

2017

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

	For the six months ended 30 June		Year- over-year
	2017	2016	change
	<i>(in RMB millions, except otherwise stated)</i>		%
Total rental revenue	2,456	2,452	0%
– Car rental ⁽¹⁾	1,739	1,326	31%
– Fleet rental ⁽¹⁾	705	1,100	-36%
Total revenue	3,612	2,969	22%
Net profit	379	1,062	-64%
Adjusted EBITDA ⁽²⁾	1,449	1,556	-7%
Adjusted EBITDA margin ⁽³⁾	59.0%	63.5%	-4.5pp
Adjusted net profit ⁽²⁾	314	472	-33%
Adjusted net profit margin ⁽³⁾	12.8%	19.2%	-6.4pp
Basic EPS (RMB)	0.164	0.444	-63%
Free cash flow ⁽⁴⁾	407	784	-48%

Notes:

- (1) The Company has reclassified the rental revenue and operating fleet to better align with its new development in business natures. For details regarding the reclassification, please refer to the Company's 2017 first quarter results announcement.
- (2) Adjusted EBITDA and adjusted net profit are non-IFRS measures. Certain non-IFRS numbers in 2016 have been revised to conform to current period's presentation for comparative purpose. Please refer to "Management Discussion and Analysis – 3 Non-IFRS Financial Reconciliation" for details.
- (3) These margins are presented as a percentage of rental revenue.
- (4) Free cash flow is a non-IFRS measure. Please refer to "Management Discussion and Analysis – 3 Non-IFRS Financial Reconciliation" for details.

BUSINESS OVERVIEW AND STRATEGIES

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 2017 (the "Reporting Period").

BUSINESS OVERVIEW

For the first half of 2017, the Company recorded a flat growth on rental revenue, driven by a combined impact from two significant dynamics, restored strong growth of the car rental business and the decrease of the rental fleet of UCAR Inc. ("UCAR"). During the Reporting Period, car rental revenue increased by 31% to RMB1,738.7 million year-over-year, while fleet rental revenue, which was mainly contributed by UCAR fleet, decreased by 36% to RMB704.7 million year-over-year. Rental days growth reached 71% year-over-year, a record high since 2013. Moreover, the growth rate has increased sequentially in six consecutive quarters. The decrease of UCAR fleet rental revenue was resulted from the introduction of the new regulation on ride-hailing services and UCAR's increased operating efficiency.

During the Reporting Period, net profit was RMB379.0 million, compared with RMB1,061.8 million for the same period last year. The decrease was mainly driven by a significant difference of RMB794.3 million fair value gain or loss from investment in equity shares and redeemable preference shares and the decrease of UCAR rental fleet for the first half of 2017. For the Reporting Period, the adjusted net profit was RMB313.7 million, compared with RMB471.6 million for the same period last year. The decrease was a combined result of the strong car rental contribution, the decrease in UCAR fleet demand, the reduced residual values of legacy vehicle models and UCAR fleet and increased finance expenses. Adjusted net profit margin decreased to 12.8% and adjusted EBITDA margin decreased slightly to 59.0%. The margins decrease was a combined result of the increased car rental margin, the decrease in percentage of UCAR fleet, the used car disposal loss of legacy vehicle models and UCAR fleet and increased finance expenses.

The Company has changed the fleet mix to accommodate the changing business needs. As at 30 June 2017, the total fleet was 100,029 vehicles, compared with 99,727 vehicles for the same period last year. The car rental fleet increased by 33% year-over-year to 71,872 vehicles, offset by 45% decrease in fleet rental fleet to 16,157 vehicles, most of which were rented to UCAR. As at 30 June 2017, the percentage of fleet rental fleet as a percentage of the total operating fleet was 18%, decreased from 34% last year. The Company was able to sell or redeploy the cars returned from UCAR fleet in an efficient manner when UCAR fleet demand decreased.

BUSINESS OVERVIEW AND STRATEGIES

Number of Fleet

	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17
Fleet size as at period end						
Car rentals ⁽¹⁾	47,560	54,119	61,314	62,946	64,117	71,872
Fleet rentals ⁽¹⁾	30,612	29,505	22,949	24,330	21,761	16,157
Finance lease	4,055	3,961	3,722	2,537	727	272
Total operating fleet	<u>82,227</u>	<u>87,585</u>	<u>87,985</u>	<u>89,813</u>	<u>86,605</u>	<u>88,301</u>
Retired vehicles awaiting sale	5,800	11,203	7,184	3,292	5,542	8,328
Vehicles held for sale	826	939	1,565	3,344	3,215	3,400
Total fleet	<u>88,853</u>	<u>99,727</u>	<u>96,734</u>	<u>96,449</u>	<u>95,362</u>	<u>100,029</u>

Notes:

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

During the first half of 2017, the Company demonstrated a strong growth and solid profitability with upward trend in its car rental business. During the Reporting Period, rental days grew 71% year-over-year, and the utilization rate increased by 14 percentage points to 68.5%. After a record high performance in the first quarter of 2017, the second quarter of 2017 delivered an even stronger growth rate and utilization rate. During the second quarter of 2017, the rental days growth rate and the utilization rate were 79% and 69.4% respectively. During the Reporting Period, the Company continued to execute the competitive pricing strategy to meet the growing car rental demand and suppress competition. As a result, ADDR decreased by 24% to RMB234. RevPAC decreased slightly by 5% to RMB160. Combined with a lower RevPAC breakeven cost driven by significant scale benefit, the car rental business achieved slight margins expansion year-over-year.

The Company was committed to laying a strong foundation for car rental long-term growth and extending the leadership position. Since the second quarter of 2016, the Company has implemented various growth initiatives. Innovative marketing initiatives and smart pricing remained in place to accelerate the growth momentum. The Company has further expedited vehicle replacement and optimized fleet mix to enhance fleet condition and attractiveness to customers. For four consecutive quarters, rental days grew by over 40% and the registered members increased by over 50%. The Company is in the process of developing various technological innovations and business initiatives to drive growth. The Company will continue to focus its execution towards of enhancing customer experience and optimizing cost structure.

The Company was broadening its city coverage to fulfil the growing customer demand. As at 30 June 2017, the Company had presence in 104 cities, compared with 93 cities as at 30 June 2016. As at 30 June 2017, the Company had 823 directly-operated service locations, which included 333 stores and 490 pick-up points, covering all major tier 1 and tier 2 cities as well as key tourist destinations. As at 30 June 2017, the franchisee network comprised of 239 service locations in 189 tier 3 and tier 4 cities. Most of the franchise agreements will start to expire in early 2018.

BUSINESS OVERVIEW AND STRATEGIES

Since the first quarter of 2017, the Company has reclassified its business into car rental and fleet rental. Fleet rental refers to the customized fleet management services that are provided to corporations under framework agreements. The Company believes, by leveraging cost advantages, fleet scale and synergies in cross-selling, fleet management can generate solid and sustainable returns for the business. During the Reporting Period, fleet rental revenue as a percentage of the total rental revenue decreased from 45% to 29% for the same period last year, mainly due to the decline in UCAR fleet rental demand. Recently, the Company has started to re-enter the new long-term rental business to serve corporations and institutions that generate reasonable returns.

The Company strategically expedited vehicle replacement to enhance fleet condition. During the Reporting Period, the Company disposed of 17,808 used vehicles compared with 8,077 vehicles for the same period last year. The cost-to-sales ratio was 103%, which was mainly due to the lowered pricing of legacy vehicle models. Among all the used cars sold, 58% were sold to the business-to-consumer (“B2C”) channel operated by Shenzhou Maimaiche (Tianjin) Technology Development Co. Ltd (“Maimaiche”). Further penetration into the B2C disposal channel remained as the Company’s important strategy to expedite vehicle replacements and realize higher residual values.

STRATEGIES

The Company sees the prosperous growth in the auto mobility market, supported by the consumption upgrade, technological revolutions and more developed transportation system. The Company is committed to executing its long-term strategy of becoming a leading auto mobility provider in China, with a laser focus on self-drive car rental and fleet management.

The Company has strong confidence in the market potential of the self-drive car rental business. The car rental market is expected to expand rapidly and the growth potential remains significant, as a result of flourishing demand from tourism, the booming travel demand, mobility upgrades and increasing popularity of car rental as an attractive alternative to car ownership. The Company will continue to extensively focus on growing and excelling in the car rental business and extend its dominant leading position in China.

Over the past two years, the Company has further extended its strategic focus to become a leading fleet management platform for broader auto mobility needs. With fast expansion of the ride-hailing supply and service upgrades of the industry, consumers have already become more receptive to ride-hailing as a premium mobility solution. With the implementation of the new regulation, the industry development has become healthier and the business model has become clearer and widely proven. The Company also recognized, during the transition, the competition in the ride-hailing industry remains strong, which requires the market players to better focus on customer experience and operating efficiency.

Looking into the second half of 2017, the Company is going to further invest on business initiatives and technological innovations in the car rental business, with a focused commitment of delivering best-in-class customer experience and achieving optimal cost structure. With the solid foundation of the established competitive advantages, the Company is well positioned to embrace its success in the opportunistic car rental market.

MANAGEMENT DISCUSSION AND ANALYSIS

1. REVENUES AND PROFITABILITY ANALYSIS

Rental revenue

	Six months ended 30 June		Year-over-year change
	2017	2016	
	<i>(in RMB thousands)</i>		
Car rental revenue	1,738,692	1,325,885	31%
Fleet rental revenue	704,674	1,100,202	-36%
Other revenue	12,351	26,104	-53%
Total rental revenue	<u>2,455,717</u>	<u>2,452,191</u>	<u>0%</u>

Car rental metrics⁽⁵⁾

	1H'16	1H'17	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17
Average daily fleet ⁽¹⁾	43,830	60,307	44,751	42,908	53,688	50,689	60,389	60,225
ADRR ⁽²⁾ (RMB)	307	234	313	300	282	251	245	223
Utilization rate ⁽³⁾ (%)	54.9%	68.5%	55.4%	54.4%	60.3%	59.3%	67.6%	69.4%
RevPAC ⁽⁴⁾ (RMB)	169	160	174	163	170	149	165	155

Notes:

- (1) Average daily car rental fleet is calculated by dividing the aggregate days of our car rental vehicles in operation in a given period by the aggregate days of that period. "Car rental vehicles in operation" refers to our entire car rental fleet, including those temporarily unavailable for customer use due to repair or maintenance and those that are being transported.
- (2) Average daily rental rate or ADRR is calculated by dividing our car rental revenue in a given period by the rental days in that period. Rental days are the total rental days for all vehicles in our car rental fleet in a given period.
- (3) Car utilization rate is calculated by dividing the aggregate days that our vehicles are rented out for car rentals by the aggregate days that our car rental vehicles are in operation.
- (4) RevPAC refers to average daily rental revenue per car rental vehicle, which is calculated by multiplying the average daily rental rate in a given period by the car utilization rate in that same period.
- (5) The Company has reclassified the rental revenue and operating fleet to better align with its new development in business natures.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's total rental revenue increased slightly to RMB2,455.7 million for the six months ended 30 June 2017.

- **Car rentals.** Revenue from car rentals increased by 31.1% to RMB1,738.7 million for the six months ended 30 June 2017. Average daily fleet increased by 38%, along with a 71% year-over-year growth of rental days, driven by more competitive pricing and better fleet condition. RevPAC decreased slightly by 5% to RMB160. Combined with a lower RevPAC breakeven cost driven by significant scale benefit, the car rental business achieved slight margins expansion year-over-year.
- **Fleet rentals.** Revenue from fleet rentals decreased by 36.0% to RMB704.7 million for the six months ended 30 June 2017, mainly due to the decrease in UCAR fleet. As at 30 June 2017, total fleet size was 16,157 vehicles, most of which were rented to UCAR. The decrease of the fleet renting to UCAR was mainly due to policy change and increased operating efficiency. The rental prices and terms for each car model under the collaboration remained unchanged since the inception.
- **Other revenue.** Other revenue mainly consists of finance lease revenue, insurance claims and franchise royalty. Other revenue was RMB12.4 million for the six months ended 30 June 2017, compared with RMB26.1 million for the same period of 2016. The decrease was primarily driven by the decline in insurance claims for in-house repair and maintenance and expiration of existing financing lease programs.

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation of rental vehicles and direct operating expenses of rental services

	Six months ended 30 June			
	2017		2016	
	<i>RMB</i>	<i>% of rental revenue</i>	<i>RMB</i>	<i>% of rental revenue</i>
	<i>(in thousands, except percentages)</i>			
Depreciation of rental vehicles	645,044	26.3%	603,126	24.6%
Direct operating expenses				
– Payroll costs	241,056	9.8%	201,280	8.2%
– Store expenses	97,377	4.0%	87,496	3.6%
– Insurance fees	95,558	3.9%	110,384	4.5%
– Repair and maintenance fees	142,005	5.8%	132,806	5.4%
– Fuel expenses	26,815	1.1%	33,829	1.4%
– Others	181,008	7.4%	185,658	7.5%
Total direct operating expenses	783,819	31.9%	751,453	30.6%
Total costs of car rental business	1,428,863	58.2%	1,354,579	55.2%

Depreciation of rental vehicles. As a percentage of rental revenue, depreciation expenses increased to 26.3% for the six months ended 30 June 2017 from 24.6% for the six months ended 30 June 2016. The increase was primarily driven by (i) updated estimations of the residual values of legacy vehicle models; and (ii) the adjustment of residual values of UCAR fleet, both in the fourth quarter of 2016.

Direct operating expenses of rental services. As a percentage of rental revenue, direct operating expenses accounted for 31.9% and 30.6% for the six months ended 30 June 2017 and 2016, respectively. The increase was mainly driven by a number of factors, including (i) the decrease in percentage of UCAR fleet rental, which incurred limited store related expenses; (ii) the increased performance bonus as a result of higher than expected car rental growth; and (iii) increased repair expenses caused by self-insurance practices, which was offset by decreased insurance fees.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of used vehicles (revenue & cost)

	Six months ended 30 June	
	2017	2016
	RMB	RMB
	<i>(in thousands, except percentages)</i>	
Revenue from sales of used vehicles	1,155,880	516,604
Cost of sales of used vehicles	1,190,817	511,269
Cost as a % of revenue (sales of used vehicles)	103.0%	99.0%
Number of used vehicles sold	17,808	8,077
– Inclusive of used vehicles sold to franchisees via installment program	863	702
Total number of used vehicles disposed	17,808	8,077

The Company disposed of 17,808 used vehicles for the six months ended 30 June 2017, compared with 8,077 vehicles for the six months ended 30 June 2016. The number of retired vehicles awaiting for sale was 8,328 due to more used car disposal during the Reporting Period to expedite vehicle replacement. During the Reporting Period, 10,392 vehicles were sold to UCAR's Maimaiche platform.

Cost of sales of used vehicles was 103.0% and 99.0% of revenue from the sales of used vehicles for the six months ended 30 June 2017 and 2016, respectively. The loss was mainly due to the sale of the Company's legacy vehicle models.

The results further demonstrate the Company's proven capabilities at managing the full cycle of rental vehicles, supported by further diversified used car disposal channels and effective estimation of residual values.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

	Six months ended 30 June	
	2017	2016
	RMB	RMB
	<i>(in thousands, exc ept percentages)</i>	
Gross profit of rental business	1,026,854	1,097,612
Gross profit margin of rental business	41.8%	44.8%
Gross (loss)/profit of sales of used vehicles	(34,937)	5,335
Gross (loss)/profit margin of sales of used vehicles	(3.0)%	1.0%
Total gross profit	991,917	1,102,947
Total gross profit margin as a % of rental revenue	40.4%	45.0%

Total gross profit of the car rental business decreased by 6.4% to RMB1,027.0 million for the six months ended 30 June 2017. Total gross profit margin as a percentage of rental revenue was 40.4% for the six months ended 30 June 2017. The margin decrease was mainly due to (i) increase in depreciation cost; and (ii) decrease in percentage of revenue from UCAR fleet rental, which incurred limited store related expenses; and (iii) the margin difference in used car sales.

Selling and distribution expenses

	Six months ended 30 June			
	2017		2016	
	RMB	% of rental revenue	RMB	% of rental revenue
	<i>(in thousands, except percentages)</i>			
Payroll costs	1,331	0.1%	16,041	0.7%
Advertising expenses	6,819	0.3%	21,817	0.9%
Share-based compensation	139	0.0%	1,197	0.0%
Others	2,822	0.1%	5,875	0.2%
Total	11,111	0.5%	44,930	1.8%

Selling and distribution expenses decreased significantly by 75.3% to RMB11.1 million for the six months ended 30 June 2017 due to (i) more innovative marketing initiatives, which were more capable to identify target customers; (ii) free marketing initiatives associated with direct rebates to customers; and (iii) the increased use of more cost-efficient and reachable mobile social platform for point-to-point marketing. Selling and distribution expenses was 0.5% as a percentage of rental revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

	Six months ended 30 June			
	2017		2016	
	<i>RMB</i>	<i>% of rental revenue</i>	<i>RMB</i>	<i>% of rental revenue</i>
	<i>(in thousands, except percentages)</i>			
Payroll costs	154,310	6.3%	121,882	5.0%
Office expenses	27,036	1.1%	31,730	1.3%
Rental expenses	11,067	0.5%	11,043	0.5%
Share-based compensation	4,336	0.2%	69,826	2.8%
Others	53,884	2.1%	66,602	2.7%
Total	250,633	10.2%	301,083	12.3%

Administrative expenses decreased by 16.8% to RMB250.6 million for the six months ended 30 June 2017. As a percentage of rental revenue, administrative expenses decreased to 10.2% for the six months ended 30 June 2017 from 12.3% for the six months ended 30 June 2016. The decrease was primarily due to the expiration of share-based compensation.

Other income and expenses, net

	For the six months ended 30 June	
	2017	2016
<i>(RMB in thousands)</i>		
Interest income from bank deposit	13,373	9,554
Unrealized exchange gain/(loss) related to USD denominated liabilities	153,532	(115,792)
Realized exchange loss	(11,550)	(3,244)
Government grants	17,902	12,300
Fair value loss on derivative instrument-transaction not qualifying as hedges	(38,972)	—
Fair value (loss)/gain from investment in equity shares and redeemable preference shares	(32,426)	826,687
Loss on disposals of items of other property, plant and equipment	(504)	(28)
Others	5,020	4,209
Total	106,375	733,686

MANAGEMENT DISCUSSION AND ANALYSIS

Net gain was RMB106.4 million for the six months ended 30 June 2017, compared with net gain of RMB733.7 million for the six months ended 30 June 2016. The net gain for the first half of 2017 was mainly due to the unrealized foreign exchange gain related to USD denominated liabilities as a result of RMB appreciation, offset by a slight loss from the hedging instruments. The net gain for the first half of 2016 was mainly due to the fair value gain on investments in UCAR.

Finance costs. Finance costs increased by 11.8% to RMB314.4 million for the six months ended 30 June 2017, primarily due to the Company's higher debt position.

Profit before tax. Profit before tax decreased by 56.9% to RMB521.4 million for the six months ended 30 June 2017.

Income tax expenses. Income tax expenses decreased by 4.6% to RMB142.4 million for six months ended 30 June 2017 due to decreased profit.

Profit after tax. As a result of the aforementioned factors, the Company recorded a net profit of RMB379.0 million, and RMB1,061.8 million for the six months ended 30 June 2017 and 2016, respectively.

Adjusted net profit. Adjusted net profit was RMB313.7 million for the six months ended 30 June 2017, compared with RMB471.6 million for the six months ended 30 June 2016. Adjusted net profit margin was 12.8%, a combined result of increased car rental margin, the decrease in percentage of UCAR fleet, the reduced residual values of certain vehicle models and UCAR fleet and increased finance expenses.

Adjusted EBITDA. Adjusted EBITDA was RMB1,449.5 million for the six months ended 30 June 2017, compared with RMB1,556.2 million for the six months ended 30 June 2016. Adjusted EBITDA margin was 59.0%, a combined result of increased car rental profitability and the decrease in the percentage of UCAR fleet rental.

MANAGEMENT DISCUSSION AND ANALYSIS

2. FINANCIAL POSITIONS

	As at	
	30 June	31 December
	2017	2016
	<i>(RMB in millions)</i>	
Total assets	20,739.0	21,189.2
Total liabilities	12,712.7	12,970.6
Total equity	8,026.3	8,218.6
Cash and cash equivalents	4,925.9	5,723.2
Restricted cash	55.8	1.3
Total cash	4,981.7	5,724.5
Interest bearing bank and other borrowings - current	2,481.9	2,425.4
Interest bearing bank and other borrowings - non-current	3,140.8	3,820.7
Senior notes	5,323.5	5,435.9
Corporate bonds	295.7	—
Total debt	11,241.9	11,682.0
Net debt (total debt less total cash)	6,260.2	5,957.5
Total debt/adjusted EBITDA (times) ⁽¹⁾	3.8x	3.8x
Net debt/adjusted EBITDA (times) ⁽¹⁾	2.1x	1.9x

Note:

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

Cash

The Company continued to generate strong operating cash flows and maintain strong liquidity during the six months ended 30 June 2017. As at 30 June 2017, the Company's total cash balance was RMB4,981.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade receivables and due from related parties

Trade receivables were RMB85.8 million and RMB99.6 million as at 30 June 2017 and 31 December 2016, respectively. The decrease in trade receivables was mainly due to reduced institutional long-term rental business and continuous improvement in trade receivables management.

Due from related parties, which relates to the trade receivables from UCAR, was RMB815.7 million and RMB556.2 million as at 30 June 2017 and 31 December 2016, respectively. The increase was in line with the increase in used car sales.

Capital expenditures

The majority of the Company's capital expenditure was for vehicle acquisitions. During the six months ended 30 June 2017, the Company purchased approximately RMB1,973.4 million of rental vehicles, which is inclusive of payments for rental vehicles that have not commenced service. The Company also spent approximately RMB26.5 million on purchases of other property, plant and equipment, and other intangible assets.

Borrowings

As at 30 June 2017, the Company had total debt of RMB11,241.9 million and net debt of RMB6,260.2 million, compared with RMB11,682.0 million and RMB5,957.5 million as at 31 December 2016, respectively. The decrease of debt was due to the repayment of debt through utilizing the Company's strong cash position. Net debt remained low due to the similar total debt and cash levels. The Company has a strong cash position and sufficient financing facilities. As at 30 June 2017, the current debt portion was RMB2,481.9 million, representing 22.1% of total debt. Based on the repayment schedule as at 30 June 2017, the Company had a total debt of approximately RMB725.4 million to be repaid in the second half of 2017.

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

Capital management

The preliminary objective of the Group's 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at	
	30 June	31 December
	2017	2016
	<i>(in RMB thousands)</i>	
Interest-bearing bank loans		
– current	2,481,905	2,425,391
– non-current	3,140,847	3,820,742
Senior notes	5,323,496	5,435,942
Corporate bonds	295,691	—
Total debt	11,241,939	11,682,075
Cash and cash equivalents	4,925,944	5,723,161
Restricted cash	55,776	1,300
Total cash	4,981,720	5,724,461
Net debt	6,260,219	5,957,614
Total assets	20,738,975	21,189,219
Net debt/total assets ratio	30%	28%

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

	As at	
	30 June	31 December
	2017	2016
	<i>(in RMB thousands)</i>	
RMB	3,439,611	3,661,085
Others	7,802,328	8,020,990
	11,241,939	11,682,075

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at	
	30 June 2017	31 December 2016
	<i>(in RMB thousands)</i>	
RMB	3,408,089	3,202,478
Others	1,517,855	2,520,683
	4,925,944	5,723,161

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.

We pay close attention to its asset liability management, especially foreign exchange risk management. As at the date of this interim report, we have entered into forward currency contracts with an aggregate contractual amount of US\$630.0 million, which has offered us a level of protection against the foreign exchange risk. We will continue to closely evaluate market conditions and ensure appropriate measures are timely implemented to mitigate risks from RMB exchange rate fluctuations. For details, please refer to "Note to Financial statements" note 25.

Significant investments held, material acquisitions or disposals of subsidiaries and associated companies

There were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies for the six months ended 30 June 2017.

Contingent liabilities

As at 30 June 2017, we had no significant contingent liabilities.

Charges on the Group's assets

As at 30 June 2017, certain assets of the Group had been pledged. For details, please refer to "Note to Financial statements" note 9, 19 and 22.

Remuneration Policy and Directors' Remuneration

As at 30 June 2017, we had 7,265 employees. The remuneration of our employees includes salaries and allowances. We provide training to our staff to enhance technical and product knowledge. Our training center provides different trainings tailored to different levels of staff, which includes specific lectures conducted by reputed university professors, training courses on different expertise and skills conducted by in house trainers and guest teachers, management trainee program, on site trainings conducted by experienced staff, knowledge sharing sessions and online training platform with various courses for all staff. The Group's remuneration policies are formulated based on the performance of individual

MANAGEMENT DISCUSSION AND ANALYSIS

employees and are reviewed regularly. The frontline staff, such as the staff working at the service locations of the Company nationwide and business development staff receive salaries mostly based on the KPIs set by headquarters and branch offices. The KPIs include rental days, RevPac, net profit, unit cost level, number of complaints, customer services scores, volume of business developed, etc. The management departments and support departments in general receive fixed salaries and performance based bonuses. Their performance bonuses are mostly linked to the overall financial performance of the Company. The Group offers competitive remuneration packages to the directors of the Company (the "Directors"), and the Directors' fees are subject to shareholders' approval at general meeting. The packages were set by benchmarking with companies in similar industries and companies with similar size. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Foreign exchange risk management

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

Free cash flow

The Company continued to generate strong cash flow, with an inflow of RMB406.7 million free cash flow for the six months ended 30 June 2017, compared with RMB784.2 million for the same period last year. The decrease was mainly due to the decrease in profit and the increase in amount due from related party relating to the increased sale of used vehicles. The Company started selling used vehicles to UCAR in 2016 and since then has increased the number of vehicles sold to UCAR.

Share repurchase

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

For the six months ended 30 June 2017, the Company repurchased a total of 92,083,000 shares through the Stock Exchange, representing approximately 4.05% of the issued share capital of the Company as at 30 June 2017. The aggregate consideration for the repurchase was HK\$662.2 million. As at 15 August 2017, the Company has repurchased a total of 119,667,000 shares through the Stock Exchange, representing approximately 5.37% of the issued share capital of the Company. The share repurchase reflects the Company's solid financial position and the Board's strong confidence in the Company's future business prospects. The Company believes that the Repurchase Mandate is in the interest of the shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

3. NON-IFRS FINANCIAL RECONCILIATION

	For the six months ended 30 June	
	2017	2016
	<i>(RMB in thousands, except percentages)</i>	
A. Adjusted net profit		
Net profit	379,012	1,061,821
Adjusted for:		
Share-based compensation	4,531	71,146
Fair value loss/(gain) from investment in equity shares and redeemable preference shares	32,426	(826,687)
Fair value loss on derivative instrument-transaction not qualifying as hedges	38,972	—
Share of loss/(profit) of an associate	777	(1,538)
Foreign exchange (gain)/loss	(141,982)	119,036
Loss relating to the used car B2C pilot program	—	47,821
Adjusted net profit	<u>313,736</u>	<u>471,599</u>
Adjusted net profit margin (as a percentage of rental revenue)	12.8%	19.2%
B. Adjusted EBITDA		
Reported EBITDA calculation		
Profit before tax	521,364	1,210,976
Adjusted for:		
Finance costs	314,407	281,182
Interest income from bank deposit	(13,373)	(9,554)
Depreciation of rental vehicles	645,044	603,126
Depreciation of other property, plant and equipment	36,105	30,988
Amortization of other intangible assets	4,392	5,259
Amortization of prepaid land lease payment	807	807
Impairments on trade receivables	5,991	23,650
Reported EBITDA	<u>1,514,737</u>	<u>2,146,434</u>

MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended 30 June	
	2017	2016
	<i>(RMB in thousands, except percentages)</i>	
Reported EBITDA margin (as a percentage of rental revenue)	61.7%	87.5%
Adjusted EBITDA calculation		
Reported EBITDA	1,514,737	2,146,434
Adjusted for:		
Share-based compensation	4,531	71,146
Fair value loss/(gain) from investment in equity shares and redeemable preference shares	32,426	(826,687)
Fair value loss on derivative instrument-transaction not qualifying as hedges	38,972	—
Share of loss/(profit) of an associate	777	(1,538)
Foreign exchange (gain)/loss	(141,982)	119,036
Loss relating to the used car B2C pilot program	—	47,821
Adjusted EBITDA	1,449,461	1,556,212
Adjusted EBITDA margin (as a percentage of rental revenue)	59.0%	63.5%
C. Free cash flow		
Net cash flows generated from operating activities	433,185	1,021,453
Purchases of other property, plant and equipment	(26,116)	(235,605)
Proceeds from disposal of other property, plant and equipment	31	43
Purchases of other intangible assets	(394)	(1,649)
Net investment activity	(26,479)	(237,211)
Free cash flow	406,706	784,242

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 are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. The Group believes that, used in conjunction with IFRS financial measures, these non-IFRS financial measures provide meaningful supplemental information regarding the Group's performance, and both management and investors benefit from referring to these non-IFRS financial measures in assessing the Group's performance and for planning and forecasting future periods. The Group's management believes that adjusted EBITDA, defined as earnings before interest, income tax expenses, depreciation and amortization, impairment on trade receivables, share-based compensation, foreign exchange (gain)/loss, fair value loss/(gain) from investment in equity shares and redeemable preference shares, fair value loss on derivative instrument-transaction not qualifying as hedges, share of loss/(profit) of an associate and loss relating to the used car B2C pilot program, is a useful financial metric to assess the Group's operating and financial performance.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2017, the interests of the Directors and chief executives in the shares of the Company which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the 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	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Mr. Charles Zhengyao LU (陸正耀) ⁽¹⁾	Beneficiary of a Trust, Interest of Spouse Interest in a Controlled Corporation and Beneficial Owner	646,956,855	28.44%
Mr. Sam Hanhui SUN (孫含暉) ⁽²⁾	Beneficial Owner	510,000	0.02%

Notes:

- (1) Mr. Lu was deemed to be interested in all of the 307,501,775 shares of the Company held by Haode Group Inc. Haode Group Inc. is wholly owned by Lucky Milestone Limited, a Bahamas company, which is in turn ultimately wholly owned by Cititrust Private Trust (Cayman) Limited, as trustee of The Lu's Family Trust. The Lu's Family Trust is an irrevocable trust constituted under the laws of the Cayman Islands with Mr. Lu's wife (Ms. Lichun GUO) as the settlor and certain family members of Mr. Lu as the beneficiaries. Mr. Lu was also deemed to be interested in 53,723,770 shares of the Company held by Sky Sleek Limited, which was wholly owned by Mr. Lu's wife, Ms. Guo. Mr. Lu, through UCAR Technology Inc., was deemed to be interested in 276,486,310 shares of the Company. Mr. Lu was interested in 9,245,000 shares of the Company as beneficial owner.
- (2) Mr. Sun was interested in 510,000 shares of the Company as beneficial owner.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2017.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2017, the persons, other than the Directors or chief executives of the Company, who had interests in the shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO were as follows:

Long Position in the shares of the Company

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Ms. Lichun GUO ^{(1) (2)}	Founder of a Trust, Interest in a Controlled Corporation and Interest of Spouse	646,956,855	28.44%
Legend Holdings Corporation ⁽³⁾	Interest in a Controlled Corporation	563,583,025	24.78%
Right Lane Limited ⁽³⁾	Interest in a Controlled Corporation	563,583,025	24.78%
Grand Union Investment Fund, L.P. ⁽³⁾	Beneficial Owner	562,668,025	24.74%
Infinity Wealth Limited ⁽³⁾	Interest in a Controlled Corporation	562,668,025	24.74%
Cititrust Private Trust (Cayman) Limited ⁽²⁾	Trustee of a Trust	307,501,775	13.52%
Lucky Milestone Limited ⁽²⁾	Interest in a Controlled Corporation	307,501,775	13.52%
Haode Group Inc. ⁽²⁾	Beneficial Owner	307,501,775	13.52%
Amber Gem Holdings Limited ⁽⁴⁾	Beneficial Owner	262,471,340	11.54%
Warburg Pincus & Co. ⁽⁴⁾	Interest in a Controlled Corporation	262,471,340	11.54%
Warburg Pincus Private Equity XI, L.P. ⁽⁴⁾	Interest in a Controlled Corporation	262,471,340	11.54%
Warburg Pincus XI, L.P. ⁽⁴⁾	Interest in a Controlled Corporation	262,471,340	11.54%
WP Global LLC ⁽⁴⁾	Interest in a Controlled Corporation	262,471,340	11.54%
WP XI Equity Ltd ⁽⁴⁾	Interest in a Controlled Corporation	262,471,340	11.54%
UCAR Technology Inc.	Beneficial Owner	646,956,855	28.44%
UCAR Inc. ⁽⁵⁾	Interest in a Controlled Corporation	139,521,289	6.13%
Pu Ying Hong Kong Fund SP2 ⁽⁶⁾	Person having a security interest in shares	125,400,000	5.51%
Shanghai Pudong Development Bank Co., Ltd ⁽⁶⁾	Interest in a Controlled Corporation	125,400,000	5.51%
SPDB International Holdings Limited ⁽⁶⁾	Interest in a Controlled Corporation	125,400,000	5.51%
SPDB International Investment Management (Cayman) Company Limited ⁽⁶⁾	Interest in a Controlled Corporation	125,400,000	5.51%
SPDB International Investment Management Limited ⁽⁶⁾	Interest in a Controlled Corporation	125,400,000	5.51%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) Ms. Guo is the sole shareholder of Sky Sleek Limited. Thus, Ms. Guo was deemed to be interested in 53,723,770 shares of the Company held by Sky Sleek Limited. Ms. Guo was also deemed to be interested in 285,731,310 shares of the Company through the interests of her spouse, Mr. Lu.
 - (2) Haode Group Inc. is wholly-owned by Lucky Milestone Limited, a Bahamas company, which is in turn ultimately wholly-owned by Cititrust Private Trust (Cayman) Limited, as trustee of The Lu's Family Trust. The Lu's Family Trust is an irrevocable trust constituted under the laws of the Cayman Islands with Ms. Guo as the settlor and certain family members of Mr. Lu as the beneficiaries. Thus, Lucky Milestone Limited, Cititrust Private Trust (Cayman) Limited and Ms. Guo were deemed to be interested in 307,501,775 shares of the Company held by Haode Group Inc.
 - (3) Grand Union Investment Fund, L.P. is an exempted liability partnership which is controlled by a sole general partner, Infinity Wealth Limited and a sole limited partner, Right Lane Limited. Infinity Wealth Limited is a wholly-owned subsidiary of Right Lane Limited, which in turn, is wholly-owned by Legend Holdings Corporation. Legion Elite Limited is a wholly-owned subsidiary of Right Lane Limited. Thus, Legend Holdings Corporation and Right Lane Limited were deemed to be interested in 562,668,025 shares and 915,000 shares of the Company held by Grand Union Investment Fund, L.P. and Legion Elite Limited respectively. Infinity Wealth Limited was deemed to be interested in 562,668,025 shares of the Company held by Grand Union Investment Fund, L.P.
 - (4) WP XI Equity Ltd owns 77.6% of the equity interest in Amber Gem Holdings Limited ("Amber Gem"); WP XI Equity Ltd is a wholly-owned subsidiary of Warburg Pincus Private Equity XI, L.P., which, in turn, is wholly-owned by Warburg Pincus XI, L.P. Warburg Pincus XI, L.P. is wholly-owned by WP Global LLC, which, in turn, is wholly-owned by Warburg Pincus & Co. Thus, WP XI Equity Ltd, Warburg Pincus Private Equity XI, L.P., Warburg Pincus XI, L.P., WP Global LLC and Warburg Pincus & Co. were deemed to be interested in 262,471,340 shares of the Company held by Amber Gem.
 - (5) UCAR Limited is a wholly-owned subsidiary of UCAR Inc. Thus, UCAR Inc. was deemed to be interested in 139,521,289 shares of the Company held by UCAR Limited.
 - (6) Pu Ying Hong Kong Fund SP2 is a wholly-owned subsidiary of SPDB International Investment Management (Cayman) Company Limited, which, in turn, is wholly-owned by SPDB International Investment Management Limited. SPDB International Investment Management Limited is a wholly-owned subsidiary of SPDB International Holdings Limited, which, in turn, is wholly-owned by Shanghai Pudong Development Bank Co., Ltd. Thus, SPDB International Investment Management (Cayman) Company Limited, SPDB International Investment Management Limited, SPDB International Holdings Limited and Shanghai Pudong Development Bank Co., Ltd. were deemed to be interested in 125,400,000 shares of the Company held by Pu Ying Hong Kong Fund SP2.
- * The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2017.

Save as disclosed above, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 June 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2014 PRE-IPO SHARE OPTION SCHEME I

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

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

As at 30 June 2017, a total of 38,816,431 share options were outstanding under the 2014 Pre-IPO Share Option Scheme I. Set out below are details of the outstanding options granted to the grantees under the 2014 Pre-IPO Option Scheme I:

Relevant Grantees	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Outstanding as of 1 January 2017	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as of 30 June 2017
Director										
Yifan SONG (宋一凡)	816,730	16 June 2014	100% on the date of grant	10 years from 20 December 2013	US\$0.058	730	—	—	—	730
	1,596,510	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	US\$0.174	1,197,510	—	—	—	1,197,510
	2,250,000	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	US\$0.174	1,691,000	—	—	—	1,691,000
	<u>4,663,240</u>					<u>2,889,240</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,889,240</u>
Employees	34,272,260	16 June 2014	100% on the date of grant	10 years from 20 December 2013	US\$0.058	9,913,505	(1,398,310)	—	—	8,515,195
Employees	33,492,475	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	US\$0.174	21,077,341	(4,151,383)	—	(186,902)	16,739,056
Employees	18,533,440	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	US\$0.174	11,514,440	(966,500)	—	(375,000)	10,172,940
Employee	1,500,000	31 July 2014	1/3 each on 31 July 2015, 2016 and 2017	10 years from 31 July 2014	US\$0.174	500,000	—	—	—	500,000
Total	<u>92,461,415</u>					<u>45,894,526</u>	<u>(6,516,193)</u>	<u>—</u>	<u>(561,902)</u>	<u>38,816,431</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 2016 Annual Report of the Company and note 27 to the Financial Statements of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2014 PRE-IPO SHARE OPTION SCHEME II

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

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

As at 30 June 2017, a total of 1,540,535 options were outstanding under the 2014 Pre-IPO Share Option Scheme II. Set out below are details of the outstanding options granted to senior management under the 2014 Pre-IPO Option Scheme II:

Relevant Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Outstanding	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding
						as of 1 January 2017				as of 30 June 2017
Employee	6,162,140	16 June 2014	25% each on 1 May 2015, 2016, 2017 and 2018	10 years from 1 March 2014	US\$0.174	3,081,070	(1,540,535)	—	—	1,540,535

For further details of the 2014 Pre-IPO Share Option Scheme II, please refer to the section headed “Report of the Directors – Summary of the Share Option Schemes” of the 2016 Annual Report of the Company and note 27 to the Financial Statements of this interim report.

POST-IPO SHARE OPTION SCHEME

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

The Post-IPO Share Option Scheme has become effective for the period of 10 years commencing on the effective date. The maximum number of the Company’s shares in respect of which options may be granted pursuant to the Post-IPO Share Option Scheme is 239,494,759 shares, being 10% of the total issued shares of the Company on the date of approval of the Post-IPO Share Option Scheme. The details of the Post-IPO Share Option Scheme are set out in the section headed “Report of the Directors – Summary of the Share Option Schemes” of the 2016 Annual Report of the Company and note 27 to the Financial Statements of this interim report.

No share options have been granted under the Post-IPO Share Option Scheme since its adoption on 5 April 2016 and there are no outstanding share options as at 30 June 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

During the six months ended 30 June 2017, the Company repurchased 92,083,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately HK\$662.2 million.

Save for the above, 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 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES WRITTEN GUIDELINES

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2017.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the six months ended 30 June 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintain a high standard of corporate governance. For the six months ended 30 June 2017, the Company had been in compliance with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Listing Rules, except for the following deviation:

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

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 three independent non-executive Directors, namely, Mr. Sam Hanhui SUN, Mr. Lei LIN and Mr. Joseph CHOW, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Audit and Compliance Committee has considered and reviewed the unaudited 2017 interim consolidated results of the Group for the six months ended 30 June 2017 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 unaudited 2017 interim consolidated results of the Group for the six months ended 30 June 2017 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

CHANGES IN THE INFORMATION OF THE DIRECTORS SINCE LAST ANNUAL REPORT

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

1. Mr. Lei LIN has resigned as an independent director of Synutra International Inc. with effect from 15 May 2017 and been appointed as a non-independent director of Lepu Medical Technology (Beijing) Co., Ltd. (Stock Code: 300003, listed on the Shenzhen Stock Exchange) with effect from 21 April 2017.
2. Mr. Joseph CHOW has resigned as an independent non-executive director of Intime Retail (Group) Company Limited with effect from 19 May 2017.

AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the board of directors of CAR Inc.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 82, which comprises the condensed consolidated statement of financial position of CAR Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month 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" issued by the Hong Kong Institute of Certified Public Accountants. 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 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
15 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Rental revenue		2,455,717	2,452,191
Sales of used vehicles		1,155,880	516,604
Total revenue	4	3,611,597	2,968,795
Depreciation of rental vehicles	5	(645,044)	(603,126)
Direct operating expenses of rental services		(783,819)	(751,453)
Cost of sales of used vehicles	5	(1,190,817)	(511,269)
Gross profit		991,917	1,102,947
Other income and expenses, net	4	106,375	733,686
Selling and distribution expenses		(11,111)	(44,930)
Administrative expenses		(250,633)	(301,083)
Finance costs		(314,407)	(281,182)
Share of (loss)/profit of an associate		(777)	1,538
Profit before tax	5	521,364	1,210,976
Income tax expenses	6	(142,352)	(149,155)
Profit for the period		379,012	1,061,821
Attributable to:			
Owners of the parent		379,012	1,061,821
Earnings per share attributable to ordinary equity holders of the parent			
Basic (RMB)	8	0.164	0.444
Diluted (RMB)	8	0.161	0.436

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	379,012	1,061,821
Other comprehensive income for the period, net of tax	—	—
Total comprehensive income for the period, net of tax	379,012	1,061,821
Attributable to:		
The owners of the parent	379,012	1,061,821

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Rental vehicles	9	9,306,906	9,176,738
Other property, plant and equipment	10	481,419	491,942
Finance lease receivables - non-current	11	73,213	100,798
Prepayments		12,344	12,940
Prepaid land lease payments	12	59,598	60,405
Goodwill		6,728	6,728
Other intangible assets	13	150,087	154,085
Investment in an associate	14	31,601	32,378
Investments in equity shares and redeemable preference shares	15	3,041,280	3,073,706
Rental deposits		10,020	12,306
Restricted cash	19	1,575	1,300
Deferred tax assets		154,585	122,575
Other non-current assets		13,609	9,609
Total non-current assets		13,342,965	13,255,510
CURRENT ASSETS			
Inventories	16	265,894	233,448
Trade receivables	17	85,789	99,639
Due from related parties	31	815,702	556,201
Prepayments, deposits and other receivables	18	1,144,275	1,172,089
Finance lease receivables - current	11	104,205	119,171
Deposits for sales-leaseback borrowing - current		—	30,000
Restricted cash	19	54,201	—
Cash and cash equivalents	19	4,925,944	5,723,161
Total current assets		7,396,010	7,933,709
CURRENT LIABILITIES			
Trade payables	20	99,356	72,668
Other payables and accruals	21	619,526	559,353
Advances from customers		480,037	331,264
Interest-bearing bank and other borrowings	22	2,481,905	2,425,391
Due to a related party	31	6,017	33,861
Income tax payable		56,786	138,599
Derivative financial instruments	25	38,972	—
Total current liabilities		3,782,599	3,561,136
NET CURRENT ASSETS		3,613,411	4,372,573
TOTAL ASSETS LESS CURRENT LIABILITIES		16,956,376	17,628,083

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Notes</i>	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		16,956,376	17,628,083
NON-CURRENT LIABILITIES			
Senior notes	23	5,323,496	5,435,942
Corporate bonds	24	295,691	—
Interest-bearing bank and other borrowings	22	3,140,847	3,820,742
Deposits received for rental vehicles		817	1,173
Deferred tax liabilities		169,248	151,620
Total non-current liabilities		8,930,099	9,409,477
Net assets		8,026,277	8,218,606
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	140	144
Reserves		5,263,731	5,711,881
Treasury shares	26	(131,661)	(8,474)
Retained earnings		2,894,067	2,515,055
Total equity		8,026,277	8,218,606

Charles Zhengyao LU
Director

Sam Hanhui SUN
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

For the six months ended 30 June 2017

	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	Treasury shares RMB'000	Retained earnings RMB'000	
As at 1 January 2017 (Audited)	144	2,382,719	187,711	2,939,463	201,988	(8,474)	2,515,055	8,218,606
Profit for the period	—	—	—	—	—	—	379,012	379,012
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	379,012	379,012
Repurchase of shares	—	—	—	—	—	(584,319)	—	(584,319)
Cancellation of shares	(5)	—	—	(461,127)	—	461,132	—	—
Exercise of share options (note 27)	1	—	—	34,118	(25,672)	—	—	8,447
Equity-settled share option arrangements (note 27)	—	—	—	—	4,531	—	—	4,531
As at 30 June 2017 (Unaudited)	<u>140</u>	<u>2,382,719</u>	<u>187,711</u>	<u>2,512,454</u>	<u>180,847</u>	<u>(131,661)</u>	<u>2,894,067</u>	<u>8,026,277</u>

For the six months ended 30 June 2016

	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	Treasury shares RMB'000	Retained earnings RMB'000	
As at 1 January 2016 (Audited)	147	2,382,719	95,866	3,321,238	152,042	—	1,147,309	7,099,321
Profit for the period	—	—	—	—	—	—	1,061,821	1,061,821
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	1,061,821	1,061,821
Repurchase of shares	—	—	—	—	—	(250,220)	—	(250,220)
Cancellation of shares	(2)	—	—	(174,755)	—	174,757	—	—
Exercise of share options (note 27)	1	—	—	17,516	(12,890)	—	—	4,627
Equity-settled share option arrangements (note 27)	—	—	—	—	71,146	—	—	71,146
As at 30 June 2016 (Unaudited)	<u>146</u>	<u>2,382,719</u>	<u>95,866</u>	<u>3,163,999</u>	<u>210,298</u>	<u>(75,463)</u>	<u>2,209,130</u>	<u>7,986,695</u>

* These reserve accounts comprise the consolidated reserves of RMB5,263,731,000 (30 June 2016: RMB5,852,882,000) in the interim condensed consolidated statement of financial position as at 30 June 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	2017 RMB'000 <i>(Unaudited)</i>	2016 <i>RMB'000</i> <i>(Unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		521,364	1,210,976
Adjustments for:			
Finance costs		314,407	281,182
Share of loss/(profit) of an associate		777	(1,538)
Interest income	4	(13,373)	(9,554)
Loss on disposal of items of other property, plant and equipment	4	504	28
Fair value loss/(gain) on investments in equity shares and redeemable preference shares	4	32,426	(826,687)
Fair value loss on derivative instrument transaction not qualifying as hedges	4	38,972	—
Depreciation of rental vehicles	9	645,044	603,126
Depreciation of other property, plant and equipment	10	36,105	30,988
Amortisation of prepaid land lease payments	12	807	807
Amortisation of other intangible assets	13	4,392	5,259
Impairment of trade receivables	17	5,991	23,650
Exchange (gain)/loss		(147,638)	118,754
Equity-settled share option expenses	27	4,531	71,146
		1,444,309	1,508,137
Increase in rental vehicles		(775,212)	(820,275)
Decrease in trade receivables		7,859	99,508
(Increase)/decrease in due from related parties		(259,501)	356,832
(Increase)/decrease in inventories		(32,446)	12,402
Decrease in current and non-current prepayments, deposits and other receivables		23,962	6,627
Decrease/(Increase) in finance lease receivables		42,551	(54,601)
Increase in trade payables		26,688	44,480
Decrease in due to a related party		(27,844)	(233)
Increase/(decrease) in advances from customers		148,773	(18,734)
Increase in other payables and accruals		59,835	27,220
Tax paid		(225,789)	(139,910)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		433,185	1,021,453

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	2017 RMB'000 <i>(Unaudited)</i>	2016 <i>RMB'000</i> <i>(Unaudited)</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of other property, plant and equipment		(26,116)	(235,605)
Proceeds from disposal of other property, plant and equipment		31	43
Purchases of other intangible assets		(394)	(1,649)
Acquisition of subsidiaries		(3,360)	(1,993)
Acquisition of an associate		—	(26,410)
Interest received		16,107	8,710
		<hr/> (13,732) <hr/>	<hr/> (256,904) <hr/>
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Release of deposits for borrowings		30,000	—
Restricted cash		(54,476)	51,829
Proceeds from bank and other borrowings		1,423,046	2,016,056
Repayments of bank and other borrowings		(1,986,111)	(903,822)
Proceeds from issuance of corporate bonds	24	295,548	—
Proceeds from exercise of share options		8,447	4,627
Repurchase of shares		(584,319)	(250,220)
Interest paid		(304,863)	(282,649)
		<hr/> (1,172,728) <hr/>	<hr/> 635,821 <hr/>
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES			
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(753,275)	1,400,370
Cash and cash equivalents at beginning of period		5,723,161	1,987,878
Effect of foreign exchange rate changes, net		(43,942)	11,790
		<hr/> 4,925,944 <hr/>	<hr/> 3,400,038 <hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD			

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 15 August 2017.

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

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

2.1 Basis of preparation

The interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of CAR Inc. and its subsidiaries (together, the "Group") as at 30 June 2017 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 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 2016.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

(continued)

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 2016, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2017 below:

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

Amendments to IAS 7	<i>Statement of Cash Flows: Disclosure Initiative</i>
Amendments to IAS 12	<i>Income Taxes: Recognition of Deferred Tax Assets for Unrecognised losses</i>
Annual Improvements 2012-2014 Cycle	<i>Amendments to IFRS 12 Disclosure Interests in Other Entities: clarification of the scope of disclosure requirements in IFRS 12</i>

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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*.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. REVENUE, OTHER INCOME AND EXPENSES, NET

Revenue 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	
	2017 RMB'000 (Unaudited)	2016 <i>RMB'000</i> <i>(Unaudited)</i>
Revenue		
Car rental revenue*	1,738,692	1,325,885
Fleet rental revenue*	704,674	1,100,202
Finance lease income	5,408	5,160
Sales of used rental vehicles	1,155,880	516,604
Franchise related income	1,658	1,860
Others	5,285	19,084
	3,611,597	2,968,795
Other income and expenses, net		
Interest income from bank deposits	13,373	9,554
Exchange gain/(loss)	141,982	(119,036)
Government grants**	17,902	12,300
Loss on disposal of items of other property, plant and equipment	(504)	(28)
Fair value (loss)/gain on investments in equity shares and redeemable preference shares	(32,426)	826,687
Fair value loss on derivative instrument transaction not qualifying as hedges	(38,972)	—
Others	5,020	4,209
	106,375	733,686

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

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales of used vehicles	1,190,817	511,269
Depreciation of rental vehicles	645,044	603,126
Depreciation of other property plant, and equipment	36,105	30,988
Recognition of prepaid land lease payments	807	807
Amortisation of other intangible assets*	4,392	5,259
Minimum lease payments under operating leases in respect of offices and stores	40,106	42,575
Minimum lease payments under operating leases in respect of rental vehicles	18,783	29,178
Wages and salaries	326,222	275,153
Equity-settled share option expenses (note 27)	3,426	71,146
Pension scheme contributions**	69,958	64,050
Insurance expenses	95,558	110,384
Repair and maintenance	142,005	132,806
Exchange (gain)/loss	(141,982)	119,036
Auditors' remuneration	1,600	1,600
Impairment of trade receivables	5,991	23,650
Loss on disposal of items of other property, plant and equipment	504	28
Advertising and promotion expenses	6,819	21,817
Share of loss/(profit) of an associate	777	(1,538)
Finance costs	314,407	281,182
Fair value loss on derivative instrument transaction not qualifying as hedge	38,972	—
Fair value loss/(gain) on investments in equity shares and redeemable preference shares	32,426	(826,687)

* Amortisation of other intangible assets for the six months ended 30 June 2016 and 2017 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 which are operated by the local municipal government.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	156,734	156,429
Deferred tax	(14,382)	(7,274)
Total tax charge for the period	<u>142,352</u>	<u>149,155</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("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) Information Technology Co., Ltd. ("Haike Pingtan"). Haike Pingtan is qualified as an encouraged industry company established in the comprehensive experimentation area in Pingtan, Fujian Province, and therefore is entitled a preferential corporate income tax rate of 15% pursuant to CaiShui [2014] No. 26 issued by the Ministry of Finance of the People's Republic of China.

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on earnings of non-resident enterprise derivatives from the operations in Mainland China. The withholding tax derived from inter-company charges from certain overseas subsidiaries to PRC subsidiaries amounted to RMB13,291,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB14,472,000).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. INCOME TAX EXPENSES (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	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	521,364	1,210,976
Tax at the PRC statutory tax rate of 25%	130,341	302,744
Tax effect of tax rate differences between PRC and overseas entities	9,654	12,437
Impact/(Utilisation) of unrecognised deferred tax assets	6,308	(12,076)
PRC entities with preferential tax rate	(23,684)	(10,047)
Gain not subject to tax	(236)	(161,190)
Expenses not deductible for tax	6,678	2,815
Withholding tax on the deemed income	13,291	14,472
Total charge for the period	142,352	149,155

The effective tax rate of the Group was 27.30% for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 12.32%).

7. DIVIDENDS

The board of the directors does not recommend payment of any dividend in respect of the period (for the six months ended 30 June 2016: Nil).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2,312,927,423 (for the six months ended 30 June 2016: 2,392,407,573) 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	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	379,012	1,061,821
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,312,927,423	2,392,407,573
Effect of dilution on the weighted average number of ordinary shares:		
– Share options	36,029,654	43,531,574
	<u>2,348,957,077</u>	<u>2,435,939,147</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. RENTAL VEHICLES

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
At 1 January:		
Cost	11,191,607	11,016,202
Accumulated depreciation	(2,014,869)	(1,677,329)
Net carrying amount	<u>9,176,738</u>	<u>9,338,873</u>
At 1 January, net of accumulated depreciation	9,176,738	9,338,873
Additions	2,000,898	1,313,728
Disposals and transfers to inventories	(1,223,431)	(491,801)
Transfers to finance leases	(2,255)	(1,652)
Depreciation provided during the period	<u>(645,044)</u>	<u>(603,126)</u>
At 30 June, net of accumulated depreciation	<u>9,306,906</u>	<u>9,556,022</u>
At 30 June:		
Cost	11,326,045	11,514,165
Accumulated depreciation	(2,019,139)	(1,958,143)
Net carrying amount	<u>9,306,906</u>	<u>9,556,022</u>

Vehicles with a carrying value of RMB191,307,000 as at 30 June 2017 (31 December 2016: RMB48,958,000) were pledged to secure certain of the Group's interest-bearing loans (note 22).

Included in the Group's additions of rental vehicles for the six months ended 30 June 2017, there are rental vehicles with aggregate original costs of RMB136,503,000 was purchased from a third party car dealer and the Group has the option to require the car dealer to repurchase vehicles at a specified price and date, subject to certain vehicle condition and mileage. The Group currently estimates to execute the repurchase option and depreciates vehicles with an amount equal to the difference of the initial purchase payment and the contractual repurchase price, thereby minimizing any gain or loss.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

10. OTHER PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired items of other property, plant and equipment with a cost of RMB26,116,000 (for the six months ended 30 June 2016: RMB207,085,000). Depreciation for items of other property, plant and equipment was RMB36,105,000 during the period (for the six months ended 30 June 2016: RMB30,988,000).

Assets with a net book value of RMB534,000 were disposed of by the Group during the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB71,000).

During the six months ended 30 June 2017, the Group was not in the acquisition of subsidiaries (for the six months ended 30 June 2016: RMB7,000).

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Net minimum lease payments receivable	192,760	244,130
Unearned finance income	(15,342)	(24,161)
Total net finance lease receivables	177,418	219,969
Less: current portion	104,205	119,171
Non-current portion	73,213	100,798

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. FINANCE LEASE RECEIVABLES (continued)

Future minimum lease payments to be received under non-cancellable finance lease arrangements as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	116,778	138,174
In the second to fifth years, inclusive	75,982	105,956
	192,760	244,130

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	104,205	119,171
In the second to fifth years, inclusive	73,213	100,798
	177,418	219,969

12. PREPAID LAND LEASE PAYMENTS

Leasehold lands are situated in Mainland China and are held under a medium lease. There is no addition of prepaid land lease payments during the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil). Amortisation of prepaid land lease payments was RMB807,000 during the period (for the six months ended 30 June 2016: RMB807,000).

13. OTHER INTANGIBLE ASSETS

During the six months period ended 30 June 2017, the Group acquired other intangible assets with a cost of RMB394,000 (for the six months ended 30 June 2016: RMB1,649,000). Amortisation of other intangible assets was RMB4,392,000 during the period (for the six months ended 30 June 2016: RMB5,259,000). The Group did not dispose of other intangible assets during the six months period ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. INVESTMENT IN AN ASSOCIATE

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Share of net assets	31,601	32,378

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Beijing QWOM Technology Co., Ltd. (北京氫動益維營銷策劃有限公司) (“QWOM”)	Ordinary shares	PRC	30	Providing mobile internet digital marketing solutions based on big data analytics

The Group, through its wholly-owned subsidiary Haike Pingtan, acquired 30% equity interests in QWOM in April 2016. The Group's interest in QWOM is accounted for using the equity method in the consolidated financial statements. QWOM has completed listing on the National Equities Exchange and Quotation of the PRC (“NEEQ”) in December 2016.

The following table illustrates the financial information of the Group's associate, QWOM, which in the opinion of the Directors is not individually material:

	30 June 2017 RMB'000 (Unaudited)	30 June 2016 RMB'000 (Unaudited)
Share of the associate's (loss)/profit for the period	(777)	1,538
Share of the associate's total comprehensive (loss)/income	(777)	1,538
Carrying amount of the Group's investment in the associate	31,601	27,948

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. INVESTMENTS IN EQUITY SHARES AND REDEEMABLE PREFERENCE SHARES

		30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Investments in redeemable preference shares of an unlisted company			
– Souche Holdings Ltd.	(a)	200,376	197,216
Investments in equity shares of an unlisted company			
– UCAR Technology Inc.	(b)	—	37,018
Investments in equity shares of a publicly held company			
– UCAR Inc. (神州優車股份有限公司) (formerly, Huaxia United Science & Technology Co., Ltd.)	(c)	2,840,904	2,839,472
		3,041,280	3,073,706

(a) Souche Holdings Ltd. (“Souche”)

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

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

Pursuant to a series of new investments in Souche, the equity interests (as converted) held by the Group in Souche was diluted from 19.91% as at 31 December 2015 to 14.79% as at 31 December 2016 and then to 12.42% as at 30 June 2017 after the closing of the newest round of investment in May 2017.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. INVESTMENTS IN EQUITY SHARES AND REDEEMABLE PREFERENCE SHARES

(continued)

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

The redeemable preference shares were measured at fair value and were classified as Level 3 fair value measurement as at 31 December 2016 and 30 June 2017. The fair value of the redeemable preference share investment in Souche was estimated with the assistance of an independent valuation company. The fair value of the redeemable preference share investment in Souche as at 30 June 2017 was based on the market approach, with reference to the market multiples from comparable companies with consideration of the size, profitability and development stage of the industry and those comparable companies. The associated fair value gain of RMB3,160,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil) was recognised through profit or loss under "other income and expenses, net".

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

On 1 July 2015, the Group, among others, entered into the Series A preference share subscription agreement with UCAR Cayman, pursuant to which the Group agreed to subscribe for 2,500,000 Series A preference shares in UCAR Cayman for a consideration of US\$125 million. On 16 September 2015, the Group, among others, entered into the Series B preference share subscription agreement with UCAR Cayman pursuant to which the Group agreed to subscribe for 443,263 Series B preference shares for a consideration of US\$50 million. On the assumption that all Series A and Series B preference shares are converted into ordinary shares of UCAR Cayman based on the fully-diluted conversion ratio of 1:1, the Company will hold approximately 9.35% of the total issued and outstanding shares of UCAR Cayman. The directors of the Company are of the opinion that the Group does not have significant influence over UCAR Cayman.

The Group designated such preference share investment in UCAR Cayman (a hybrid contract, i.e. host debt plus embedded conversion derivative) as a financial asset at fair value through profit or loss upon initial recognition.

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

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. INVESTMENTS IN EQUITY SHARES AND REDEEMABLE PREFERENCE SHARES

(continued)

(b) UCAR Technology Inc. (“UCAR Cayman”) (continued)

The unlisted equity shares were measured at fair value and were classified as Level 3 fair value measurement as at 31 December 2016 and 30 June 2017. The fair value of the equity share investment in UCAR Cayman was estimated with the assistance of an independent valuation company. The fair value of the equity share investment in UCAR Cayman as at 30 June 2017 was based on the proportion of the equity amount of UCAR Cayman. The associated fair value loss of RMB37,018,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB130,427,000) was recognised through profit or loss under “other income and expenses, net”.

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

In December 2015, UCAR Cayman implemented a corporate restructuring (the “UCAR Cayman Restructuring”), whereby the then shareholders of UCAR Cayman would acquire equity interests and increase capital in Huaxia United. The amount of the capital increase in Huaxia United was contributed by the distribution from UCAR Cayman to its then shareholders. Upon completion of the UCAR Cayman Restructuring, the percentage of equity interests held by the Group, through China Auto Rental Limited (“CAR HK”, a wholly-owned subsidiary of the Company), in Huaxia United will be the same as the Company’s then shareholding percentage in UCAR (i.e. 9.35%). In January 2016, UCAR Cayman transferred its chauffeured car services business to Huaxia United and the Business Transfer resulted in an accounting reclassification of RMB1,542,409,000 from the preference share investment in UCAR Cayman to the ordinary share investment in Huaxia United. Huaxia United subsequently changed its name to UCAR Inc. (神州優車股份有限公司). The equity interest held by CAR HK in UCAR was diluted from 9.35% as at 31 December 2015 to 7.42% as at 31 December 2016 after a series of capital injections in UCAR from third parties before the completion of UCAR’s listing on the NEEQ in July 2016. The equity interest held by CAR HK in UCAR was further diluted to 6.27% as at 30 June 2017 after a series of new capital injections in UCAR from third parties in 2017.

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. INVESTMENTS IN EQUITY SHARES AND REDEEMABLE PREFERENCE SHARES

(continued)

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

The unlisted equity shares were measured at fair value and were classified as Level 3 fair value measurement as at 31 December 2016 and 30 June 2017. The fair value of the ordinary share investment in UCAR was estimated with the assistance of an independent valuation company. The fair value of the ordinary share investment in UCAR as at 30 June 2017 was based on the market approach, with reference to the market multiples from comparable companies with consideration of the size, profitability and development stage of the industry and those comparable companies. The associated fair value gain of RMB1,432,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB957,114,000) was recognised through profit or loss under “other income and expenses, net”.

16. INVENTORIES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Used rental vehicles held for sale	213,720	181,658
Fuel	41,106	38,984
Others	11,068	12,806
	265,894	233,448

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

17. TRADE RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	98,862	107,978
Impairment provision	(13,073)	(8,339)
	<u>85,789</u>	<u>99,639</u>

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

An aging analysis of the trade receivables as at 30 June 2017 and 31 December 2016, based on the invoice date and net of provisions, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	67,045	79,824
3 to 6 months	10,311	14,613
6 to 12 months	8,433	5,202
	<u>85,789</u>	<u>99,639</u>

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Balance at beginning of the period	8,339	39,092
Impairment losses recognised	5,991	23,650
Amount written off as uncollectible	(1,257)	(27,433)
Balance at end of the period	<u>13,073</u>	<u>35,309</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

17. TRADE RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB13,073,000 as at 30 June 2017 (31 December 2016: RMB8,339,000) with a carrying amount before provision of RMB16,580,000 as at 30 June 2017 (31 December 2016: RMB10,776,000).

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

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Neither past due nor impaired	52,177	46,494
Past due but not impaired:		
Less than 3 months past due	26,088	48,499
3 months to 1 year past due	4,017	2,209
	82,282	97,202

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

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Deductible VAT input	821,463	845,459
Prepayments	235,250	196,573
Other receivables	60,266	96,433
Rental deposits	24,173	24,354
Others	3,123	9,270
	<u>1,144,275</u>	<u>1,172,089</u>

19. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Cash and bank balances	3,787,312	5,291,737
Time deposits	1,194,408	432,724
	<u>4,981,720</u>	<u>5,724,461</u>
Less: Pledged time deposits:		
Pledged for derivative financial instruments *	54,201	—
Pledged for bank overdraft facilities	1,575	1,300
Cash and cash equivalents	<u>4,925,944</u>	<u>5,723,161</u>

* The Group pledged certain deposits of RMB54,201,000 to secure the Group's forward foreign exchange contract as at 30 June 2017.

The cash and bank balances of the Group denominated in RMB amounted to RMB 2,812,369,000 as at 30 June 2017 (31 December 2016: RMB2,771,053,000). 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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

20. TRADE PAYABLES

An aging analysis of the outstanding trade payables as at 30 June 2017 and 31 December 2016, based on the invoice date, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	92,666	64,042
3 to 6 months	3,808	4,224
Over 6 months	2,882	4,402
	99,356	72,668

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

21. OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Interest payables	153,841	158,657
Deposits by customers – rental deposits	161,346	119,443
Payroll payable	85,972	102,480
Other tax payable	119,286	96,481
Payable for other property, plant and equipment	13,838	13,838
Others	85,243	68,454
	619,526	559,353

Other payables and accruals are non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2017 (Unaudited)			31 December 2016 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:						
Short-term loans						
– unsecured and unguaranteed	4.57-5.06	2017	432,718	4.57-5.06	2017	298,839
Current portion of long-term bank loans						
– guaranteed	3.77-5.72	2017	1,270,604	3.64-5.78	2017	656,374
– unsecured and unguaranteed	4.99-5.69	2017	681,061	4.99-6.21	2017	838,647
Current portion of long-term other loans						
– secured	—	—	—	7.44-8.23	2017	5,556
– unsecured and unguaranteed	—	—	—	7.50	2017	600,000
Current portion of sale and leaseback obligations						
– secured	6.20	2017	97,522	5.18	2017	25,975
			2,481,905			2,425,391
Non-current						
Bank loans						
– guaranteed	3.77-5.72	2018-2019	2,267,884	3.64-5.78	2018-2019	3,212,007
– unsecured and unguaranteed	4.99-5.69	2018-2019	395,969	4.99-6.21	2018-2019	608,735
Other loans						
– guaranteed	5.80	2019	400,000	—	—	—
Sale and leaseback obligations						
– secured	6.20	2018-2019	76,994	—	—	—
			3,140,847			3,820,742
			5,622,752			6,246,133

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Analysed into:		
Bank loans and repayable:		
within one year or on demand	2,384,383	1,793,860
in the second year	900,057	1,952,240
in the third to fifth years, inclusive	1,763,796	1,868,502
	5,048,236	5,614,602
Other borrowings repayable:		
within one year or on demand	—	605,556
in the second year	400,000	—
	400,000	605,556
Sale and leaseback obligations:		
within one year or on demand	97,522	25,975
in the second year	76,994	—
	174,516	25,975
	5,622,752	6,246,133

As at 30 June 2017, the Group's overdraft bank facilities amounted to RMB8,310,125,000 (31 December 2016: RMB9,042,796,000), of which RMB5,668,708,000 (31 December 2016: RMB6,206,100,000) was utilised.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

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

30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	Security/guarantee
174,516	31,531	Secured by certain of rental vehicles (a)
1,459,656	1,183,333	Guaranteed by CAR Inc.
2,478,832	2,685,048	Guaranteed by 7 offshore subsidiaries
1,509,748	2,346,221	Unsecured and unguaranteed
<u>5,622,752</u>	<u>6,246,133</u>	

- (a) Bank and other borrowings of RMB174,516,000 as at 30 June 2017 (31 December 2016: RMB31,531,000) were secured by certain of the Group's rental vehicles, the total carrying amount of which at 30 June 2017 was RMB191,307,000 (31 December 2016: RMB48,958,000) (note 9).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

23. SENIOR NOTES

(1) The 2015 Notes (A)

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

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

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

Year	Redemption price
2018	103.0625%
2019 and thereafter	101.53125%

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

23. SENIOR NOTES (continued)

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total carrying amount at 1 January	3,489,127	3,248,164
Exchange realignment	(82,206)	69,392
Interest expenses	115,249	108,801
Interest expense payment	(104,976)	(100,357)
Total carrying amount at 30 June	<u>3,417,194</u>	<u>3,326,000</u>
Less: Interest payables due within one year reclassified to other payables and accruals	<u>86,444</u>	<u>84,617</u>
	<u>3,330,750</u>	<u>3,241,383</u>

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered that the fair value of the above early redemption options was not significant on initial recognition and as at 30 June 2017.

(2) The 2015 Notes (B)

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

23. SENIOR NOTES (continued)

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

Year	Redemption price
2018	103.0%
2019 and thereafter	101.5%

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Total carrying amount at 1 January	2,084,293	1,942,443
Exchange realignment	(49,058)	41,371
Interest expenses	66,460	62,802
Interest expense payment	(61,744)	(58,877)
Total carrying amount at 30 June	<u>2,039,951</u>	<u>1,987,739</u>
Less: Interest payables due within one year reclassified to other payables and accruals	<u>47,205</u>	<u>46,415</u>
	<u>1,992,746</u>	<u>1,941,324</u>

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

24. CORPORATE BONDS

On 11 July 2016, the Company received the Approval Document Zheng Jian Xu Ke No. [2016] 1536 (the "Approval Document"), dated 7 July 2016 (the "Date of Approval"), from the China Securities Regulatory Commission ("CSRC"), approving the application of the Company for a public issue of corporate bonds in an aggregate nominal value of not more than RMB2,000,000,000 ("Corporate Bonds") to qualified investors in Mainland China. The Approval Document also approved that the Corporate Bonds would be issued in tranches. Issue of the first tranche of the Corporate Bonds shall be completed within 12 months from the Date of Approval and the issue of other tranches of the Corporate Bonds shall be completed within 24 months from the Date of Approval.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

24. CORPORATE BONDS (continued)

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

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

	Six months ended 30 June 2017 RMB'000 (Unaudited)
Total carrying amount at 1 January	—
Addition, net of issuance costs	295,548
Interest expenses	3,118
Interest expense payment	—
Total carrying amount at 30 June	298,666
Less: Interest payables due within one year reclassified to other payables and accruals	2,975
	295,691

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

25. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Liabilities		
Derivative financial instruments	38,972	—

In 2017, the Group entered into certain forward currency contracts, with an aggregate contractual amount of US\$580 million, to manage its exchange rate exposures. Such currency forwards represent commitments to purchase nominal amount of United States Dollar ("US\$") against RMB at the strike rate with undelivered spot transactions. These forward currency contracts are not designated for hedging purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to RMB38,972,000 were charged to the statement of profit or loss for the six months ended 30 June 2017 (2016: Nil).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

26. SHARE CAPITAL

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Authorised: 26,000,000,000 ordinary shares of US\$0.00001 each	1,586	1,586
Issued and fully paid: 2,274,775,899 (31 December 2016: 2,338,665,171) ordinary shares of US\$0.00001 each	140	144

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

On 2 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares, and the par value of the share was changed from US\$0.00005 per share to US\$0.00001 per share. Immediately after the share split, the authorised share capital of the Company became US\$260,000 divided into 26,000,000,000 ordinary shares of par value of US\$0.00001 each and the issued share capital became 1,867,220,070 shares of par value of US\$0.00001 each.

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

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

26. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital for the six months ended 30 June 2017 is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:				
As at 1 January 2017(audited)	2,338,665,171	144	2,939,463	2,939,607
Issuance of shares pursuant to the option scheme (note 27)*	8,056,728	1	34,118	34,119
Cancellation of shares**	<u>(71,946,000)</u>	<u>(5)</u>	<u>(461,127)</u>	<u>(461,132)</u>
As at 30 June 2017(unaudited)	<u><u>2,274,775,899</u></u>	<u><u>140</u></u>	<u><u>2,512,454</u></u>	<u><u>2,512,594</u></u>

* During the six months ended 30 June 2017, the subscription rights attaching to 8,056,728 share options were exercised at the average subscription price of US\$0.15 per share (note 27), resulting in the issue of 8,056,728 ordinary shares for a total cash consideration of RMB8,447,000, of which RMB8,446,000 was charged to share premium. During the six months ended 30 June 2017, an amount of RMB25,672,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

** On 16 May 2017, the Company's shareholders granted a general mandate (the "Repurchase Mandate") to the directors of the Company to repurchase shares of the Company at the annual general meeting (the "AGM"). Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 229,986,581 shares, being 10% of the total number of issued shares of the Company as at the date of the AGM, on the Stock Exchange. The Company purchased 92,083,000 of its shares on the Hong Kong Stock Exchange for a total consideration of HK\$662,213,000 (approximately RMB584,319,000) during the six months ended 30 June 2017, of which 70,688,000 shares were cancelled afterwards. The remaining 21,395,000 shares of HK\$151,311,000 were recorded as treasury shares in the consolidated statement of financial position as at 30 June 2017.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

27. SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

27. SHARE OPTION SCHEME (continued)

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

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

No share options have been granted under the Post-IPO Share Option Scheme since its adoption on 5 April 2016 and there are no outstanding Post-IPO share options as at 30 June 2017.

The following share options were outstanding during the period:

	Weighted average exercise price US\$ per share	Number of options
At 1 January 2017, after share split	0.15	<u>48,975,596</u>
Forfeited during the period	0.17	(561,902)
Exercised during the period	0.15	<u>(8,056,728)</u>
At 30 June 2017	0.15	<u><u>40,356,966</u></u>

The exercise prices and exercise periods of the share options outstanding as at 30 June 2017 are as follows:

Number of options	Exercise price US\$ per share	Exercise period
8,515,925	0.06	Till 31 December 2023
17,936,566	0.17	Till 31 December 2023
1,540,535	0.17	Till 1 May 2024
<u>12,363,940</u>	0.17	Till 31 August 2024
<u><u>40,356,966</u></u>		

The Group recognised share option expenses of RMB4,531,000 during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB71,146,000).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. BUSINESS COMBINATION

2016

a) Acquisition of Foshan Jianxin Auto Repair Co., Ltd. ("Foshan Jianxin")

As part of the Group's business strategy to develop auto repair services, the Group, through its wholly-owned subsidiaries, Beijing Kaipu Parking Management Co., Ltd. ("Beijing Kaipu"), acquired 100% equity and voting interests in Foshan Jianxin in 2016 at an aggregate purchase price of RMB140,000.

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

	Fair value recognised on acquisition
	<i>RMB'000</i>
Cash and cash equivalents	1
Other property, plant and equipment (note 10)	7
Other intangible assets (note 13)	84
Deferred tax liabilities	(21)
	<hr/>
Identifiable net assets at fair value acquired	71
Goodwill	69
	<hr/>
Total consideration	140
	<hr/> <hr/>
Satisfied by cash	140
	<hr/> <hr/>

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 2017

28. BUSINESS COMBINATION (continued)

2016 (continued)

a) Acquisition of Foshan Jianxin Auto Repair Co., Ltd. ("Foshan Jianxin") (continued)

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

	<i>RMB'000</i>
Cash consideration	140
Unsettled consideration as at 30 June 2016	(56)
Cash and cash equivalents acquired	<u>(1)</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u>83</u>
Cash outflow in terms of business combination acquired previously but settled in the period	<u>1,910</u>
	<u>1,993</u>

Since the acquisition, Foshan Jianxin contributed intra-group revenue of RMB543,000 and contributed loss of RMB198,000 to the Group's consolidated profit for the six months ended 30 June 2016.

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 2016 would have been RMB2,968,795,000 and RMB1,061,814,000 respectively.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. BUSINESS COMBINATION (continued)

2016 (continued)

b) Acquisition of QWOM

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

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

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

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

Had the combination taken place at the beginning of the period, the profit of the Group for the six months ended 30 June 2016 would have been RMB1,063,354,000.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its operating assets under operating lease arrangements. As at 30 June 2017 and 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	114,217	104,755
In the second to fifth years, inclusive	133,864	139,031
After five years	50,099	52,415
	<u>298,180</u>	<u>296,201</u>

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments as at 30 June 2017 and 31 December 2016:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for	462,607	14,613

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

31. RELATED PARTY TRANSACTIONS

a) Related parties

Related parties for the six months ended 30 June 2017 and 2016 were as follows:

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

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

b) Related party transactions

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

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
UCAR	664,618	1,028,932

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

31. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions *(continued)*

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
UCAR	734,340	—

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
UCAR	92	—

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

- (iv) Commission charge from a related party:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Hertz International Ltd.	—	626

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

31. RELATED PARTY TRANSACTIONS (continued)

b) Related party transactions (continued)

- (v) House rental income from a related party:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
UCAR	1,586	1,638

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
UCAR	20,353	—

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

31. RELATED PARTY TRANSACTIONS *(continued)*

c) Outstanding balances with related parties

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Due from related parties:		
– UCAR	443,871	184,370
– UCAR Cayman	371,831	371,831
	815,702	556,201
Due to a related party:		
– UCAR	6,017	33,861

As at 30 June 2017 and 31 December 2016, balances with related parties were unsecured, non-interest-bearing and repayable on demand.

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

d) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Short term employee benefits	2,160	1,946
Equity-settled share option expenses	3,901	7,354
	6,061	9,300

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2017 and 31 December 2016 are as follows:

As at 30 June 2017

Financial assets

	Financial assets at fair value through profit and loss RMB'000 (Unaudited)	Loans and receivables RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Finance lease receivables			
– non-current	—	73,213	73,213
Investments in equity shares and redeemable preference shares	3,041,280	—	3,041,280
Rental deposits	—	10,020	10,020
Restricted cash – non-current	—	1,575	1,575
Other non-current assets	—	13,609	13,609
Trade receivables	—	85,789	85,789
Due from related parties	—	815,702	815,702
Financial assets included in prepayments, deposits and other receivables	—	87,562	87,562
Finance lease receivables			
– current	—	104,205	104,205
Restricted cash – current	—	54,201	54,201
Cash and cash equivalents	—	4,925,944	4,925,944
	3,041,280	6,171,820	9,213,100

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

32. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

As at 30 June 2017 *(continued)*

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i> <i>(Unaudited)</i>	Liabilities fair value through profit or loss <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Trade payables	99,356	—	99,356
Financial liabilities included in other payables and accruals	414,268	—	414,268
Interest-bearing bank loans and other borrowings - current	2,481,905	—	2,481,905
Due to a related party	6,017	—	6,017
Derivative financial instruments	—	38,972	38,972
Senior notes	5,323,496	—	5,323,496
Corporate bonds	295,691	—	295,691
Interest-bearing bank loans and other borrowings – non-current	3,140,847	—	3,140,847
Deposits received for rental vehicles	817	—	817
	11,762,397	38,972	11,801,369

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2016

Financial assets

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2016 (continued)

Financial liabilities

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

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Financial assets				
Investments in equity shares and redeemable preference shares (note 15)	<u>3,041,280</u>	<u>3,073,706</u>	<u>3,041,280</u>	<u>3,073,706</u>
Financial liabilities				
Derivative financial instruments (note 25)	<u>38,972</u>	<u>—</u>	<u>38,972</u>	<u>—</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

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

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

The fair values of the non-current portion of deposits, finance lease receivables, other non-current assets, interest-bearing bank loans and other borrowings and senior notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts. The Group's own non-performance risk for interest-bearing bank loans and other borrowings and senior notes as at 30 June 2017 was assessed to be insignificant.

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2017 and 30 June 2016:

As at 30 June 2017

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments in equity shares of UCAR	Market approach	Concluded market multiples	4.6	20% increase/(decrease) in concluded market multiples would result in increase/(decrease) in fair value by RMB496,485,000/ (RMB496,485,000)
Investments in redeemable preference shares of Souche	Market approach	Concluded market multiples	5.56	20% increase/(decrease) in concluded market multiples would result in increase/(decrease) in fair value by RMB44,201,000/ (RMB47,150,000)

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Investments in equity shares and redeemable preference shares (note 15)	—	—	3,041,280	3,041,280

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Investments in equity shares and redeemable preference shares:		
At the beginning of the period/year	3,073,706	1,880,275
Additions during the period/year	—	161,828
Total (loss)/gain recognised in the statement of profit or loss included in other income	(32,426)	1,031,603
At the end of the period/year	3,041,280	3,073,706

Liability measured at fair value:

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Derivative financial instruments	—	38,972	—	38,972

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

	30 June 2017 RMB'000 (Unaudited)
Derivative financial instruments	
At the beginning of the period	—
Total loss recognised in the statement of profit or loss included in other income	38,972
At the end of the period	38,972

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

Fair value hierarchy *(continued)*

During the six months ended 30 June 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (for the six months ended 30 June 2016: Nil).

34. EVENTS AFTER THE REPORTING PERIOD

The treasury shares of 21,395,000 shares in the consolidated statement of financial position as at 30 June 2017 were cancelled on 10 July 2017 and 13 July 2017, respectively. After the Reporting Period and up to 15 August 2017, the Company has subsequently repurchased an aggregate of 27,584,000 of its own shares through the Stock Exchange, at a consideration of HK\$ 201,184,000. The shares were cancelled on 27 July 2017.

35. COMPARATIVE AMOUNTS

The comparative figures had been restated to reclassify the interest payable of senior notes that is due within one year to other payables and accruals. Such reclassification adjustment did not have an impact on the consolidated net assets at 30 June 2016 and the consolidated net profit and other comprehensive income for the period ended 30 June 2016.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Ms. Yifan SONG (*Chief Executive Officer*)

Non-executive Directors

Mr. Charles Zhengyao LU (*Chairman*)

Mr. Linan ZHU

Ms. Xiaogeng LI

Mr. Zhen WEI

Independent Non-executive Directors

Mr. Sam Hanhui SUN

Mr. Wei DING

Mr. Lei LIN

Mr. Joseph CHOW

CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER

Mr. Wilson Wei LI

COMPANY SECRETARY

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

AUDIT AND COMPLIANCE COMMITTEE

Mr. Sam Hanhui SUN (*Chairman*)

Mr. Lei LIN

Mr. Joseph CHOW

NOMINATION COMMITTEE

Mr. Joseph CHOW (*Chairman*)

Mr. Charles Zhengyao LU

Mr. Lei LIN

REMUNERATION COMMITTEE

Mr. Wei DING (*Chairman*)

Ms. Xiaogeng LI

Mr. Joseph CHOW

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INDEPENDENT AUDITORS

Ernst & Young

(*Certified Public Accountants*)

CORPORATE INFORMATION

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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Hong Kong

STOCK CODE

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