

2015

神州租車有限公司中期報告
CAR Inc. Interim Report

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

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FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Year-over-year
	2015	2014	change
	(Unaudited)	<i>(Audited)</i>	
	<i>(in RMB millions, except</i>		
	<i>otherwise stated)</i>		%
Rental revenue	1,983	1,381	44%
Total revenue	2,307	1,862	24%
Gross profit	974	579	68%
Gross profit margin ⁽²⁾	49%	42%	+7pp
Net profit	407	218	87%
Adjusted EBITDA ⁽¹⁾	1,258	796	58%
Adjusted EBITDA margin ⁽²⁾	63%	58%	+5pp
Adjusted net profit ⁽¹⁾	461	277	66%
Adjusted net profit margin ⁽²⁾	23%	20%	+3pp
Basic EPS (RMB)	0.172	0.117	47%

Notes:

- (1) Adjusted EBITDA and adjusted net profit are non-International Financial Reporting Standards ("IFRS") measures. Please refer to 3. NON-IFRS FINANCIAL RECONCILIATION under the section headed "Management Discussion and Analysis" for details.
- (2) These margins are presented as a percentage of rental revenue.

BUSINESS OVERVIEW AND STRATEGIC HIGHLIGHTS


The Board of Directors (the “Board”) of CAR Inc. (the “Company”) is pleased to present the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015.

BUSINESS OVERVIEW

For the first half of 2015, we continued to record fast growing and strong financial performance, which was mainly driven by the solid growth of our short-term rental business and the commencement of our collaboration with UCAR Technology Inc. (“UCAR”). Our net profit after tax increased 86.5% from RMB 218.3 million for the six months ended 30 June 2014 to RMB 407.2 million for the six months ended 30 June 2015.

We strive to increase our profit margins continuously through optimized business mix, operating leverage and increasing operating efficiency. Adjusted net profit increased from RMB 277.2 million for the six months ended 30 June 2014 to RMB 461.3 million for the six months ended 30 June 2015. Our adjusted net profit margin and adjusted EBITDA margin as a percentage of rental revenue increased from 20.1% and 57.6% for the six months ended 30 June 2014 to 23.3% and 63.5% for the six months ended 30 June 2015, respectively.

Our total fleet comprised of 84,719 vehicles as at 30 June 2015, compared with 63,522 vehicles as at 31 December 2014. Our operating fleet was 80,646 vehicles as at 30 June 2015, compared with 58,773 vehicles as at 31 December 2014. We disposed of 5,014 used vehicles during the six months ended 30 June 2015 and recorded a gross margin of negative 0.3% from the sales of used vehicles, demonstrating our ability to effectively dispose of used vehicles at prices close to their estimated residual values.

In January 2015, we commenced a collaboration with UCAR (the “Collaboration”), an independent third-party chauffeured car service provider, under a co-branding arrangement. Under the Collaboration, we provide cars to UCAR under both long-term and short-term rental terms at the prevailing market rates, which UCAR uses to provide chauffeured car services to customers in selected cities in China. We have also engaged a third party to conduct an independent assessment on the rental pricing mechanism and terms of the Collaboration. Through a broad comparison with major long-term car rental companies, it is concluded that the cost-plus pricing method we adopted is commonly used in the industry and the pricing we agreed with UCAR is fair and reasonable with a fine balance between realizing industry-leading returns via best-in-class cost structure and offering competitive price to UCAR as a long-term strategic customer with large volume commitment. Both companies are promoting UCAR’s chauffeured car services under the co-brand “ 神州专车” (“UCAR Shen Zhou Zhuanche”).

Since its commencement, the Collaboration has brought us a large volume of committed long-term revenues, extensive business synergies with short-term self-drive rentals, extra license plate resources, higher fleet efficiency and higher profit margins. Meanwhile, it has further enhanced our brand recognition and customer retention, created cross-selling opportunities and increased economies of scale. We intend to pursue this Collaboration prudently. Subject to market conditions and the progress of the Collaboration, we may increase UCAR’s fleet size to accommodate additional demand. The Collaboration is in line with our growth strategies, including continuous product innovation and further expansion along the value chain.

As at 30 June 2015, a total of 16,136 rental vehicles were rented to UCAR under long-term rental terms. Additionally, we continued to see strong synergies between short-term self-drive rentals and UCAR’s chauffeured car services by renting short-term rental fleet to UCAR during weekdays.

BUSINESS OVERVIEW AND STRATEGIC HIGHLIGHTS

As at 30 June 2015, we had 726 directly operated service locations, which included 246 stores and 480 pick-up points, in 70 major cities covering all provinces of China. We successfully set up our nationwide network and strive to further enhance the efficiency of our service locations by increasing the number of cars available per service location. Our franchisee network has grown to 230 service locations in 182 small cities. Our customer base has also grown steadily during the six months ended 30 June 2015.

Short-term rentals remained the core of our rental business and continue to perform well. Our short-term rental fleet grew from 43,836 vehicles as at 31 December 2014 to 54,797 vehicles as at 30 June 2015. Our fleet utilization rate increased to 63.9% for the six months ended 30 June 2015, comparing to the same period last year while still maintaining a deliberate balance to secure more license plates. Our average daily rental rate (“ADRR”) and average daily rental revenue per short-term rental vehicle (“RevPAC”) were RMB 277 and RMB 171 for the six months ended 30 June 2014, comparing to RMB 275 and RMB 176, respectively, for the six months ended 30 June 2015. We continued to execute a competitive pricing strategy while maximizing our yield through our proprietary dynamic pricing system.

	1Q'14	2Q'14	3Q'14	4Q'14	1Q'15	2Q'15
Fleet size as at period end						
Short-term rental	34,645	37,195	41,511	43,836	49,346	54,797
Long-term rental	6,111	5,946	5,687	9,368	14,562	20,960
Finance leasing	4,111	4,475	4,845	5,569	5,159	4,889
Suspended operating fleet	575	429	57	—	—	—
Total operating fleet	45,442	48,045	52,100	58,773	69,067	80,646
Retired vehicles awaiting for sale	5,062	2,342	3,321	3,497	2,352	2,685
Vehicles held for sale (Inventory)	4,899	2,111	2,324	1,252	1,575	1,388
Total fleet	55,403	52,498	57,745	63,522	72,994	84,719

Our mobile application continued to gain in popularity and has been frequently used. Reservations via our mobile application as a percentage of our total reservations increased from 27.6% for the six months ended 30 June 2014 to 57.5% for the six months ended 30 June 2015. In June 2015, the percentage of reservations from our mobile application was 60.4%. As an important move to further improve our technology platform, we have upgraded the handheld devices that we use at all pick-up points, which resulted in faster processing times, and more efficient transaction and fleet management. We also optimized our business intelligence system to conduct more sophisticated and advanced analysis, which increased our yield.

Recent development - UCAR Investment

On 1 July 2015, the Company, Sapphire Gem Holdings Limited (“Sapphire Gem”), Beinuo Limited (“Beinuo”), Deqing Investments Limited (德慶投資有限公司) (“Deqing Investments”), UCAR, Mr. Charles Zhengyao Lu (“Mr. Lu”) and Haode Investment Inc. (“Haode Investment”) entered into a subscription agreement, pursuant to which UCAR agreed to issue, and the Company, Sapphire Gem, Beinuo and Deqing Investments agreed to subscribe for an aggregate of 5,000,000 series A preferred shares of UCAR (“Series A Preferred Shares”) for a total consideration of US\$250 million. The Company subscribed for 2,500,000 Series A Preferred Shares for a total consideration of US\$125.0 million. Sapphire Gem is an affiliate of Warburg Pincus LLC. Beinuo is

BUSINESS OVERVIEW AND STRATEGIC HIGHLIGHTS

ultimately controlled by Beijing Legend Capital Management Co., Ltd. Legend Holdings Corporation holds a 20% non-controlling interest in Beijing Legend Capital Management Co., Ltd. We completed the Series A Preferred Shares subscription on 8 July 2015. In addition, we have a right of first refusal in UCAR's future equity financings.

On 16 September 2015, the Company, Tourmaline Gem Holdings Limited ("Tourmaline Gem"), Harmony Bravo Limited ("Harmony"), Mr. Lu and Haode Investment Inc., amongst others, entered into a subscription agreement with UCAR Group, pursuant to which UCAR agreed to issue, and the Company, Tourmaline Gem, Harmony and several other subscribers agreed to subscribe for an aggregate of 4,875,887 series B preferred shares of UCAR ("Series B Preferred Shares") for a total consideration of US\$550 million, among which, 443,263 Series B Preferred Shares would be subscribed by the Company for a consideration of US\$50 million. Tourmaline Gem is an affiliate of Warburg Pincus LLC, a global private equity firm. Harmony is ultimately controlled by Beijing Legend Capital Management Co., Ltd. Legend Holdings Corporation holds a 20% non-controlling interest in Beijing Legend Capital Management Co., Ltd. The subscription of the Series B Preferred Shares by the Company and other subscribers are several but not joint. For details, please refer to the Company's announcement dated 17 September 2015.

STRATEGIC HIGHLIGHTS

During the first half of 2015, we continued to further strengthen and extend our leadership position in China's car rental market. We continued to see strong demand growth in China's self-drive car rental market. We continued to increase our operating leverage, increase fleet utilization and enhance operational efficiency. We also remained committed to enhancing our customer experience and strengthening our brand through Online-to-Offline ("O2O") innovations and mobile-enabled Location-Based Service ("LBS") functionalities.

On the other hand, we have dedicated ourselves to becoming China's leading auto mobility provider and establishing a smart travel ecosystem in China. We have made great progress in our technology and product innovations along the value chain. We are building a proprietary cloud-based computing platform, with a focus on auto related big data analysis, internet of cars and smart dispatching system.

We believe the Collaboration and the investment in UCAR are complementary to our business and allow us to capture the growth opportunities in the fast-growing mobile-enabled chauffeured car service market in China. We believe it will constantly bring us a large volume of committed long-term revenues, extensive business synergies between chauffeured services and car rental, extra license plate resources, increasing fleet efficiency, enhanced operating leverage and higher profit margins.

As a part of our strategy, we will continue to focus on improving profitability and product innovations along the value chain. In July 2015, we optimized our corporate structure by establishing two independent business and functional platforms, with one focusing on technology driven fleet management and financial services and the other on O2O self-drive car rental and car sharing services. Through this optimization of corporate structure, we will be able to enjoy better tax benefits and returns, enhance funding capabilities and better capture future growth opportunities.

Looking into the second half of 2015, with increasing demand for short-term self-drive services and the exponential growth in chauffeured car service market in China, we expect to continue to enjoy robust revenue growth and increasing profitability. In addition, we are committed to strengthening our technology capabilities and enhancing our operating efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

1. REVENUES AND PROFITABILITY ANALYSIS

Rental revenue

	Six months ended 30 June			
	2015		2014	
	<i>RMB</i>	<i>% of rental revenue</i>	<i>RMB</i>	<i>% of rental revenue</i>
Short-term rentals	1,469,224	74.1%	1,081,099	78.3%
Long-term rentals	458,989	23.1%	245,349	17.8%
Finance lease	20,220	1.0%	19,411	1.4%
Other revenue	34,333	1.8%	35,478	2.5%
Total rental revenue	1,982,766	100.0%	1,381,337	100.0%

(in thousands, except percentages)

Short-term rental metrics

	1H'14	1H'15	1Q'14	2Q'14	3Q'14	4Q'14	1Q'15	2Q'15
Average daily fleet ⁽¹⁾	35,602	47,108	35,130	36,068	39,376	40,370	47,099	47,117
ADRR ⁽²⁾ (RMB)	277	275	281	273	277	260	275	276
Utilization rate ⁽³⁾ (%)	61.7%	63.9%	60.9%	62.6%	63.7%	61.7%	63.7%	64.1%
RevPAC ⁽⁴⁾ (RMB)	171	176	171	171	177	160	175	177

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

MANAGEMENT DISCUSSION AND ANALYSIS

Our total rental revenue increased by 43.5% from RMB 1,381.3 million for the six months ended 30 June 2014 to RMB 1,982.8 million for the six months ended 30 June 2015.

- *Short-term rentals.* Revenue from short-term rentals increased by 35.9% from RMB 1,081.1 million for the six months ended 30 June 2014 to RMB 1,469.2 million for the six months ended 30 June 2015. 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 35,602 vehicles for the six months ended 30 June 2014 to 47,108 vehicles for the six months ended 30 June 2015, and (ii) the increase in our RevPAC, which increased from RMB 171 for the six months ended 30 June 2014 to RMB 176 for the six months ended 30 June 2015. We were able to maintain a relatively stable ADRR while strengthening our competitive pricing strategy against major competitors. Our fleet utilization rate was 63.9% for the six months ended 30 June 2015, which reflected a deliberate balance between fleet expansion, securing license plates and improving our financial performance.
- *Long-term rentals.* Revenue from long-term rentals increased by 87.1% year-over-year from RMB 245.3 million for the six months ended 30 June 2014 to RMB 459.0 million for the six months ended 30 June 2015. The long-term fleet size increased from 5,946 vehicles as at 30 June 2014 to 20,960 vehicles as at 30 June 2015. We have significantly increased the long-term rental vehicles for UCAR while strategically downsized the fleet size for traditional institutional customers. As at 30 June 2015, a total of 16,136 rental vehicles were rented to UCAR under long-term rental terms. As a percentage of rental revenue, revenue from long-term rentals for the six months ended 30 June 2015 was 23.1%, compared with 17.8% for the six months ended 30 June 2014.
- *Finance lease.* Revenue from finance lease increased by 4.1% from RMB 19.4 million for the six months ended 30 June 2014 to RMB 20.2 million for the six months ended 30 June 2015.
- *Other revenue.* Other revenue was RMB 34.3 million for the six months ended 30 June 2015 comparing to RMB 35.5 million for the six months ended 30 June 2014.

Depreciation of rental vehicles and direct operating expenses of rental services

	Six months ended 30 June			
	2015	2014	2015	2014
	<i>RMB</i>	<i>RMB</i>	<i>% of rental revenue</i>	<i>% of rental revenue</i>
	<i>(in thousands, except percentages)</i>			
Depreciation of rental vehicles	404,408	341,429	20.4%	24.7%
Direct operating expenses				
– Payroll costs	190,466	170,667	9.6%	12.4%
– Store expenses	72,349	63,504	3.7%	4.6%
– Insurance fees	100,067	75,103	5.0%	5.4%
– Repair and maintenance fees	63,677	49,841	3.2%	3.6%
– Fuel expenses	38,475	35,854	1.9%	2.6%
– Others	138,589	83,072	7.0%	6.0%
Total direct operating Expenses	603,623	478,041	30.4%	34.6%
Total costs of car rental Business	1,008,031	819,470	50.8%	59.3%

Depreciation of rental vehicles. As a percentage of rental revenue, depreciation expenses decreased from 24.7% for the six months ended 30 June 2014 to 20.4% for the six months ended 30 June 2015. The decrease was primarily driven by (i) an increase of the average discount on new car purchases for the rental fleet due to enhanced bargaining power with automobile manufacturers (OEMs), (ii) higher concentration on core car models and (iii) improved residual value of the rental vehicles of certain vehicle models due to higher realized sale value.

Direct operating expenses of rental services. As a percentage of rental revenue, direct operating expenses accounted for 30.4% and 34.6% for the six months ended 30 June 2015 and 2014, respectively. The decrease was primarily due to the operating leverage as a result of the Company's asset light network strategy, enhanced in-house repair and maintenance capabilities and operational efficiency improvements related to fuel expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of used vehicles (revenue & cost)

	Six months ended 30 June	
	2015	2014
	RMB	RMB
	<i>(in thousands, except percentages)</i>	
Revenue from sales of used vehicles	324,566	480,677
Cost of sales of used vehicles	325,547	463,730
Cost as a % of revenue (sales of used vehicles)	100.3%	96.5%
Number of used vehicles sold	5,014	8,048
– Inclusive of used vehicles sold to franchisees via installment program	913	—
Number of used vehicles disposed to franchisees through finance lease	—	3,674
Total number of used vehicles disposed	5,014	11,722

Cost of sales of used vehicles were 100.3% and 96.5% of revenue from the sales of used vehicles for the six months ended 30 June 2015 and 2014, respectively. The cost of sales of used vehicles represents the net book value of the disposed rental vehicles from our fleet.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

	Six months ended 30 June	
	2015	2014
	RMB	RMB
	<i>(in thousands, except percentages)</i>	
Gross profit of car rental business	974,735	561,867
Gross profit margin of car rental business	49.2%	40.7%
Gross profit/(loss) of sales of used vehicles	(981)	16,947
Gross profit/(loss) margin of sales of used vehicles	(0.3%)	3.5%
Total gross profit	973,754	578,814
Total gross profit margin as a % of rental revenue	49.1%	41.9%

Total gross profit of car rental business increased by 73.5% from RMB561.9 million for the six months ended 30 June 2014 to RMB 974.7 million for the six months ended 30 June 2015. Our gross profit margin of car rental business as a percentage of rental revenue increased from 41.9% for the six months ended 30 June 2014 to 49.1% for the six months ended 30 June 2015, primarily due to greater operating leverage, lower fleet costs, improved operational efficiency and the reduction of costs related to the suspended fleet.

Selling and distribution expenses

	Six months ended 30 June			
	2015		2014	
	RMB	% of rental revenue	RMB	% of rental revenue
	<i>(in thousands, except percentages)</i>			
Payroll costs	9,301	0.5%	8,698	0.6%
Advertising expenses	20,310	1.0%	23,814	1.7%
Share-based compensation	640	0.1%	1,199	0.1%
Others	6,817	0.3%	6,895	0.5%
Total	37,068	1.9%	40,606	2.9%

As a percentage of rental revenue, selling and distribution expenses decreased from 2.9% for the six months ended 30 June 2014 to 1.9% for the six months ended 30 June 2015. The decrease was mainly due to our established brand recognition, increase of mobile transactions and greater operating leverage.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

	Six months ended 30 June			
	2015	% of rental	2014	% of rental
	RMB	revenue	RMB	revenue
	<i>(in thousands, except percentages)</i>			
Payroll costs	79,246	4.0%	65,650	4.8%
Office expenses	27,505	1.4%	17,861	1.3%
Rental expenses	10,847	0.5%	9,725	0.7%
Share-based compensation	53,236	2.7%	25,356	1.8%
Others	40,163	2.0%	30,406	2.2%
Total	210,997	10.6%	148,998	10.8%

Administrative expenses increased by 41.6% from RMB 149.0 million for the six months ended 30 June 2014 to RMB 211.0 million for the six months ended 30 June 2015. As a percentage of rental revenue, administrative expenses have been relatively stable for both periods. The higher share-based compensation expenses during the six months ended 30 June 2015 were mainly due to the recognition of certain share-based compensation plans since the third quarter of 2014. The increase in payroll costs was in line with increase in IT and R&D capabilities. The comparatively higher office expenses were mainly due to the new head office and operation center in Tianjin.

Other income and expenses, net. Other income and expenses, net gain was RMB 51.1 million for the six months ended 30 June 2015, compared with a net loss of RMB 7.5 million for the six months ended 30 June 2014. The loss in 2014 was mainly related to the recognition of foreign exchange losses. The net gain during the first half of 2015 was mainly due to higher interest income from cash management and foreign exchange gains that were recognized from offshore financing activities.

Finance costs. Finance costs increased by 62.8% from RMB 153.6 million for the six months ended 30 June 2014 to RMB 250.1 million for the six months ended 30 June 2015, primarily due to the Company's higher debt position, which was partially offset by lower average funding costs.

Profit before tax. Profit before tax increased by 130.9% from RMB 228.1 million for the six months ended 30 June 2014 to RMB 526.7 million for the six months ended 30 June 2015.

Income tax expenses. Income tax expenses increased from RMB 9.8 million for the six months ended 30 June 2014 to RMB 119.5 million for six months ended 30 June 2015 due to the increased profitability of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit after tax. As a result of the aforementioned factors, we recorded a net profit of RMB 407.2 million, and RMB 218.3 million for the six months ended 30 June 2015 and 2014, respectively.

Adjusted net profit. Adjusted net profit was RMB 461.3 million and RMB 277.2 million for the six months ended 30 June 2015 and 2014, respectively. As a percentage of rental revenue, adjusted net profit margin increased from 20.1% for the six months ended 30 June 2014 to 23.3% for the six months ended 30 June 2015.

Adjusted EBITDA. Adjusted EBITDA was RMB 1,258.1 million and RMB 796.3 million for the six months ended 30 June 2015 and 2014, respectively. As a percentage of rental revenue, adjusted EBITDA margin increased from 57.6% for the six months ended 30 June 2014 to 63.5% for the six months ended 30 June 2015.

2. FINANCIAL POSITIONS

	As at	
	30 June 2015	31 December 2014
	<i>(RMB in millions)</i>	
Total assets	14,177.3	9,842.3
Total liabilities	8,119.3	4,252.7
Total equity	6,058.0	5,589.6
Cash and cash equivalents	2,086.7	1,352.4
Restricted cash	53.1	53.1
Available-for-sale investments	—	1,070.0
Total cash	<u>2,139.8</u>	<u>2,475.5</u>
Interest bearing bank and other borrowings - current	2,422.9	2,778.9
Interest bearing bank and other borrowings - non-current	1,973.2	831.8
Senior notes	3,050.1	—
Total debt	<u>7,446.2</u>	<u>3,610.7</u>
Net debt (total debt less total cash)	<u>5,306.4</u>	<u>1,135.2</u>

Cash

For the six months ended 30 June 2015, we financed our business operations primarily through cash generated from operations, bank and other borrowings, and the net proceeds we received from the issuance of our US\$500 million bond in February 2015.

We continued to generate strong operating cash flows and maintain strong liquidity during the six months ended 30 June 2015. As at 30 June 2015, we had cash and cash equivalents of RMB 2,086.7 million and restricted cash of RMB 53.1 million.

Trade receivables

Trade receivables were RMB 661.4 million and RMB 236.4 million as at 30 June 2015 and 31 December 2014, respectively. The increase in trade receivable was mainly due to (i) the significant increase of rental fleet to UCAR and (ii) the introduction of an installment plan for the sale of used rental vehicles to franchisees. The credit term with UCAR is 90 days. Under the installment plan with franchisees, an initial 30% of the contract amount is collected within 3 days after signing of the contract and the remaining amount is collected in 11 monthly installments.

Capital expenditures

The majority of our capital expenditure was for vehicle acquisitions. During the six months ended 30 June 2015, we purchased approximately RMB 4,162.4 million of rental vehicles, which is inclusive of payment for rental vehicles that have not commenced service. We also spent approximately RMB148.4 million on purchases of other property, plant and equipment, prepaid land lease payment and other intangible assets.

For the six months ended 30 June 2015, there were no material acquisitions and disposal of subsidiaries and associated companies.

As at 30 June 2015, we had no significant contingent liabilities.

Capital management

The preliminary objective of our capital management policies 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 its finance sources, dividend policies, return capital to shareholders or issue new shares.

As at 30 June 2015, we did not have any financial instruments and foreign currency net investments that are subject to hedging.

One of the measures that the Group uses to monitor its capital is a net debt/asset ratio, which is net debt divided by total assets. Net debt includes bank loans and other borrowings and senior notes less total cash. Total cash is defined as the total of (i) cash and cash equivalents, (ii) restricted cash and (iii) available-for-sale investments. The gearing ratios as at each of the reporting periods were as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

	As at	
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Interest-bearing bank and other borrowings		
– current	2,422,891	2,778,887
– non-current	1,973,164	831,802
Senior notes	3,050,061	—
Total debt	7,446,116	3,610,689
Cash and cash equivalents	2,086,737	1,352,435
Restricted cash	53,129	53,129
Available-for-sale investments	—	1,070,000
Total cash	2,139,866	2,475,564
Net debt	5,306,250	1,135,125
Total assets	14,177,323	9,842,319
Net debt/total assets ratio	37%	12%

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

	As at	
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
RMB	3,838,413	3,610,689
Others	3,607,703	—
	7,446,116	3,610,689

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

	As at	
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
RMB	1,109,759	1,215,481
Others	976,978	136,954
	2,086,737	1,352,435

MANAGEMENT DISCUSSION AND ANALYSIS

We are subject to foreign currency exposures. All monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Borrowings

As at 30 June 2015, we had total debt of RMB 7,446.2 million, including the newly issued US\$500 million offshore bond in February, compared with RMB 3,610.7 million as at 31 December 2014. As at 30 June 2015, RMB 2,422.2 million of the total interest-bearing bank and other borrowings are subject to fixed interest rates. We have not taken any new loans with guarantees from Legend Holdings in the past 12 months. Meanwhile, we have further diversified the funding tenors and optimized asset and liability matching by acquiring new loans of 2 to 3 years tenor with mostly amortized repayment schedule and tapping into the bond market. As at 30 June 2015, the current debt portion was RMB 2,422.9 million, represent 32.5% of total debt. Based on the repayment schedule as at 30 June 2015, we had total amount of RMB 1,376.3 million to be repaid in the second half of 2015.

We have successfully diversified our funding sources and optimized our funding structure to support sustainable business growth, while maintaining a prudent financial policy to ensure balanced leverage ratios and credit metrics. As at 30 June 2015, we had active relationships of loan financing with 32 commercial banks or financial institutions. We had entered into our first offshore term loan facility of US\$92.0 million in April and continued to expand relationships with foreign banks. In August 2015, we had successfully priced our second international bond offering, an issuance of US\$300 million 6.00% senior notes due 2021 (the "2021 Notes"). The 2021 Notes was again well-received by the market despite volatile market conditions and was oversubscribed by 9 times. The innovative 5.5 year non-call 3 year bond structure allows us to further enhance our debt maturity profile as well as to achieve favorable pricing. In July, all three international rating agencies had reinforced our credit rating of Ba1 by Moody's, BB+ by S&P, and BB+ by Fitch.

Remuneration and training policies

As at 30 June 2015, we had 6,762 employees. The remuneration to our employees includes salaries, allowances and performance bonus for specific employees. 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 key management's remuneration during the reporting period are set out in note 27(d) to the Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

3. NON-IFRS FINANCIAL RECONCILIATION

	Six months ended 30 June	
	2015	2014
	<i>(RMB in thousands, except percentages)</i>	
A. Adjusted net profit		
Net Profit	407,244	218,332
Adjusted for:		
Share-based compensation	54,087	26,952
Foreign exchange loss related to Corporate Reorganization	—	18,050
IPO-related expenses	—	13,854
Adjusted net profit	461,331	277,188
Adjusted net profit margin (as a percentage of rental revenue)	23.3%	20.1%
B. Adjusted EBITDA		
Reported EBITDA calculation		
Profit before tax	526,744	228,087
Adjusted for:		
Finance costs	250,078	153,636
Interest income from bank deposit	(15,482)	(5,291)
Depreciation of rental vehicles	404,408	341,429
Depreciation of other property plant, and equipment	15,891	13,683
Amortization of other intangible assets	5,053	4,289
Amortization of prepaid land lease payment.	445	84
Impairments on trade receivables	16,915	1,480
Reported EBITDA	1,204,052	737,397
Reported EBITDA margin (as a percentage of rental revenue)	60.7%	53.4%
Adjusted EBITDA calculation		
Reported EBITDA	1,204,052	737,397
Adjusted for:		
Share-based compensation	54,087	26,952
Foreign exchange loss related to Corporate Reorganization	—	18,050
IPO-related expenses	—	13,854
Adjusted EBITDA	1,258,139	796,253
Adjusted EBITDA margin (as a percentage of rental revenue)	63.5%	57.6%

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. The Group's management believes that adjusted EBITDA, defined as earnings before interest, income tax expenses, depreciation and amortization, share-based compensation, impairment on trade receivables, foreign exchange loss related to Corporation Reorganization and IPO related expenses, is a useful financial metric to assess the Group's operating and financial performance.

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

As at 30 June 2015, the interests of the Directors and chief executives of the Company in the shares of the Company which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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	14.67%
Mr. Sam Hanhui SUN (孫含暉) ⁽²⁾	Beneficial Owner	240,000	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 240,000 shares of the Company as beneficial owner.

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2015.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2015, 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	29.02%
Grand Union Management Limited ⁽¹⁾	Interest in a Controlled Corporation	688,068,025	29.02%
LC Fund III GP Limited ⁽¹⁾	Interest in a Controlled Corporation	688,068,025	29.02%
Amber Gem Holdings Limited ⁽²⁾	Beneficial Owner	262,471,340	11.07%
Warburg Pincus & Co. ⁽²⁾	Interest in a Controlled Corporation	262,471,340	11.07%
Warburg Pincus Private Equity XI, L.P. ⁽²⁾	Interest in a Controlled Corporation	262,471,340	11.07%
Warburg Pincus XI, L.P. ⁽²⁾	Interest in a Controlled Corporation	262,471,340	11.07%
WP Global LLC ⁽²⁾	Interest in a Controlled Corporation	262,471,340	11.07%
WP XI Equity Ltd ⁽²⁾	Interest in a Controlled Corporation	262,471,340	11.07%
Hertz Holdings Netherlands B.V. ⁽³⁾	Beneficial Owner	382,490,265	16.13%
Hertz Global Holdings, Inc. ⁽³⁾	Interest in a Controlled Corporation	382,490,265	16.13%
Hertz International Limited ⁽³⁾	Interest in a Controlled Corporation	382,490,265	16.13%
Hertz Investors, Inc ⁽³⁾	Interest in a Controlled Corporation	382,490,265	16.13%
Stuurgroep Holding C.V. ⁽³⁾	Interest in a Controlled Corporation	382,490,265	16.13%
The Hertz Corporation ⁽³⁾	Interest in a Controlled Corporation	382,490,265	16.13%
Ms. Lichun GUO ⁽⁴⁾ ⁽⁵⁾	Founder of a Trust, Interest in a Controlled Corporation	347,947,545	14.67%
Haode Group Inc. ⁽⁵⁾	Beneficial Owner	294,223,775	12.41%
Lucky Milestone Limited ⁽⁵⁾	Interest in a Controlled Corporation	294,223,775	12.41%
Cititrust Private Trust (Cayman) Limited ⁽⁵⁾	Trustee of a Trust	294,223,775	12.41%

CORPORATE GOVERNANCE AND OTHER INFORMATION

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) Amber Gem Holdings Limited is owned as to 77.6% by WP XI Equity Ltd, which, in turn, is wholly owned by Warburg Pincus Private Equity XI, L.P. Warburg Pincus Private Equity XI, L.P. is wholly owned by Warburg Pincus XI, L.P., which, in turn, is wholly owned by WP Global LLC. WP Global LLC is wholly owned by Warburg Pincus & Co. Thus, WP XI Equity Ltd, Warburg Pincus Private Equity XI, L.P., Warburg Pincus XI, L.P., WP Global LLC and Warburg Pincus & Co. were deemed to be interested in 262,471,340 shares of the Company held by Amber Gem Holdings Limited.
 - (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, Stuurgroep 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 Netherlands B.V.
 - (4) Ms. Guo is the sole shareholder of Sky Sleek Limited. Thus, Ms. Guo was deemed to be interested in 53,723,770 shares of the Company held by Sky Sleek Limited.
 - (5) Haode Group Inc. is wholly owned by Lucky Milestone Limited, a Bahamas company, which, in turn, is 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 30 June 2015.

Save as disclosed above, the Company is not aware of any other person (other than the directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 June 2015.

2014 PRE-IPO SHARE OPTION SCHEME I

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

On 16 June 2014, pursuant to the 2014 Pre-IPO Share Option Scheme I, options to subscribe for an aggregate of 14,035,595 shares of the Company were conditionally granted to a total of two members of the senior management and 274 other grantees under Tranche A and Tranche B of the 2014 Pre-IPO Share Option Scheme I. On 31 July 2014, options to subscribe for an aggregate of 4,456,688 shares of the Company under Tranche C of the 2014 Pre-IPO Share Option Scheme I were conditionally granted to three members of the senior management and 18 other grantees under the 2014 Pre-IPO Share Option Scheme I. On 3 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares. In light of the share split, the total number of options granted under the 2014 Pre-IPO Share Option Scheme I were adjusted to 92,461,415. No further option can be granted under the 2014 Pre-IPO Share Option Scheme I.

CORPORATE GOVERNANCE AND OTHER INFORMATION

As at 30 June 2015, a total of 76,780,749 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 and employees of the Group under the 2014 Pre-IPO Option Scheme I:

Name of Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Outstanding as of 1 January 2015	Exercise Price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as of 30 June 2015
Jenny Zhiya QIAN (錢治亞)	816,730	16 June 2014	100% on the date of grant	10 years from 20 December 2013	816,730	US\$0.058	(100,000)	NIL	NIL	716,730
	2,003,895	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	2,003,895	US\$0.174	NIL	NIL	NIL	2,003,895
	5,408,440	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	5,408,440	US\$0.174	NIL	NIL	NIL	5,408,440
	<u>8,229,065</u>				<u>8,229,065</u>		<u>(100,000)</u>	<u>NIL</u>	<u>NIL</u>	<u>8,129,065</u>
Yifan SONG (宋一凡)	816,730	16 June 2014	100% on the date of grant	10 years from 20 December 2013	816,730	US\$0.058	(561,000)	NIL	NIL	255,730
	1,596,510	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	1,596,510	US\$0.174	NIL	NIL	NIL	1,596,510
	2,250,000	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	2,250,000	US\$0.174	NIL	NIL	NIL	2,250,000
	<u>4,663,240</u>				<u>4,663,240</u>		<u>(561,000)</u>	<u>NIL</u>	<u>NIL</u>	<u>4,102,240</u>
Yaxiao LIU (劉亞霄)	1,500,000	31 July 2014	1/3 each on 31 July 2015, 2016 and 2017	10 years from 31 July 2014	1,500,000	US\$0.174	NIL	NIL	NIL	1,500,000
223 employees	33,455,530	16 June 2014	100% on the date of grant	10 years from 20 December 2013	33,455,530	US\$0.058	(10,029,170)	NIL	NIL	23,426,360
141 employees	31,488,580	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	31,356,455	US\$0.174	(3,134,680)	NIL	(598,691)	27,623,084
18 employees	13,125,000	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	13,125,000	US\$0.174	NIL	NIL	(1,125,000)	12,000,000
Total	<u>92,461,415</u>	—	—	—	<u>92,329,290</u>	—	<u>(13,824,850)</u>	<u>NIL</u>	<u>(1,723,691)</u>	<u>76,780,749</u>

For further details of the 2014 Pre-IPO Share Option Scheme I, please refer to the section headed “Report of the Directors – Summary of the Share Option Schemes” of the 2014 Annual Report of the Company and note 23 to the Interim Consolidated Financial Statements of this interim report.

2014 PRE-IPO SHARE OPTION SCHEME II

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

On 16 June 2014, pursuant to the 2014 Pre-IPO Share Option Scheme II, options to subscribe for an aggregate of 1,232,428 shares of the Company were conditionally granted to our Chief Financial Officer. On 3 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares. In light of the share split, the total number of options granted under the 2014 Pre-IPO Share Option Scheme II were adjusted to 6,162,140. No further option can be granted under the 2014 Pre-IPO Share Option Scheme II.

As at 30 June 2015, 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 Period	Option Period	Outstanding as of 1 January 2015	Exercise Price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as of 30 June 2015
Wilson LI (李維)	6,162,140	16 June 2014	25% each on 1 May 2015, 2016, 2017 and 2018	10 years from 1 March 2014	6,162,140	US\$0.174	NIL	NIL	NIL	6,162,140

For further details of the 2014 Pre-IPO Share Option Scheme II, please refer to the section headed "Report of the Directors – Summary of the Share Option Schemes" of the 2014 Annual Report of the Company and note 23 to the Interim Consolidated Financial Statements of this interim report.

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 six months ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES WRITTEN GUIDELINES

The Company has adopted 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 six months ended 30 June 2015.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the six months ended 30 June 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. During the six months ended 30 June 2015, the Company had been in compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules save and except for code provision A.2.1 with details set out below.

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.

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee has been set up under the Board in compliance with the requirements pursuant to Rule 3.21 of the Listing Rules and paragraphs C3 and D3 of the CG Code. The Audit and Compliance Committee consists of two independent non-executive Directors, namely, Mr. Sam Hanhui SUN and Mr. Lei LIN, and one non-executive Director, namely, Mr. Erhai LIU, with Mr. Sam Hanhui SUN, being the chairman of the committee. As required under Rules 3.10(2) and 3.21 of the Listing Rules, Mr. Sam Hanhui SUN, being the chairman of the committee, holds the appropriate professional qualifications.

The Audit and Compliance Committee has considered and reviewed the unaudited interim results for the six months ended 30 June 2015 and the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management and the independent auditor. The Audit and Compliance Committee considers that the interim results for the six months ended 30 June 2015 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Details of the biography of each of the Directors are set out in the 2014 Annual Report of the Company dated 11 March 2015.

Set out below are the changes in information of Directors pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Linan ZHU, a Non-executive Director, has been appointed as an executive director of Legend Holdings Corporation (stock code: 3396), which was listed on the Stock Exchange on 29 June 2015, since 18 February 2014.
- Mr. Erhai LIU, a Non-executive Director, has been appointed as a director of Dalian Zeus Entertainment Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002354) since 23 December 2014 and resigned as a managing director of Legend Capital on 31 March 2015. Mr. Erhai LIU also resigned as a director of Coremax Group Limited on 22 April 2015 and Universal Education Holdings on 20 August 2015.

AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the directors of CAR Inc.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated statement of financial position of CAR Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board (the "IASB").

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
20 August 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	2015 RMB'000 <i>(Unaudited)</i>	2014 RMB'000 <i>(Audited)</i>
Rental revenue		1,982,766	1,381,337
Sales of used vehicles		324,566	480,677
Total revenue	4	2,307,332	1,862,014
Depreciation of rental vehicles	5	(404,408)	(341,429)
Direct operating expenses of rental services		(603,623)	(478,041)
Cost of sales of used vehicles	5	(325,547)	(463,730)
Gross profit		973,754	578,814
Other income and expenses, net	4	51,133	(7,487)
Selling and distribution expenses		(37,068)	(40,606)
Administrative expenses		(210,997)	(148,998)
Finance costs		(250,078)	(153,636)
Profit before tax	5	526,744	228,087
Income tax expenses	6	(119,500)	(9,755)
Profit for the period		407,244	218,332
Attributable to:			
Owners of the parent		407,244	218,332
Earnings per share attributable to ordinary equity holders of the parent			
Basic (RMB)		0.172	0.117
Diluted (RMB)		0.167	0.115

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	2015	2014
	RMB'000	RMB'000
	(Unaudited)	<i>(Audited)</i>
Profit for the period	407,244	218,332
Other comprehensive income for the period, net of tax	—	—
Total comprehensive income for the period, net of tax	407,244	218,332
Attributable to:		
Owners of the parent	407,244	218,332

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Rental vehicles	9	9,045,918	5,234,194
Other property, plant and equipment	10	248,670	213,804
Finance lease receivables - non-current	11	76,795	132,782
Prepayments		100,657	440,910
Prepaid land lease payments	12	62,826	6,907
Goodwill		6,560	6,224
Other intangible assets	13	159,581	158,179
Investments in redeemable preference shares	14	161,828	—
Rental deposits		4,477	4,626
Deposits for borrowings		30,000	—
Restricted cash	18	—	53,129
Deferred tax assets		15,214	573
Total non-current assets		9,912,526	6,251,328
CURRENT ASSETS			
Inventories	15	134,908	121,905
Trade receivables	16	661,399	236,407
Prepayments, deposits and other receivables	17	1,209,793	655,172
Available-for-sale investments		—	1,070,000
Finance lease receivables - current	11	118,831	155,072
Restricted cash	18	53,129	—
Cash and cash equivalents	18	2,086,737	1,352,435
Total current assets		4,264,797	3,590,991
CURRENT LIABILITIES			
Trade payables	19	65,148	24,671
Other payables and accruals		286,288	326,813
Advances from customers		189,859	192,771
Interest-bearing bank and other borrowings	20	2,422,891	2,778,887
Due to a shareholder	27	5,204	6,707
Income tax payable		34,584	38,999
Total current liabilities		3,003,974	3,368,848
NET CURRENT ASSETS		1,260,823	222,143
TOTAL ASSETS LESS CURRENT LIABILITIES		11,173,349	6,473,471

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		11,173,349	6,473,471
NON-CURRENT LIABILITIES			
Senior notes	21	3,050,061	—
Interest-bearing bank and other borrowings	20	1,973,164	831,802
Deposits received for rental vehicles		9,777	14,777
Deferred tax liabilities		82,296	37,308
Total non-current liabilities		5,115,298	883,887
Net assets		6,058,051	5,589,584
EQUITY			
Equity attributable to owners of the parent			
Share capital	22	146	145
Reserves		5,823,635	5,762,413
Retained earnings/(accumulated losses)		234,270	(172,974)
Total equity		6,058,051	5,589,584

Charles Zhengyao LU
Director

Sam Hanhui SUN
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

For the six months ended 30 June 2015

	Attributable to owners of the parent						Total equity RMB'000
	Share capital RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Retained earnings/ Accumulated losses RMB'000	
As at 1 January 2015 (Audited)	145	2,382,719	14,753	3,183,161	181,780	(172,974)	5,589,584
Profit for the period	—	—	—	—	—	407,244	407,244
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	407,244	407,244
Exercise of share options	1	—	—	45,160	(38,025)	—	7,136
Equity-settled share option arrangements (note 23)	—	—	—	—	54,087	—	54,087
As at 30 June 2015 (Unaudited)	<u>146</u>	<u>2,382,719</u>	<u>14,753</u>	<u>3,228,321</u>	<u>197,842</u>	<u>234,270</u>	<u>6,058,051</u>

For the six months ended 30 June 2014

	Attributable to owners of the parent						Total equity RMB'000
	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	
As at 1 January 2014 (Audited)	—	566,124	1,196	—	101,148	(595,530)	72,938
Profit for the period	—	—	—	—	—	218,332	218,332
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	218,332	218,332
Issuance of shares	115	—	—	—	—	—	115
Contribution from a shareholder	—	1,821,659	—	—	—	—	1,821,659
Equity-settled share option arrangements (note 23)	—	—	—	—	26,952	—	26,952
As at 30 June 2014 (Audited)	<u>115</u>	<u>2,387,783</u>	<u>1,196</u>	<u>—</u>	<u>128,100</u>	<u>(377,198)</u>	<u>2,139,996</u>

* These reserve accounts comprise the consolidated reserves of RMB 5,823,635,000 (30 June 2014: RMB 2,517,079,000) in the interim condensed consolidated statement of financial position as at 30 June 2015.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	5	526,744	228,087
Adjustments for operating activities:			
Impairment on trade receivables	5	16,915	1,480
Reversal of impairment on inventories	5	—	(1,062)
Depreciation of rental vehicles	9	404,408	341,429
Depreciation of other property, plant and equipment	10	15,891	13,683
Loss/(gain) on disposal of items of other property, plant and equipment	5	46	(738)
Amortisation of other intangible assets	13	5,053	4,289
Amortisation of prepaid land lease payment	12	445	84
Exchange loss arising from an amount due to a shareholder		—	18,050
Exchange gain		(9,100)	—
Equity-settled share option expenses	23	54,087	26,952
Finance costs		250,078	153,636
Interest income from bank deposit	4	(15,482)	(5,291)
		1,249,085	780,599
Increase in trade receivables		(441,907)	(208,415)
(Increase)/decrease in inventories		(13,003)	142,403
Increase in prepayments and other receivables		(214,264)	(135,011)
Increase in trade payables		40,477	4,484
(Decrease)/increase in an amount due to a shareholder for operating activities		(1,503)	10,764
(Decrease)/increase in advances from customers		(2,912)	1,943
Decrease in other payables and accruals		(17,613)	(23,859)
Increase in rental vehicles		(4,216,132)	(275,043)
Decrease/(increase) in finance lease receivables		92,228	(124,922)
Income tax paid		(88,447)	(8,106)
		(4,863,076)	(615,762)
NET CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(3,613,991)	164,837

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of other property, plant and equipment		(84,118)	(70,442)
Proceeds from disposal of other property, plant and equipment		9	2,264
Purchases of other intangible assets		(6,455)	(9,980)
Addition of prepaid land lease payment		(57,809)	—
Acquisition of subsidiaries, net of cash acquired	24	(63)	(1,321)
Investments in redeemable preference shares	14	(161,828)	—
Redemption of available-for-sale investments		1,570,000	—
Purchase of available-for-sale investments		(500,000)	(150,000)
Interest received		16,854	5,291
		<hr/> 776,590 <hr/>	<hr/> (224,188) <hr/>
NET CASH FLOWS GENERATED FROM/(USED IN) INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits for borrowings		(30,000)	—
Restricted cash		—	(51,299)
Proceeds from issue of shares		—	115
Proceeds from bank and other borrowings		2,350,141	1,531,464
Repayments of bank and other borrowings		(1,564,775)	(1,110,749)
Proceeds from a shareholder		—	195,277
Proceeds from exercise of share options		7,136	—
Repayments to related parties		—	(133,542)
Proceeds from issuance of senior notes	21	2,974,364	—
Interest paid		(165,281)	(150,059)
		<hr/> 3,571,585 <hr/>	<hr/> 281,207 <hr/>
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		<hr/> 734,184 <hr/>	<hr/> 221,856 <hr/>
Cash and cash equivalents at beginning of period		1,352,435	841,835
Effect of foreign exchange rate changes, net		118	797
		<hr/> 2,086,737 <hr/>	<hr/> 1,064,448 <hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD			

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATE INFORMATION

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2015 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the period then ended, have been prepared in accordance with IAS 34 "Interim Financial Reporting" issued by the IASB and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

2.2 Changes in accounting policies and disclosures

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2014, except for the adoption of the amendments effective as at 1 January 2015 below:

The Group has adopted the following revised IFRSs for the first time in these interim condensed consolidated financial statements.

Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
Amendments under <i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of IFRSs
Amendments under <i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of IFRSs

The adoption of these revised IFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. 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*.

4. REVENUE, OTHER INCOME AND EXPENSES, NET

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 is as follows:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
Revenue		
Short-term rental income	1,469,224	1,081,099
Long-term rental income	458,989	245,349
Finance lease income	20,220	19,411
Sales of used rental vehicles	324,566	480,677
Franchise related income	2,096	9,078
Others	32,237	26,400
	2,307,332	1,862,014
Other income and expenses, net		
Interest income from bank deposit	15,482	5,291
Exchange gain/(loss)	38,862	(16,077)
(Loss)/gain on disposal of items of other property, plant and equipment	(46)	738
Others	(3,165)	2,561
	51,133	(7,487)

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of sales of used vehicles	325,547	463,730
Depreciation of rental vehicles	404,408	341,429
Depreciation of other property, plant, and equipment	15,891	13,683
Recognition of prepaid land lease payments	445	84
Amortisation of other intangible assets*	5,053	4,289
Minimum lease payments under operating leases in respect of offices and stores	30,385	25,273
Minimum lease payments under operating leases in respect of rental vehicles	28,282	17,762
Wages and salaries	228,387	199,085
Equity-settled share option expenses (note 23)	54,087	26,952
Pension scheme contribution**	50,626	45,930
Insurance expenses	100,067	75,103
Repair and maintenance	63,677	49,841
Exchange (gain)/loss	(38,862)	16,077
Auditors' remuneration	1,000	2,849
Impairment on trade receivables	16,915	1,480
Loss/(gain) on disposal of items of other property, plant and equipment	46	(738)
Advertising and promotion expenses	20,310	23,814
Reversal of impairment on inventories	—	(1,062)

* Amortisation of other intangible assets for the six months ended 30 June 2014 and 2015 is included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss.

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

6. INCOME TAX

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current income tax:		
Mainland China	89,153	13,610
Deferred tax	30,347	(3,855)
Total tax charge for the period	119,500	9,755

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

The provision for current income tax in Mainland China is based on a statutory rate of 25% of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 except for Haike (Pingtan) Technology Co., Ltd. ("Haike Pingtan"). Haike Pingtan is qualified as encouraged industry companies established in the comprehensive experimentation area in Pingtan, Fujian Province, and therefore is entitled a preferential corporate income tax rate of 15% pursuant to CaiShui [2014] No.26 issued by the Ministry of Finance of the People's Republic of China.

No Hong Kong profits tax on the Group's subsidiary has been provided as there is no assessable profit arising in Hong Kong during the period.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

6. INCOME TAX (continued)

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Profit before tax	526,744	228,087
Tax at the PRC statutory tax rate of 25%	131,686	57,022
Tax effect of tax rate differences between PRC and oversea entities	19,789	11,453
Utilisation of unrecognised deferred tax assets	(34,214)	(60,839)
PRC entities with preferential tax rate	(4,560)	—
Expenses not deductible for tax	1,679	2,119
Withholding tax on the deemed income	5,120	—
Total charge for the period	119,500	9,755

The effective tax rate of the Group was 22.69% for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 4.27%).

7. DIVIDENDS

The board of the directors does not recommend the payment of any dividend in respect of the period (for the six months ended 30 June 2014: Nil).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,363,464,393 (for the six months ended 30 June 2014: 1,867,220,070) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period 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 respective periods, 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:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	407,244	218,332
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,363,464,393	1,867,220,070
Effect of dilution – weighted average number of ordinary shares:		
Share option	73,747,149	39,595,591
	<u>2,437,211,542</u>	<u>1,906,815,661</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. RENTAL VEHICLES

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 <i>RMB'000</i> <i>(Audited)</i>
At 1 January:		
Cost	6,420,412	5,015,742
Accumulated depreciation	(1,186,218)	(991,786)
Net carrying amount	5,234,194	4,023,956
At 1 January net of accumulated depreciation	5,234,194	4,023,956
Additions	4,543,939	887,204
Disposals and transfers to inventories	(327,183)	(337,026)
Transfers to finance leases	(624)	(275,135)
Depreciation provided during the period	(404,408)	(341,429)
At 30 June net of accumulated depreciation	9,045,918	3,957,570
At 30 June:		
Cost	10,405,936	4,944,262
Accumulated depreciation	(1,360,018)	(986,692)
Net carrying amount	9,045,918	3,957,570

Vehicles with a carrying value of RMB429,127,000 as at 30 June 2015 (31 December 2014: RMB 378,816,000) had been pledged to secure certain of the Group's interest-bearing loans (note 20).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

10. OTHER PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2015, the Group acquired items of other property, plant and equipment with a cost of RMB 50,812,000 (for the six months ended 30 June 2014: RMB 145,643,000). Depreciation for items of other property, plant and equipment was RMB 15,891,000 during the period (for the six months ended 30 June 2014: RMB 13,683,000).

Assets with a net book value of RMB 55,000 were disposed of by the Group during the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB 3,002,000).

As at 30 June 2015, the Group was in the process of obtaining the property rights certificates of certain of the Group's buildings with a net carrying amount of approximately RMB 133,011,000 (31 December 2014: RMB 129,376,000).

11. 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:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Net minimum lease payments receivable	237,581	360,278
Unearned finance income	(41,955)	(72,424)
Total net finance lease receivables	195,626	287,854
Less: current portion	118,831	155,072
Non-current portion	76,795	132,782

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

11. FINANCE LEASE RECEIVABLES (continued)

Future minimum lease payments to be received under non-cancellable finance lease arrangements as at 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	150,314	204,492
In the second to fifth years, inclusive	87,267	155,786
	237,581	360,278

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as at 30 June 2015 and 31 December 2014 are as follows:

Within one year	118,831	155,072
In the second to fifth years, inclusive	76,795	132,782
	195,626	287,854

12. PREPAID LAND LEASE PAYMENTS

Leasehold lands are situated in Mainland China and are held under a medium lease. The addition of prepaid land lease payment during the six months ended 30 June 2015 was RMB 57,809,000 (for the six months ended 30 June 2014: Nil). Amortisation of prepaid land lease payment was RMB 445,000 during the period (for the six months ended 30 June 2014: RMB 84,000).

As at 30 June 2015, the Group was in the process of obtaining the land use rights certificates of certain newly acquired leasehold lands during the six months ended 30 June 2015 (31 December 2014: Nil).

As at 30 June 2015, certain of the prepaid land leases with a net book value of RMB 6,992,000 (31 December 2014: RMB 7,076,000) had been pledged to secure certain of the Group's interest-bearing loans (note 20).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. OTHER INTANGIBLE ASSETS

During the six months period ended 30 June 2015, the Group acquired other intangible assets with a cost of RMB 6,455,000 (for the six months ended 30 June 2014: RMB 9,895,000). Amortisation of other intangible assets was RMB 5,053,000 during the period (for the six months ended 30 June 2014: RMB 4,289,000). The Group did not dispose other intangible assets during the six months period ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

14. INVESTMENTS IN REDEEMABLE PREFERENCE SHARES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Investments in redeemable preference shares – an unlisted company	161,828	—

In April 2015, the Group subscribed for redeemable preference shares of Souche Holdings Ltd. ("Souche"), which is an unlisted company and principally engaged to provide online platform and relevant professional services of trade-in used cars, at a total consideration of USD 26.49 million (equivalent to approximately RMB 161,828,000). According to the subscription agreement, the redemption price of such preference shares is agreed at not less than its original subscription prices. After the subscription for the redeemable preference shares, the Group holds 19.91% of equity interests (as-converted) of Souche as at 30 June 2015. The directors of the Company are of the opinion that the Group does not have significant influence over that unlisted company because the Group has no voting rights in the board of that unlisted company.

The Group designated such investments in redeemable preference shares of Souche (a hybrid contract, i.e, host debt plus embedded conversion derivative) as a financial asset at fair value through profit or loss upon initial recognition. As the conversion option is precluded from fair value measurement, the entire hybrid contract (a host debt + conversion option) is deemed not to be reliably measurable at the reporting period end. As a result, the investments in redeemable preference shares were measured at cost less impairment. As at 30 June 2015, the directors of the Company are of the opinion that there is no impairment indication identified for the investments in redeemable preference shares.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. INVENTORIES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Used rental vehicles held for sale	93,625	91,989
Fuel	36,180	25,820
Others	5,103	4,096
	<u>134,908</u>	<u>121,905</u>

16. TRADE RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables	694,077	262,261
Impairment provision	(32,678)	(25,854)
	<u>661,399</u>	<u>236,407</u>

The Company generally does not provide credit terms 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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

16. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables as at 30 June 2015 and 31 December 2014, based on the invoice date and net of provisions, is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	571,762	156,525
3 to 6 months	44,486	38,998
6 to 12 months	45,151	40,884
	<u>661,399</u>	<u>236,407</u>

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Neither past due nor impaired	537,143	130,284
Past due but not impaired:		
Less than 3 months past due	72,418	57,749
3 months to 1 year past due	51,742	46,263
	<u>661,303</u>	<u>234,296</u>

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

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Deductible VAT input	752,676	278,233
Prepayments	302,263	247,128
Other receivables	104,097	95,227
Rental deposits	18,232	16,477
Others	32,525	18,107
	<u>1,209,793</u>	<u>655,172</u>

18. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Cash and bank balances	2,118,065	1,275,245
Time deposits	21,801	130,319
	<u>2,139,866</u>	<u>1,405,564</u>
Restricted cash*		
– current portion	(53,129)	—
– non-current portion	—	(53,129)
	<u>(53,129)</u>	<u>(53,129)</u>
Cash and cash equivalents	<u>2,086,737</u>	<u>1,352,435</u>

* Restricted cash of RMB 53,129,000 represented bank deposits held as credit card facilities, a restricted deposit for performance guarantee, a pledged deposit and the settlement of vehicle rental revenue via the Company's point-of-sale machines, respectively.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

18. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(continued)*

The cash and bank balances of the Group denominated in RMB amounted to RMB 1,109,759,000 and RMB 1,215,481,000 as at 30 June 2015 and 31 December 2014, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

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

19. TRADE PAYABLES

An aged analysis of the outstanding trade payables as at 30 June 2015 and 31 December 2014, based on the invoice date, is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	62,973	21,023
3 to 6 months	1,617	1,921
Over 6 months	558	1,727
	65,148	24,671

The trade payables are non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2015 (Unaudited)			31 December 2014 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:						
Short-term loans						
– guaranteed	5.61	2016	1,000	6.22	2015	199,160
– unsecured and unguaranteed	5.86	2016	47,284	—	—	—
Current portion of sale and leaseback obligations						
– secured	5.5	2016	147,289	6.97	2015	51,727
Current portion of long-term bank loans						
– guaranteed	3.46-6.91	2016	715,462	5.92-8.00	2015	968,063
– unsecured and unguaranteed	6.61-6.9	2016	95,800	—	—	—
Current portion of long-term other loans						
– guaranteed	6.85-8.1	2016	1,246,604	6.83-9.50	2015	1,439,625
– secured and guaranteed	11.06	2015	91,682	11.06	2015	91,363
– secured	5.54-8.9	2016	77,770	5.54-9.30	2015	28,949
			<u>2,422,891</u>			<u>2,778,887</u>
Non-current:						
Bank loans						
– guaranteed	3.38-6.40	2018	777,771	5.92-8.00	2016	253,793
– unsecured and unguaranteed	6.61-6.90	2018	474,200	—	—	—
Other loans						
– guaranteed	—	—	—	6.83-9.50	2016	496,667
– unsecured and unguaranteed	7.61	2017	600,000	—	—	—
– secured	8.80	2017	18,255	5.54-9.30	2016-17	81,342
Sale and leaseback obligations						
– secured	5.50	2017	102,938	—	—	—
			<u>1,973,164</u>			<u>831,802</u>
			<u>4,396,055</u>			<u>3,610,689</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

20. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Analysed into:		
Bank loans and repayable:		
within one year or on demand	859,546	1,167,222
in the second year	567,666	253,793
in the third to fifth years, inclusive	684,305	—
	2,111,517	1,421,015
Other borrowings repayable:		
within one year or on demand	1,416,056	1,559,938
in the second year	618,255	572,419
in the third to fifth years, inclusive	—	5,590
	2,034,311	2,137,947
Sale and leaseback obligations:		
within one year or on demand	147,289	51,727
in the second year	102,938	—
	250,227	51,727
	4,396,055	3,610,689

As at 30 June 2015, the Group's overdraft bank facilities amounted to RMB 4,333,777,000 (31 December 2014: RMB 2,426,608,000), of which RMB 2,534,777,000 (31 December 2014: RMB 2,026,608,000) had been utilised.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

20. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

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

2015 RMB'000 (Unaudited)	2014 <i>RMB'000</i> <i>(Audited)</i>	Lender
1,904,591	3,357,306	Guaranteed by Legend Holdings*
44,690	59,379	Secured by certain rental vehicles (a)
250,227	51,728	Secured by certain of the Group's rental vehicles, prepaid land leases and guaranteed by Legend Holdings* under a sale and leaseback arrangement (a), (b)
557,642	—	Guaranteed by offshore subsidiaries of the Group
278,604	—	Guaranteed by CAR Inc.
91,682	91,363	Secured by certain finance lease income and guaranteed by CAR Beijing
51,335	50,913	Secured by certain pledged deposits (c)
3,178,771	3,610,689	

* On 1 July 2012, Legend Holdings undertook that it will provide financial assistance to the Group in an amount of no less than RMB 4.6 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 at 30 June 2015, borrowings in an amount of RMB 1,904,591,000 (31 December 2014: RMB 3,409,033,000), less administration fee, have been guaranteed by Legend Holdings.

- (a) Bank and other borrowings of RMB 294,917,000 (31 December 2014: RMB 111,107,000) as at 30 June 2015 were secured by certain of the Group's rental vehicles, the total carrying amount of which at 30 June 2015 was RMB 429,127,000 (31 December 2014: RMB 378,816,000) (note 9).
- (b) Such borrowings at 30 June 2015 were also secured by the Group's prepaid land lease, the carrying amount of which at 30 June 2015 was RMB 6,992,000 (31 December 2014: RMB 7,076,000) (note 12).
- (c) Other borrowings of RMB 51,335,000 (31 December 2014: RMB 50,913,000) as at 30 June 2015 were secured by certain of the Group's pledged deposits, the total carrying amount of which at 30 June 2015 was RMB 51,829,000 (31 December 2014: RMB 51,829,000) (note 18).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

21. SENIOR NOTES

On 4 February 2015, the Company issued senior notes in an aggregate principal amount of USD 500,000,000 (the "2015 Notes"). The 2015 Notes are listed on the Stock Exchange of Hong Kong Limited. The 2015 Notes carry interest at the rate of 6.125% per annum, payable semi-annually on 4 February and 4 August in arrears, and will mature on 4 February 2020, unless redeemed earlier.

The 2015 Notes may be redeemed in the following circumstances:

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

Year	Redemption Price
2018	103.0625%
2019 and thereafter	101.53125%

- (2) At any time prior to 4 February 2018, the Company may at its option redeem the 2015 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2015 Notes redeemed plus the applicable premium as at, and accrued and unpaid interest, if any, to (but not including), the redemption date.
- (3) At any time and from time to time prior to 4 February 2018, the Company may redeem up to 35% of the aggregate principal amount of the 2015 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.125% of the principal amount of the 2015 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

21. SENIOR NOTES (continued)

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

	Six months ended 30 June 2015 RMB'000 (Unaudited)
Carrying amount at 1 January	—
Addition, net of issuance costs	2,974,364
Exchange realignment	(9,100)
Interest expenses	84,797
Carrying amount at 30 June	<u>3,050,061</u>

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options is not significant on initial recognition and as at 30 June 2015.

22. SHARE CAPITAL

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Authorised:		
26,000,000,000 ordinary shares of US\$0.00001 each	1,586	1,586
Issued and fully paid:		
2,371,336,920 (31 December 2014: 2,357,512,070) ordinary shares of US\$0.00001 each	146	145

The subscription rights attaching to 13,824,850 share options were exercised, during the six months ended 30 June 2015, at the averaged subscription price of US\$0.084 per share (note 23), resulting in the issue of 13,824,850 ordinary shares for a total cash consideration of RMB 7,136,000, of which RMB 7,135,000 was charged into share premium. During the six months ended 30 June 2015, an amount of RMB 38,025,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

23. SHARE OPTION SCHEME

As detailed in the Group's consolidated financial statements as at 31 December 2014:

- 7,017,798, 7,017,797 and 1,232,428 share options were granted on 18 December 2013, 18 December 2013 and 1 May 2014, respectively, under 2014 Pre-IPO Share Option Scheme.
- On 3 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares. Immediately after the share split, the exercise price of each share option was amended to one-fifth of the exercise price before split.
- 4,456,688 share options were granted on 14 August 2014 under Tranche C.
- All the share options granted do not confer rights on the holders to dividends or to vote at shareholders' meetings.
- The following share options were outstanding during the period:

	Weighted average exercise price US\$ per share	Number of options
At 1 January 2015, after share split	0.13	98,491,430
Forfeited during the period *	0.174	(1,723,690)
Exercised during the period	0.084	(13,824,850)
At 30 June 2015	<u>0.14</u>	<u>82,942,890</u>

- *One executive's employment was terminated on 1 January 2015, the number of then unvested share options of this employee were 3,447,380. As an ex gratia award, the employee was allowed to retain 50% of the unvested share options (i.e. 1,723,690 options) as part of the package of benefits agreed with the employee on termination of employment. Such ex gratia award became full vested immediately with original exercise price. The Group treated the lapse of unvested share options as forfeiture by reversing the costs already recorded in relation to unvested options and recognised the cost of the ex gratia award at the fair value at that award's grant date, which resulting in a net charge on termination of RMB10,315,266 during the six months ended 30 June 2015.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

23. SHARE OPTION SCHEME (continued)

- The exercise prices and exercise periods of the share options outstanding as at 30 June 2015 are as follows:

Number of options	Exercise price US\$ per share	Exercise period options
24,398,820	0.058	Till 31 December 2023
31,223,490	0.174	Till 31 December 2023
6,162,140	0.174	Till 1 May 2024
21,158,440	0.174	Till 31 August 2024
<u>82,942,890</u>		

- The Group recognised share option expenses of RMB 54,087,000 during the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB 26,952,000).

24. BUSINESS COMBINATION

Acquisition of Beijing Quan Shi Chuang Wei Technology Co., Ltd. ("Beijing QS") and Beijing Ao Xiang Jia Ye Technology Co., Ltd. ("Beijing AX")

As a part of the Group's business strategy to acquire high and new technical qualification, the Group, through its wholly owned subsidiary Haike (Pingtan) Information Technology Co., Ltd., acquired 100% equity and voting interests of Beijing QS and Beijing AX during the six months ended 30 June 2015 for an aggregate purchase price of RMB 257,000.

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

	Fair value recognised on acquisitions RMB'000
Cash and cash equivalents	2
Other payables and accruals	(81)
Goodwill	336
Total consideration	<u>257</u>
Satisfied by cash	<u>257</u>

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

24. BUSINESS COMBINATION (continued)

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

	<i>RMB'000</i>
Cash consideration	257
Unsettled consideration as at 30 June 2015	(192)
Cash and cash equivalents acquired	<u>(2)</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u><u>63</u></u>

Since the acquisition, Beijing QS and Beijing AX did not contribute any intra-group turnover.

Had the combination taken place at the beginning of the period, the revenue and the profit of the Group for the six months ended 30 June 2015 would have been RMB 1,982,766,000 and RMB 526,744,000, respectively.

25. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its operating assets under operating lease arrangements. As at 30 June 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	76,998	60,676
In the second to fifth years, inclusive	86,207	60,497
After five years	48,934	20,325
	<u>212,139</u>	<u>141,498</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

26. COMMITMENTS

In addition to the operating lease commitments detailed in note 25 above, the Group had the following capital commitments as at 30 June 2015 and 31 December 2014:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Contracted, but not provided for	480,396	1,075,113

27. RELATED PARTY TRANSACTIONS

a) Related parties

Related parties for the six months ended 30 June 2015 and 2014 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
LC Fund III, L.P. ("LC Fund III")	A then shareholder before 2012 and limited partner of one shareholder since 2012
Hertz Holdings ("Hertz Holdings Netherlands B.V.")	A shareholder
Beijing Huaxia United Auto Network Technology Co., Ltd. ("Huaxia Auto Network")	A wholly-owned subsidiary of Legend Holdings

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

27. 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 period:

- (i) Borrowing from a related party:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
CARH	—	195,277
	<u> </u>	<u> </u>

- (ii) Repayments of the borrowings from related parties:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Huaxia Auto Network	—	133,488
LC Fund III	—	54
	<u> </u>	<u> </u>
	<u> </u>	<u>133,542</u>

- (iii) Commission charge from a shareholder:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Hertz Holdings	2,313	4,098
	<u> </u>	<u> </u>

- (iv) Commission charge to a shareholder:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Hertz Holdings	—	17
	<u> </u>	<u> </u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS *(continued)*

c) Outstanding balances with related parties

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Current liabilities:		
Due to a shareholder:		
– Hertz Holdings	5,204	6,707

As at 30 June 2015 and 31 December 2014, balances with related parties and shareholders were unsecured, non-interest-bearing and repayable on demand.

d) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
Short term employee benefits	2,015	912
Equity-settled share option expenses	24,038	4,229
	26,053	5,141

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2015 and 31 December 2014 are as follows:

Financial assets - Loans and receivables

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Finance lease receivables – non-current	76,795	132,782
Rental deposits	4,477	4,626
Restricted cash – non-current	—	53,129
Deposits for borrowings	30,000	—
Trade receivables	694,077	262,261
Financial assets included in prepayments, deposits and other receivables	907,530	408,044
Finance lease receivable – current	118,831	155,072
Restricted cash – current	53,129	—
Cash and cash equivalents	2,086,737	1,352,435
	<u>3,971,576</u>	<u>2,368,349</u>

Financial assets – Financial assets at fair value through profit or loss

	30 June 2015 RMB'000 (Unaudited)
Investments in redeemable preference shares	<u>161,828</u>

Financial assets – Available-for-sale investments

	31 December 2014 RMB'000 (Audited)
Available-for-sale investments	<u>1,070,000</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

28. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities – Financial liabilities at amortised cost

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade payables	65,148	24,671
Financial liabilities included in other payables and accruals	286,288	326,813
Interest-bearing bank loans and other borrowings - current	2,422,891	2,778,887
Due to a shareholder	5,204	6,707
Deposits received for vehicle rental	9,777	14,777
Senior notes	3,050,061	—
Interest-bearing bank loans and other borrowings – non-current	1,973,164	831,802
	7,812,533	3,983,657

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The fair values of the non-current portion of deposits, finance lease receivables and payables, interest-bearing bank loans and other borrowings and senior notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed approximate to their carrying amounts. The Group's own non-performance risk for finance lease payables, interest-bearing bank loans and other borrowings and senior notes as at 30 June 2015 was assessed to be insignificant.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

30. EVENTS AFTER THE REPORTING PERIOD

On 1 July 2015, the Company entered into a subscription agreement for subscribing 2,500,000 series A preferred shares of UCAR Technology Inc., which is principally engaged in chauffeured car service, with a total consideration of USD 125 million.

On 11 August 2015, the Company issued 6.00% senior notes due 2021 with an aggregated nominal value of USD 300 million.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the board of directors on 20 August 2015.

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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INDEPENDENT AUDITORS

Ernst & Young

(*Certified Public Accountants*)

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