 (2013: Nil) ordinary shares of US$0.00001 each	**1,586**	—
Issued and fully paid:		
2,357,513,070 (2013: Nil) ordinary shares of US$0.00001 each	**145**	—

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 25, 2014 by CARH with an authorised share capital of US$260,000 divided into 5,200,000,000 shares of US$0.00005 each. On the date of incorporation, 1 ordinary share at par value of US$0.00005 was allotted and issued as fully paid by CARH. On June 12, 2014, the Company further issued and allotted 373,444,013 shares to CARH at par value.

On July 2, 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 September 19, 2014, the Company issued 426,341,000 shares in its initial public offering at the price of HK$8.50 per share.

On September 25, 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.

31. SHARE OPTION SCHEME

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 December 18, 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 December 18, 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 December 31, 2013 with no further service conditions attached, and the Tranche B Options granted become vested on December 31, 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 March 1, 2014 and further approved by a resolution passed by CARH shareholders on March 1, 2014. The 2014 CARH Pre-IPO Share Option Scheme Options granted become vested on May 1, 2015, 2016, 2017 and 2018, respectively, in four equal batches.

As part of the reorganisation, the Company was incorporated in Cayman Islands on April 25, 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 June 15, 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 replacement share-based payment award.

On August 14, 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 will be vested on each of August 1, 2015, 2016, 2017 in equal batches and the remaining share options will be vested on each of August 1, 2015, 2016, 2017 and 2018.

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

On July 3, 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.

31. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme at the end of the reporting period:

	Weighted average exercise price US$ per share	Number of options
At January 1, 2013	—	—
Granted during the year	0.58	14,035,595
At December 31, 2013	0.58	14,035,595
Granted during the year	0.87	5,689,116
Forfeited during the year	0.87	(26,425)
At December 31, 2014	0.66	19,698,286
At December 31, 2014, after share split	0.13	98,491,430

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
35,088,990	0.058	Till December 31, 2023
34,956,860	0.174	Till December 31, 2023
6,162,140	0.174	Till May 1, 2024
22,283,440	0.174	Till August 31, 2024
98,491,430		

The total fair value of the share options granted during the year ended December 31, 2014 was approximately RMB336,287,000 (2013: RMB336,287,000), of which the Group recognised a share option expense of RMB80,632,000 (2013: RMB101,148,000) during the year ended December 31, 2014.

31. 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:

2014

CAR share option scheme	**Tranche A**	**Tranche B**	**Tranche C**	**2014 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)	9.5	5.5 - 9.5	6 -10	6 -10
Weighted average exercise price (US$), after share split	0.058	0.174	0.174	0.174

2013

CARH share option scheme	Tranche A	Tranche B	2014 CARH Pre-IPO Share option Scheme
Expected dividend yield (%)	0.0%	0.0%	0.0%
Expected volatility (%)	54.0%	54.0%	53.0%
Risk-free interest rate (%)	3.1%	3.1%	2.63%
Expected life of options (year)	10	6 -10	6 -10
Weighted average exercise price (US$)	0.29	0.87	0.87

The expected volatility measured at the standard deviation of expected share price returns is based on statistical analyses of comparable listed companies in the same industry.

No other feature of the options granted was incorporated into the measurement of fair value.

32. RESERVES

(a) The Group

The amount of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity of the Group.

Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company. The additions during the year mainly represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies and the contribution from the equity holders of the Company. The deductions during the year represent the excess of the consideration over the fair value of equity interests acquired from certain equity holder of the Company.

Statutory reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

32. RESERVES *(continued)*

(b) The Company

	Share premium RMB'000	Share option reserve RMB'000	Total equity RMB'000
As at January 1, 2014	—	—	—
Loss for the year	—	—	—
Other comprehensive loss for the year	—	—	—
Total comprehensive loss for the year	—	—	—
Issuance of shares	3,183,161	—	3,183,161
Equity-settled share option arrangements	—	58,903	58,903
As at December 31, 2014	3,183,161	58,903	3,242,064

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

33. BUSINESS COMBINATION

2014

a) Kunming WZ, Qingdao FLH and Dongguan XF

As a part of the Group's business expansion strategy to develop auto repair services, the Group, through Beijing Kaipu, acquired 100% equity and voting interests of Kunming WZ, Qingdao FLH and Dongguan XF in 2014 at an aggregate purchase price of RMB1,328,000.

The fair values of the identifiable assets and liabilities of Kunming WZ, Qingdao FLH and Dongguan XF as at the dates of acquisitions were as follows:

	Fair value recognised on acquisitions *RMB'000*
Auto repair service business licences (note 19)	**481**
Trade receivables	**47**
Other receivables	**6**
Cash and cash equivalents	**7**
Other payables and accruals	**(4)**
Deferred tax liabilities (note 29)	**(120)**
Identifiable net assets at fair value acquired	**417**
Goodwill (note 18)	**911**
Total consideration	**1,328**
Satisfied by cash	**1,328**

The fair values and the gross contractual amounts of trade receivables and other receivables as at the dates of acquisitions amounted to RMB47,000 and RMB6,000, respectively. The transaction costs incurred for these transactions have been expensed and are included in other expenses in the consolidated statement of profit or loss.

33. BUSINESS COMBINATION *(continued)*

2014 *(continued)*

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

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

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

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

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

34. DISPOSAL OF A SUBSIDIARY

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

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year, the former shareholder CARH has waived receivables due from the Company of RMB1,816,595,000 (2013: Nil) (Note 39(c)).

36. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by certain assets of the Group, are included in notes 13, 16, 17 and 25, respectively, to the financial statements.

37. OPERATING LEASE ARRANGEMENTS

As lessee

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

As at December 31, 2013 and December 31, 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014	2013
	RMB'000	*RMB'000*
Within one year	**60,676**	63,139
In the second to fifth years, inclusive	**60,497**	63,197
After five years	**20,325**	19,039
	141,498	145,375

38. COMMITMENTS

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

	2014	2013
	RMB'000	*RMB'000*
Contracted, but not provided for	**1,075,113**	99,349

39. RELATED PARTY TRANSACTIONS

a) Related parties

Related parties for the years ended December 31, 2014 and December 31, 2013 were as follows:

Name	Relationship
CARH	Former shareholder of the Company but ceased to be so immediately before the listing of the Company's shares on the Hong Kong Stock Exchange
Mr. Charles Zhengyao Lu ("Mr. Lu")	Chairman, Executive Director and Chief Executive Officer
Ms. Guo	A shareholder
Legend Holdings	A then shareholder before 2012 and holds interests in certain limited partners of one shareholder since 2012
LC Fund III, L.P. ("LC Fund III")	A then shareholder before 2012 and limited partner of one shareholder since 2012
Hertz International Ltd.	The shareholder of Hertz Holdings
Beijing Huaxia United Auto Network Technology Co., Ltd. ("Huaxia Auto Network")	A wholly-owned subsidiary of Legend Holdings
Beijing Huaxia United Science & Technology Co., Ltd. ("Huaxia United")	A company controlled by Mr. Lu

39. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions

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

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

	2014	2013
	RMB'000	*RMB'000*
Legend Holdings	**—**	79

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

(ii) Interest expense to a related party:

	2014	2013
	RMB'000	*RMB'000*
Legend Holdings	**—**	3,905

The interest rate of the loan due to related party was determined by reference to the market rate then negotiated between the Group and a related party.

(iii) Borrowing from a related party:

	2014	2013
	RMB'000	*RMB'000*
CARH	**195,277**	823,358

39. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions *(continued)*

(iv) Repayments of the borrowings from related parties:

	2014	2013
	RMB'000	*RMB'000*
Huaxia Auto Network	**133,488**	—
LC Fund III	**54**	—
Legend Holdings	**—**	570,000
Mr. Lu	**—**	43,420
Ms. Guo	**—**	5,994
Huaxia United	**—**	36,318
	133,542	655,732

(v) Commission charge from a shareholder:

	2014	2013
	RMB'000	*RMB'000*
Hertz International Ltd.	**6,707**	4

(vi) Commission charge to a shareholder:

	2014	2013
	RMB'000	*RMB'000*
Hertz International Ltd.	**41**	1

39. RELATED PARTY TRANSACTIONS *(continued)*

c) Outstanding balances with related parties

	2014	2013
	RMB'000	*RMB'000*
Current assets:		
Due from a related party:		
– Legend Holdings	**—**	119
Current liabilities:		
Due to related parties:		
– LC Fund III	**—**	54
– Huaxia Auto Network	**—**	133,488
	—	133,542
Due to shareholders:		
– CARH*	**—**	1,597,568
– Hertz International Ltd.	**6,707**	—
	6,707	1,597,568

* CARH has waived such receivables due from the Company in April 2014.

As at December 31, 2014 and December 31, 2013, balances with related parties and shareholders were unsecured, non-interest-bearing and repayable on demand.

d) Compensation of key management personnel of the Group:

	2014	2013
	RMB'000	*RMB'000*
Short term employee benefits	**2,206**	1,752
Equity-settled share option expenses	**29,601**	10,576
	31,807	12,328

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

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at December 31, 2014

Financial assets

	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Finance lease receivable – non-current	132,782	—	132,782
Rental deposits	4,626	—	4,626
Restricted cash – non-current	53,129	—	53,129
Trade receivables (note 21)	262,261	—	262,261
Financial assets included in prepayments, deposits and other receivables (note 22)	408,044	—	408,044
Finance lease receivable – current	155,072	—	155,072
Available-for-sale investment	—	1,070,000	1,070,000
Cash and cash equivalents	1,352,435	—	1,352,435
	2,368,349	1,070,000	3,438,349

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	24,671
Financial liabilities included in other payables and accruals (note 27)	326,813
Interest-bearing bank loans and other borrowings – current	2,778,887
Due to shareholders	6,707
Deposits received for vehicle rental	14,777
Interest-bearing bank loans and other borrowings – non-current	831,802
	3,983,657

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

As at December 31, 2013

Financial assets

	Loans and receivables RMB'000
Finance lease receivable – non-current	68,677
Rental deposits	2,292
Restricted cash – non-current	1,830
Trade receivables (note 21)	228,846
Financial assets included in prepayments, deposits and other receivables (note 22)	185,242
Finance lease receivable – current	42,362
Due from a related party	119
Cash and cash equivalents	841,835
	1,371,203

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	13,802
Financial liabilities included in other payables and accruals (note 27)	317,610
Interest-bearing bank loans and other borrowings – current	2,247,576
Due to related parties	133,542
Due to shareholders	1,597,568
Deposits received for vehicle rental	19,291
Interest-bearing bank loans and other borrowings – non-current	1,563,299
	5,892,688

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, an amount due from a related party, amounts due from shareholders, finance lease receivable, financial liabilities included in other payables and accruals, amounts due to a related party and interest-bearing bank loans and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits, finance lease receivables and payables, interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed approximate to their carrying amounts. The Group's own non-performance risk for finance lease payables, and interest-bearing bank loans and other borrowings as at December 31, 2014 was assessed to be insignificant.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, finance leases, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks as summarised below.

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

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/loss before tax (through the impact on floating rate borrowings):

	Increase/ (decrease) in basis points	**Change in profit/loss before tax**** *RMB'000*	**Change in equity*** *RMB'000*
December 31, 2014			
RMB	**(100)**	**13,039**	**—**
RMB	**100**	**(13,039)**	**—**
December 31, 2013			
RMB	(100)	20,316	—
RMB	100	(20,316)	—

* Excluding retained earnings

** Increase in profit before tax and decrease in loss before tax; (decrease) in profit before tax and (increase) in loss before tax

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

Foreign currency risk

The Group has transactional currency exposures, which mainly arise from borrowings by operating units in currencies other than the functional currencies of the units.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB-US$ exchange rates, with all other variables held constant, of the Group's profit/loss before tax due to changes in the carrying values of monetary assets and liabilities and equity due to changes in foreign currency exchange reserve.

	Fluctuation In foreign exchange rate *%*	**Change in profit/loss before tax**** *RMB'000*	**Increase /(decrease) in equity*** *RMB'000*
December 31, 2014			
If RMB weakens against US$	**(5)**	**(8,529)**	**—**
If RMB strengthens against US$	**5**	**8,529**	**—**
December 31, 2013			
If RMB weakens against US$	(5)	(8,447)	—
If RMB strengthens against US$	5	8,447	—

* Excluding retained earnings

** Increase in profit before tax and decrease in loss before tax; (decrease) in profit before tax and (increase) in loss before tax

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial lease receivable, an amount due from a related party, amounts due from shareholders, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21.

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

Liquidity risk

The Group monitors its cash flow positions on a regular basis to ensure that the cash flows of the Group are positive and closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available, and obtaining borrowing loans from banks and other financial institutions.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	December 31, 2014			
	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	24,671	—	—	24,671
Financial liabilities included in other payables and accruals	326,813	—	—	326,813
Interest-bearing bank loans and other borrowings – current	2,778,887	—	—	2,778,887
Due to shareholders	6,707	—	—	6,707
Deposits received for vehicle rental	—	14,777	—	14,777
Interest-bearing bank loans and other borrowings – non-current	—	831,802	—	831,802
	3,137,078	846,579	—	3,983,657

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

Liquidity risk *(continued)*

	December 31, 2013			
	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	13,802	—	—	13,802
Financial liabilities included in other payables and accruals	317,610	—	—	317,610
Interest-bearing bank loans and other borrowings – current	2,247,576	—	—	2,247,576
Due to shareholders	1,597,568	—	—	1,597,568
Due to related parties	133,542	—	—	133,542
Deposits received for vehicle rental	—	19,291	—	19,291
Interest-bearing bank loans and other borrowings – non-current	—	1,563,299	—	1,563,299
	4,310,098	1,582,590	—	5,892,688

Capital management

The preliminary objective of the Group's capital management is to safeguard the Group's ability to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

42. 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 less cash and cash equivalents. The gearing ratios as at each of the reporting periods were as follows:

	2014	2013
	RMB'000	*RMB'000*
Interest-bearing bank loans		
– current	**2,778,887**	2,247,576
Interest-bearing bank loans		
– non-current	**831,802**	1,563,299
Cash and cash equivalents	**(1,352,435)**	(841,835)
Net debt	**2,258,254**	2,969,040
Total assets	**9,842,319**	6,167,071
Net debt/asset ratio	**23%**	48%

43. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to the announcement dated January 25, 2015, the Company commenced collaboration with UCAR Inc. ("UCAR"), an independent third-party chauffeured car service provider, under a co-branding arrangement. Under the Collaboration, the Company will provide cars to UCAR under both long-term and short-term rental terms at the prevailing market rates, which UCAR will use to provide chauffeured car services to customers in selected cities in China. The Company and UCAR will promote UCAR's chauffeured car services under a co-brand. In addition, the Company will have a right of first refusal in UCAR's future equity financings.

(b) The Company issued the senior notes in the aggregate principal amount of US$500 million which will mature on February 4, 2020, unless earlier redeemed on or after February 4, 2018.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to December 31, 2014.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 11, 2015.

FOUR-YEAR FINANCIAL SUMMARY

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Mr. Linan ZHU
Mr. Erhai LIU
Mr. Hui LI
Mr. Narasimhan Brahmadesam SRINIVASAN

Independent Non-executive Directors

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

CHIEF FINANCIAL OFFICER

Mr. Wilson Wei LI

COMPANY SECRETARY

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

AUDIT AND COMPLIANCE COMMITTEE

Mr. Sam Hanhui SUN *(Chairman)*
Mr. Erhai LIU
Mr. Lei LIN

NOMINATION COMMITTEE

Mr. Li ZHANG *(Chairman)*
Mr. Charles Zhengyao LU
Mr. Lei LIN

REMUNERATION COMMITTEE

Mr. Wei DING *(Chairman)*
Mr. Erhai LIU
Mr. Li ZHANG

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Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
(Certified Public Accountants)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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