



2018

CAR Inc. Interim Report

Incorporated in the Cayman Islands with Limited Liability
Stock Code: 699

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FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year- over-year change
	2018	2017	%
Total rental revenue	2,493	2,456	2%
– Car rental	2,073	1,739	19%
– Fleet rental	409	705	-42%
Total revenue	3,075	3,612	-15%
Net profit	135	379	-64%
Adjusted EBITDA ⁽¹⁾	1,527	1,449	5%
Adjusted EBITDA margin ⁽²⁾	61.3%	59.0%	2.3pp
Adjusted net profit ⁽¹⁾	336	314	7%
Adjusted net profit margin ⁽²⁾	13.5%	12.8%	0.7pp
Basic EPS (RMB)	0.063	0.164	-62%
Free cash flow ⁽³⁾	(1,368)	407	-436%

Notes:

- (1) Adjusted EBITDA and adjusted net profit are non-IFRS measures. Please refer to "Management Discussion and Analysis - 3. Non-IFRS financial reconciliation" for details.
- (2) These margins are presented as a percentage of rental revenue.
- (3) 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 2018 (the “Reporting Period”).

BUSINESS OVERVIEW

The Company opened a new chapter in 2018 with meaningful achievements. During the Reporting Period, the Company recorded modest growth on rental revenue, despite the headwinds in fleet rental business. During the Reporting Period, car rental revenue increased by 19% year-over-year to RMB2,073.3 million, driven by 25% year-over-year rental days growth. Fleet rental revenue decreased by 42% year-over-year to RMB409.1 million.

For the first half of 2018, adjusted net profit increased by 7% to RMB335.8 million, in conjunction with an increase of 0.7 percentage point in adjusted net profit margin to 13.5%. Adjusted EBITDA margin increased by 2.3 percentage points to 61.3%. During the Reporting Period, net profit decreased by 64% to RMB135.5 million, mainly attributed to the foreign exchange losses related to USD denominated liabilities due to RMB depreciation. The Company continued to demonstrate sustainable profitability and achieve margin expansions.

As at 30 June 2018, the total fleet was 123,879 vehicles, compared with 100,029 vehicles as at 30 June 2017. The car rental fleet increased by 38% year-over-year to 99,378 vehicles as at 30 June 2018. With the increase of the car rental demand and the launch of the car sharing business, the average daily car rental fleet increased by 38%, year-over-year.

Number of Fleet

	1Q'17	2Q'17	3Q'17	4Q'17	1Q'18	2Q'18
Fleet size as at period end						
Car rentals	64,117	71,872	83,576	79,905	86,409	99,378
Fleet rentals & Finance lease	22,488	16,429	11,282	13,219	11,721	15,516
Total operating fleet	<u>86,605</u>	<u>88,301</u>	<u>94,858</u>	<u>93,124</u>	<u>98,130</u>	<u>114,894</u>
Retired vehicles awaiting sale	5,542	8,328	7,062	7,568	6,951	7,249
Vehicles held for sale	3,215	3,400	1,535	1,808	1,874	1,736
Total fleet	<u>95,362</u>	<u>100,029</u>	<u>103,455</u>	<u>102,500</u>	<u>106,955</u>	<u>123,879</u>

The car rental business continued to demonstrate promising growth momentum and generated increasing economies of scale. The Company significantly increased the number of autonomous rental cars and the density of autonomous rental points, to upgrade customer experience and increase operating efficiency. On top of this, the Company launched the new car sharing services on 28 March 2018. With the Company’s unique cost advantages and approach of leveraging excess and idle fleet resources, the new product will expand the Company’s customer reach to more young generation who will be a critical customer base for car rental business in mid-to-long run. In order to promote the new services, the Company strategically lowered the utilization target to enlarge fleet availability.



BUSINESS OVERVIEW AND STRATEGIES

During the Reporting Period, excluding the car sharing hours, the Company achieved rental volume growth of 25%. Utilization rate was 62.2%. ADRR decreased by 5% to RMB222, resulted from the year-over-year carry-over impact in the first quarter and the further increased incentive levels to drive new customer acquisitions and rental days growth. RevPAC decreased to RMB138. Despite the decrease in RevPAC, car rental profit margin remained constant, due to lower unit operating expenses, driven by economies of scale.

The Company was in constant pursuit of driving growth through increasing customer base. In 2018, in addition to maintaining competitive pricing strategy, the Company continued improving customer experience using autonomous rental initiatives. As at 30 June 2018, the Company's number of registered members exceeded 22.8 million, increased by 32% year-over-year. Total number of customers was approximately 6.1 million, increased by 31% year-over-year. During the first half of 2018, reservation through the Company's mobile APP further increased to 85% of the total reservation. As at 30 June 2018, the total number of mobile APP downloads was approximately 31 million. The Company believed the introduction of the car sharing services would expand the customer base significantly and increase the percentage of young customers in the base. As at 31 July 2018, approximately 20% of new customers in car sharing has been converted into car rental customers.

During the Reporting Period, the Company disposed 6,753 used vehicles compared with 17,808 vehicles for the same period of 2017. The Company strategically slowed down vehicle retirement to enlarge the vehicle supply for marketing campaigns to promote the new car sharing services. The cost-to-sales ratio was 101%, reflecting a rigorous residual estimation approach and further improved used car disposal capability.

STRATEGIES

The launch of autonomous rental and the car sharing service are both revolution of the Company's business model. During the first half of 2018, the Company completed the transformation of customer operating procedures and management system from offline to online. The Company targeted to achieve a fully connected fleet by the end of this year. As of 31 July 2018, 53% of car rental fleet was connected and enabled for autonomous rental. The percentage in the economy car rental fleet was 74%.

The connected fleet and autonomous rental process enabled the increasing density of rental points and staff-less operating model. Meanwhile, the Company was able to undergo a revolutionary change in the operating model from store-based to block-based, as well as from staff-stationed to staff-less. The new model streamlined customer experience and at the same time enhanced the management efficiency. As of 30 June 2018, over 2,000 autonomous rental points were put in service. In July 2018, 30% of rental transactions was completed autonomously.

The Company launched the car sharing service on 28 March 2018. In May 2018, the service network expanded to 36 cities. The new services achieved encouraging echos from the market in terms of fast growing customer base and transactions. The car sharing service effectively acquired new customers continuously and transformed them into car rental users. In the second half of 2018, the Company will continue to improve user experience, optimize rental point locations and establish smart operating capability.

MANAGEMENT DISCUSSION AND ANALYSIS



1. REVENUES AND PROFITABILITY ANALYSIS

Rental revenue

	Six months ended 30 June		Year-over-year
	2018 RMB	2017 RMB	change %
<i>(in thousands, except percentages)</i>			
Car rental revenue	2,073,302	1,738,692	19.2%
Fleet rental revenue	409,104	704,674	-41.9%
Other revenue	10,720	12,351	-13.2%
Total rental revenue	<u>2,493,126</u>	<u>2,455,717</u>	<u>1.5%</u>

Car rental metrics

	1H'17	1H'18	1Q'17	2Q'17	3Q'17	4Q'17	1Q'18	2Q'18
Average daily fleet ⁽¹⁾	60,307	83,247	60,389	60,225	76,218	75,326	80,303	86,160
ADRR ⁽²⁾ (RMB)	234	222	245	223	237	216	229	216
Utilization rate ⁽³⁾ (%)	68.5%	62.2%	67.6%	69.4%	66.5%	63.9%	63.0%	61.4%
RevPAC ⁽⁴⁾ (RMB)	160	138	165	155	157	138	144	132

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.



MANAGEMENT DISCUSSION AND ANALYSIS

The Company's total rental revenue increased slightly to RMB2,493.1 million for the six months ended 30 June 2018 from RMB2,455.7 million for the same period of 2017.

- **Car rentals.** Revenue from car rentals increased by 19% year-over-year to RMB2,073.3 million for the six months ended 30 June 2018, a mixed impact of 25% rental days growth and 5% ADRR decrease. The ADRR decrease was mainly driven by the year-over-year carry-over impact and the further increased incentive levels to drive new customer acquisitions and rental days growth. During the Reporting Period, the average daily fleet increased by 38% to 83,247. The utilization rate was 62.2%, lower than last year due to the enlarged fleet availability for the new car sharing business to stimulate growth. The Company also slowed down vehicle retirement for the aforementioned purpose.
- **Fleet rentals.** Revenue from fleet rentals decreased by 42% year-over-year to RMB409.1 million for the six months ended 30 June 2018, mainly due to the decrease in UCAR Ride-hailing fleet. The rental prices and terms for each car model under the collaboration with UCAR remained unchanged since the inception.
- **Other revenue.** Other revenue mainly consists of finance lease revenue, insurance claims and franchise royalty. Other revenue was RMB10.7 million for the six months ended 30 June 2018, compared with RMB12.4 million for the same period of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS



Depreciation of rental vehicles and direct operating expenses of rental services

	For the six months ended 30 June			
	2018		2017	
	<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	704,957	28.3%	645,044	26.3%
Direct operating expenses				
– Payroll costs	239,819	9.6%	241,056	9.8%
– Store expenses	126,667	5.1%	97,377	4.0%
– Insurance fees	100,608	4.0%	95,558	3.9%
– Repair and maintenance fees	125,872	5.0%	142,005	5.8%
– Fuel expenses	22,635	0.9%	26,815	1.1%
– Others	180,081	7.2%	181,008	7.4%
Total direct operating expenses	795,682	31.9%	783,819	31.9%
Total costs of rental business	1,500,639	60.2%	1,428,863	58.2%

Depreciation of rental vehicles. As a percentage of rental revenue, depreciation expenses increased to 28.3% for the six months ended 30 June 2018 from 26.3% for the six months ended 30 June 2017. The increase was primarily driven by (i) decrease in car rental RevPAC; and (ii) adjusted estimations of the residual values for certain vehicle models.

Direct operating expenses of rental services. As a percentage of rental revenue, direct operating expenses remained at 31.9% for the six months ended 30 June 2018 compared with the same period of 2017. The increase of store expenses as a percentage of rental revenue was due to the incremental parking costs incurred from more scattered and dynamic parking spaces for car sharing services. The decrease of repair and maintenance fees as a percentage of rental revenue was due to the Company's increased repair and maintenance capabilities.



MANAGEMENT DISCUSSION AND ANALYSIS

Sales of used vehicles (revenue & cost)

	For the six months ended 30 June	
	2018	2017
	RMB	RMB
	<i>(in thousands, except percentages)</i>	
Revenue from sales of used vehicles	582,288	1,155,880
Cost of sales of used vehicles	588,306	1,190,817
Cost as a % of revenue (sales of used vehicles)	101.0%	103.0%
Number of used vehicles sold	6,753	17,808
– Inclusive of used vehicles sold to franchisees via installment program	473	863
Total number of used vehicles disposed	6,753	17,808

The Company disposed of 6,753 used vehicles for the six months ended 30 June 2018, compared with 17,808 for the six months ended 30 June 2017.

Cost of sales of used vehicles was 101.0% of revenue from the sales of used vehicles for the six months ended 30 June 2018, compared with 103.0% for the six months ended 30 June 2017. The close-to-breakeven results continued to demonstrate the Company's proven capabilities of managing the full cycle of rental vehicles, supported by improved used car disposal channels and effective estimation of residual values.

MANAGEMENT DISCUSSION AND ANALYSIS



Gross profit

	For the six months ended 30 June	
	2018	2017
	RMB	RMB
	<i>(in thousands, except percentages)</i>	
Gross profit of rental business	992,487	1,026,854
Gross profit margin of rental business	39.8%	41.8%
Gross loss of sales of used vehicles	(6,018)	(34,937)
Gross loss margin of sales of used vehicles	(1.0)%	(3.0)%
Total gross profit	986,469	991,917
Total gross profit margin as a % of rental revenue	39.6%	40.4%

Total gross profit of the rental business decreased by 0.5% to RMB986.5 million for the six months ended 30 June 2018. Total gross profit margin as a percentage of rental revenue was 39.6% for the six months ended 30 June 2018 compared with 40.4% for the six months ended 30 June 2017.

Selling and distribution expenses

	For the six months ended 30 June			
	2018		2017	
	RMB	% of rental revenue	RMB	% of rental revenue
	<i>(in thousands, except percentages)</i>			
Payroll costs	686	0.0%	1,331	0.1%
Advertising expenses	12,899	0.5%	6,819	0.3%
Share-based compensation	—	0.0%	139	0.0%
Others	16,029	0.6%	2,822	0.1%
Total	29,614	1.1%	11,111	0.5%

Selling and distribution expenses were RMB29.6 million for the six months ended 30 June 2018, compared with RMB11.1 million for the six months ended 30 June 2017. As a percentage of rental revenue, selling and distribution expenses were 1.1% for the six months ended 30 June 2018. The increase was due to the prominent marketing initiatives for new products and services.



MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

	For the six months ended 30 June			
	2018		2017	
	<i>RMB</i>	<i>% of rental revenue</i>	<i>RMB</i>	<i>% of rental revenue</i>
	<i>(in thousands, except percentages)</i>			
Payroll costs	133,477	5.4%	154,310	6.3%
Office expenses	23,479	0.9%	27,036	1.1%
Rental expenses	11,593	0.5%	11,067	0.5%
Share-based compensation	1,490	0.1%	4,336	0.2%
Others	42,824	1.7%	53,884	2.1%
Total	212,863	8.6%	250,633	10.2%

Administrative expenses decreased by 15.1% to RMB212.9 million for the six months ended 30 June 2018. As a percentage of rental revenue, administrative expenses decreased by 1.6 percentage points to 8.6% for the six months ended 30 June 2018. The decrease was primarily due to improved management efficiency brought by advanced technology solutions.

Other income and expenses, net

	For the six months ended 30 June	
	2018	2017
	<i>(RMB in thousands)</i>	
Interest income from bank deposit	46,319	13,373
Unrealized exchange (loss)/gain related to USD denominated liabilities	(87,366)	153,532
Realized exchange loss	(15,193)	(11,550)
Government grants	27,976	17,902
Fair value changes on derivative instrument-transaction not qualifying as hedges	(92,189)	(38,972)
Fair value loss from investment in equity shares and redeemable preference shares	(6,732)	(32,426)
Loss on disposal of items of other property, plant and equipment	(1,025)	(504)
Others	6,115	5,020
Total	(122,095)	106,375

MANAGEMENT DISCUSSION AND ANALYSIS



Net loss was RMB122.1 million for the six months ended 30 June 2018, compared with a net gain of RMB106.4 million for the six months ended 30 June 2017. The loss during the six months ended 30 June 2018 was mainly due to the unrealized foreign exchange loss related to USD denominated liabilities due to RMB depreciation.

Finance costs. Finance costs increased by 14.7% to RMB360.7 million for the six months ended 30 June 2018, primarily due to increased interest costs and the Company's higher debt position.

Profit before tax. Profit before tax decreased by 49.4% year-over-year to RMB263.8 million for the six months ended 30 June 2018.

Income tax expenses. Income tax expenses decreased by 9.9% year-over-year to RMB128.3 million for the six months ended 30 June 2018 due to the decrease of profit before tax.

Net profit. As a result of the aforementioned factors, the net profit decreased by 64.3% year-over-year to RMB135.5 million for the six months ended 30 June 2018.

Adjusted net profit. Adjusted net profit increased by 7.0% year-over-year to RMB335.8 million for the six months ended 30 June 2018. Adjusted net profit margin increased by 0.7 percentage point year-over-year to 13.5% for the six months ended 30 June 2018.

Adjusted EBITDA. Adjusted EBITDA increased by 5.4% year-over-year to RMB1,527.4 million for the six months ended 30 June 2018. Adjusted EBITDA margin increased by 2.3 percentage points year-over-year to 61.3% for the six months ended 30 June 2018, as a result of increased car rental profitability.



MANAGEMENT DISCUSSION AND ANALYSIS

2. FINANCIAL POSITION

	As at	
	30 June 2018	31 December 2017
	<i>(RMB in millions)</i>	
Total assets	22,816.0	20,639.9
Total liabilities	14,798.5	12,766.0
Total equity	8,017.5	7,873.9
Cash and cash equivalents	4,553.5	4,813.3
Restricted cash	1.3	62.2
Other current financial assets	481.0	—
Total cash ⁽¹⁾	5,035.8	4,875.5
Interest bearing bank and other borrowings - current	3,500.1	2,505.3
Interest bearing bank and other borrowings - non-current	2,812.6	3,171.2
Senior notes	5,962.5	5,149.2
Corporate bonds	1,019.2	296.1
Total debt	13,294.4	11,121.8
Net debt (total debt less total cash)	8,258.6	6,246.3
Total debt/adjusted EBITDA (times) ⁽²⁾	4.3x	3.7x
Net debt/adjusted EBITDA (times) ⁽²⁾	2.7x	2.1x

Note:

(1) Total cash is a non IFRS measure.

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

Total cash

As at 30 June 2018, the Company's cash and cash equivalents, restricted cash and other current financial assets was RMB5,035.8 million.



Trade receivables and due from related parties

Trade receivables were RMB93.9 million and RMB92.5 million as at 30 June 2018 and 31 December 2017, respectively.

Due from related parties, which relates to the trade receivables from Shenzhou Maimaiche (Tianjin) Technology Development Co. Ltd (“Maimaiche”) and UCAR was RMB367.2 million and RMB759.0 million as at 30 June 2018 and 31 December 2017, respectively. The decrease was due to the decrease in used car sales through Maimaiche.

Capital expenditures

The majority of the Company’s capital expenditure was for vehicle acquisitions. During the six months ended 30 June 2018, the Company purchased approximately RMB3,417.1 million of rental vehicles, which is inclusive of payments for rental vehicles that have not commenced service. The Company also spent approximately RMB41.2 million on purchases of other property, plant and equipment, and other intangible assets.

Borrowings

As at 30 June 2018, the Company had total debt of RMB13,294.4 million and net debt of RMB8,258.6 million, compared with RMB11,121.8 million and RMB6,246.3 million as at 31 December 2017, respectively. The Company has a strong cash position and sufficient financing facilities. As at 30 June 2018, the current debt portion was RMB3,500.1 million, representing 26.3% of total debt. Based on the repayment schedule as of 30 June 2018, the Company had a total amount of approximately RMB238.4 million debt to be repaid in the third quarter of 2018.

The Company has optimized funding structure to support sustainable business growth, while maintaining a prudent financial policy to ensure balanced leverage ratios and credit metrics. On 4 April 2018, the Company successfully issued RMB400 million 6.5% due 2021 Reg S offshore CNH bond. This was the Company’s first offshore RMB bond and was well-received by the market amid volatile market conditions. The issuance was extended by RMB350 million on 2 May 2018. On 25 April 2018, the Company issued RMB730 million Panda bond, which further demonstrated the Company’s healthy credit profile. The offerings set a benchmark for the Company’s future transactions in the capital markets to further diversified its funding sources.

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, restricted cash and other current financial assets. 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 2018	31 December 2017
	<i>(in RMB thousands)</i>	
Interest-bearing bank loans		
– current	3,500,125	2,505,286
– non-current	2,812,586	3,171,201
Senior notes	5,962,510	5,149,165
Corporate bonds	1,019,199	296,089
Total debt	13,294,420	11,121,741
Cash and cash equivalents	4,553,534	4,813,311
Restricted cash	1,275	62,170
Other current financial assets	481,000	—
Total cash⁽¹⁾	5,035,809	4,875,481
Net debt	8,258,611	6,246,260
Total assets	22,816,018	20,639,895
Net debt/total assets ratio	36%	30%

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

	As at	
	30 June 2018	31 December 2017
	<i>(in RMB thousands)</i>	
RMB	5,610,924	3,758,178
Others	7,683,496	7,363,563
	13,294,420	11,121,741

Note:

(1) Total cash is a non IFRS measure.

MANAGEMENT DISCUSSION AND ANALYSIS



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

	As at	
	30 June	31 December
	2018	2017
	<i>(in RMB thousands)</i>	
RMB	3,947,146	3,983,758
Others	606,388	829,553
	<u>4,553,534</u>	<u>4,813,311</u>

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 report, we have entered into forward currency contracts with an aggregate contractual amount of US\$530.0 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 28.

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 2018.

Contingent liabilities

As at 30 June 2018, we had no significant contingent liabilities.

Charges on the Group's assets

As at 30 June 2018, certain assets of the Group had been pledged. For details, please refer to "Note to Financial statements" notes 11, 21, 22 and 25.



MANAGEMENT DISCUSSION AND ANALYSIS

Remuneration policy and Directors' remuneration

As at 30 June 2018, we had 6,468 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 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 asset liability management, especially foreign exchange risk management. As at the date of this report, the Company has entered into forward currency contracts with an aggregate contractual amount of US\$530.0 million, which will partially offset the ongoing foreign exchange exposure. The Company will continue to closely evaluate market conditions and ensure appropriate measures are further implemented should the opportunity arise.

Free cash flow

The Company generated an outflow of RMB1,367.6 million free cash flow for the six months ended 30 June 2018, compared with an inflow of RMB406.7 million for the same period of 2017, as a result of a vehicle purchase of RMB3,417.1 million.

Share repurchase

At the Company's annual general meeting (the "AGM") on 15 May 2018, the shareholders granted a general mandate (the "Repurchase Mandate") to the directors of the Company (the "Directors") to repurchase shares of the Company. Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 215,038,430 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").



3. NON-IFRS FINANCIAL RECONCILIATION

	For the six months ended 30 June	
	2018	2017
	<i>(RMB in thousands, except percentages)</i>	
A. Adjusted net profit		
Net profit	135,480	379,012
Adjusted for:		
Share-based compensation	1,490	4,531
Fair value changes on derivative instrument-transaction not qualifying as hedges	92,189	38,972
Fair value loss from investment in equity shares and redeemable preference shares	6,732	32,426
Share of (profit)/loss of an associate	(2,636)	777
Foreign exchange loss/(gain)	102,559	(141,982)
	<hr/>	<hr/>
Adjusted net profit	335,814	313,736
	<hr/> <hr/>	<hr/> <hr/>
Adjusted net profit margin (as a percentage of rental revenue)	13.5%	12.8%
B. Adjusted EBITDA		
Reported EBITDA calculation		
Profit before tax	263,790	521,364
Adjusted for:		
Finance costs	360,743	314,407
Interest income from bank deposit	(46,319)	(13,373)
Depreciation of rental vehicles	704,957	645,044
Depreciation of other property, plant and equipment	37,558	36,105
Amortization of other intangible assets	3,367	4,392
Amortization of prepaid land lease payment	807	807
Impairments on trade receivables	2,127	5,991
	<hr/>	<hr/>
Reported EBITDA	1,327,030	1,514,737
	<hr/> <hr/>	<hr/> <hr/>



MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended 30 June	
	2018	2017
	<i>(RMB in thousands)</i>	
Reported EBITDA margin (as a percentage of rental revenue)	53.2%	61.7%
Adjusted EBITDA calculation		
Reported EBITDA	1,327,030	1,514,737
Adjusted for:		
Share-based compensation	1,490	4,531
Fair value loss from investment in equity shares and redeemable preference shares	6,732	32,426
Fair value changes on derivative instrument-transaction not qualifying as hedges	92,189	38,972
Share of (profit)/loss of an associate	(2,636)	777
Foreign exchange loss/(gain)	102,559	(141,982)
Adjusted EBITDA	<u>1,527,364</u>	<u>1,449,461</u>
Adjusted EBITDA margin (as a percentage of rental revenue)	<u>61.3%</u>	<u>59.0%</u>
C. Free cash flow		
Net cash flows generated from operating activities	<u>(1,327,405)</u>	<u>433,185</u>
Purchases of other property, plant and equipment	(36,375)	(26,116)
Proceeds from disposal of other property, plant and equipment	1,068	31
Purchases of other intangible assets	(4,873)	(394)
Net investment activity	<u>(40,180)</u>	<u>(26,479)</u>
Free cash flow	<u>(1,367,585)</u>	<u>406,706</u>

MANAGEMENT DISCUSSION AND ANALYSIS



The Group employed certain non-IFRS financial measures in measuring the performance of the Group. The presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. The Group believes that, used in conjunction with IFRS financial measures, these non-IFRS financial measures provide meaningful supplemental information regarding the Group's performance, and both management and investors benefit from referring to these non-IFRS financial measures in assessing the Group's performance and 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 loss/(gain), fair value loss/(gain) from investment in equity shares and redeemable preference shares, fair value changes on derivative instrument-transaction not qualifying as hedges and share of (profit)/loss of an associate, is a useful financial metric to assess the Group's operating and financial performance.

Foreign exchange loss/(gain), fair value loss/(gain) from investment in equity shares and redeemable preference shares, gain on disposal of subsidiaries, and share of (profit)/loss of an associate had been added in the reconciliation in 2016 due to the change in economic situation and the Group's business strategies. Gain on disposal of investments in redeemable preference shares had been added in the reconciliation in 2017. Fair value changes on derivative instrument-transaction not qualifying as hedges has been added in the reconciliation in 2018. The management believes that these items do not relate to the Group's business operations. The Group operates mainly in China and its foreign exchange loss/(gain) mainly results from its USD-denominated senior notes. Fair value loss/(gain) from investment in equity shares and redeemable preferences shares represents the non-cash fair value gain/(loss) on investments which is recognized in accordance with IAS 39 Financial Instruments. Fair value changes on derivative instrument-transaction not qualifying as hedges is recognized based on the market price of the foreign exchange contract that the Company entered into during the Reporting Period. These accounting recognitions and measurements do not relate to the Group's business operations. Share of (profit)/loss of an associate relates to the share of (profit)/loss 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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2018, the interests of the Directors and chief executive 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 Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in the shares of the Company

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Mr. Charles Zhengyao LU (陸正耀) ⁽¹⁾	Interest in Controlled Corporations	630,956,855	29.29%
Mr. Sam Hanhui SUN (孫含暉) ⁽²⁾	Beneficial Owner	510,000	0.02%

Notes:

- (1) Mr. Lu was deemed to be interested in 630,956,855 shares of the Company through various controlled corporations.
 (2) Mr. Sun was interested in 510,000 shares of the Company as beneficial owner.

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

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

- (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 2018.

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 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION



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

As at 30 June 2018, the persons, other than the Directors or chief executive 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⁾	Interest of Spouse	630,956,855	29.29%
Legend Holdings Corporation ⁽²⁾	Interest in Controlled Corporations	563,583,025	26.17%
Right Lane Limited ⁽²⁾	Interest in Controlled Corporations	563,583,025	26.17%
Grand Union Investment Fund, L.P. ⁽²⁾	Beneficial Owner	562,668,025	26.12%
Infinity Wealth Limited ⁽²⁾	Interest in a Controlled Corporation	562,668,025	26.12%
Amber Gem Holdings Limited ⁽³⁾	Beneficial Owner	262,471,340	12.19%
Warburg Pincus & Co. ⁽³⁾	Interest in Controlled Corporations	262,471,340	12.19%
Warburg Pincus Private Equity XI, L.P. ⁽³⁾	Interest in Controlled Corporations	262,471,340	12.19%
Warburg Pincus XI, L.P. ⁽³⁾	Interest in Controlled Corporations	262,471,340	12.19%
WP Global LLC ⁽³⁾	Interest in Controlled Corporations	262,471,340	12.19%
WP XI Equity Ltd ⁽³⁾	Interest in a Controlled Corporation	262,471,340	12.19%
UCAR Technology Inc.	Beneficial Owner	260,486,310	12.09%
UCAR Inc. ⁽⁴⁾	Interest in Controlled Corporations	630,956,855	29.29%



CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) Ms. Guo was deemed to be interested in 630,956,855 shares of the Company through the interests of her spouse, Mr. Charles Zhengyao Lu.
 - (2) Grand Union Investment Fund, L.P. is an exempted liability partnership which is controlled by a sole general partner, Infinity Wealth Limited and a sole limited partner, Right Lane Limited. Infinity Wealth Limited is a wholly-owned subsidiary of Right Lane Limited, which in turn, is wholly-owned by Legend Holdings Corporation. Legion Elite Limited is a wholly-owned subsidiary of Right Lane Limited. Thus, Legend Holdings Corporation and Right Lane Limited were deemed to be interested in 562,668,025 shares and 915,000 shares of the Company held by Grand Union Investment Fund, L.P. and Legion Elite Limited respectively. Infinity Wealth Limited was deemed to be interested in 562,668,025 shares of the Company held by Grand Union Investment Fund, L.P.
 - (3) WP XI Equity Ltd owns 77.59% of the equity interest in Amber Gem Holdings Limited ("Amber Gem"); WP XI Equity Ltd is a wholly-owned subsidiary of Warburg Pincus Private Equity XI, L.P., which, in turn, is wholly-owned by Warburg Pincus XI, L.P. Warburg Pincus XI, L.P. is wholly-owned by WP Global LLC, which, in turn, is wholly-owned by Warburg Pincus & Co. Thus, WP XI Equity Ltd, Warburg Pincus Private Equity XI, L.P., Warburg Pincus XI, L.P., WP Global LLC and Warburg Pincus & Co. were deemed to be interested in 262,471,340 shares of the Company held by Amber Gem.
 - (4) UCAR Inc. was deemed to be interested in 630,956,855 shares of the Company held by its wholly-owned subsidiaries.
- * The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2018.

Save as disclosed above, the Company is not aware of any other person (other than the Directors or chief executive 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 2018.

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 2018, a total of 29,425,917 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 2018	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as of 30 June 2018
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	7,500,935	(885,595)	—	—	6,615,340
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	15,074,199	(3,274,052)	—	—	11,800,147
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	9,029,190	(908,000)	—	—	8,121,190
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	—	—	—	—	—
Total	<u>92,461,415</u>					<u>34,493,564</u>	<u>(5,067,647)</u>	<u>—</u>	<u>—</u>	<u>29,425,917</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 2017 Annual Report of the Company and note 30 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 2018, no 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 2018				as of 30 June 2018
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	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 2017 Annual Report of the Company and note 30 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 2017 Annual Report of the Company and note 30 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 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION



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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES WRITTEN GUIDELINES

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' dealings in the Company's securities.

Specific enquiry has been made to all the Directors, and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2018.

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 and/or its securities. 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 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. For the six months ended 30 June 2018, 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 15 May 2018 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 C.3 and D.3 of the CG Code. The Audit and Compliance Committee consists of one non-executive Director, namely, Ms. Xiaogeng LI, and two independent non-executive Directors, namely, Mr. Sam Hanhui SUN and Mr. Li ZHANG, with Mr. Sam Hanhui SUN acting as the chairman of the committee. As required under Rules 3.10(2) and 3.21 of the Listing Rules, Mr. Sam Hanhui SUN acting as the chairman of the committee, holds the appropriate professional qualifications.

The Audit and Compliance Committee has considered and reviewed the unaudited 2018 interim consolidated results of the Group for the six months ended 30 June 2018 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 consolidated interim results of the Group for the six months ended 30 June 2018 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. Charles Zhengyao LU has ceased to be the chairman of the board of UCAR Technology Inc., a substantial shareholder of the Company, with effect from 22 March 2018.
2. Mr. Sam Hanhui SUN has been appointed as an independent director and the chairman of the audit committee of each of iQiyi Inc. (listed on the NASDAQ, Stock Code: IQ) and Sunlands Online Education Group (listed on the New York Stock Exchange, Stock Code: STG) in March 2018.

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 28 to 86, which comprises the condensed consolidated statement of financial position of CAR Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 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 the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
14 August 2018



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	<i>Notes</i>	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Rental revenue	4	2,493,126	2,455,717
Sales of used vehicles	5	582,288	1,155,880
Total revenue		3,075,414	3,611,597
Depreciation of rental vehicles	7	(704,957)	(645,044)
Direct operating expenses of rental services		(795,682)	(783,819)
Cost of sales of used vehicles	7	(588,306)	(1,190,817)
Gross profit		986,469	991,917
Other income and expenses, net	6	(122,095)	106,375
Selling and distribution expenses		(29,614)	(11,111)
Administrative expenses		(212,863)	(250,633)
Finance costs		(360,743)	(314,407)
Share of profit/(loss) of an associate		2,636	(777)
Profit before tax	7	263,790	521,364
Income tax expenses	8	(128,310)	(142,352)
Profit for the period		135,480	379,012
Attributable to:			
Owners of the parent		135,480	379,012
Earnings per share attributable to ordinary equity holders of the parent			
Basic (RMB)	10	0.063	0.164
Diluted (RMB)	10	0.062	0.161

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018



	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	135,480	379,012
Other comprehensive income for the period, net of tax	—	—
Total comprehensive income for the period, net of tax	135,480	379,012
Attributable to:		
The owners of the parent	135,480	379,012



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	<i>Notes</i>	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Rental vehicles	11	11,197,171	9,538,828
Other property, plant and equipment	12	468,321	470,794
Finance lease receivables — non-current	14	515,443	115,443
Prepayments		42,729	116,055
Prepaid land lease payments	15	57,984	58,791
Goodwill		6,728	6,728
Other intangible assets	16	148,408	146,902
Investment in an associate	17	35,121	32,485
Investments in equity shares	18	2,800,512	2,807,244
Rental deposits		182	19
Deposits for sales-leaseback borrowing		30,000	—
Restricted cash — non-current	22	1,275	1,275
Deferred tax assets		178,233	183,316
Other non-current assets		16,813	16,223
Total non-current assets		15,498,920	13,494,103
CURRENT ASSETS			
Inventories	19	192,008	159,914
Trade receivables	20	93,861	92,452
Due from related parties	33	367,151	758,952
Prepayments, deposits and other receivables	21	1,465,509	1,174,657
Finance lease receivables — current	14	164,035	85,611
Other current financial assets	13	481,000	—
Restricted cash — current	22	—	60,895
Cash and cash equivalents	22	4,553,534	4,813,311
Total current assets		7,317,098	7,145,792
CURRENT LIABILITIES			
Trade payables	23	67,468	81,989
Other payables and accruals	24	670,474	700,090
Advances from customers		443,081	385,119
Interest-bearing bank and other borrowings — current	25	3,500,125	2,505,286
Due to a related party	33	2,596	4,964
Income tax payable		70,445	129,826
Derivative financial instruments — current	28	49,131	187,026
Total current liabilities		4,803,320	3,994,300

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018



	30 June 2018	31 December 2017
<i>Notes</i>	RMB'000 (Unaudited)	<i>RMB'000 (Audited)</i>
NET CURRENT ASSETS	2,513,778	3,151,492
TOTAL ASSETS LESS CURRENT LIABILITIES	18,012,698	16,645,595
NON-CURRENT LIABILITIES		
Senior notes	26 5,962,510	5,149,165
Corporate bonds	27 1,019,199	296,089
Derivative financial instruments — non-current	28 38,200	—
Interest-bearing bank and other borrowings — non-current	25 2,812,586	3,171,201
Deposits received for rental vehicles	674	568
Deferred tax liabilities	162,049	154,661
Total non-current liabilities	9,995,218	8,771,684
Net assets	8,017,480	7,873,911
EQUITY		
Equity attributable to owners of the parent		
Share capital	29 133	134
Reserves	4,544,015	4,683,406
Treasury shares	29 —	(147,481)
Retained earnings	3,473,332	3,337,852
Total equity	8,017,480	7,873,911

Yifan SONG
Director

Xiaogeng LI
Director



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

For the six months ended 30 June 2018

	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 2018 (Audited)	134	2,382,719	246,025	1,886,096	168,566	(147,481)	3,337,852	7,873,911
Profit for the period	—	—	—	—	—	—	135,480	135,480
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	135,480	135,480
Cancellation of shares	(2)	—	—	(147,479)	—	147,481	—	—
Exercise of share options (note 30)	1	—	—	28,577	(21,979)	—	—	6,599
Equity-settled share option arrangements (note 30)	—	—	—	—	1,490	—	—	1,490
As at 30 June 2018 (Unaudited)	<u>133</u>	<u>2,382,719</u>	<u>246,025</u>	<u>1,767,194</u>	<u>148,077</u>	<u>—</u>	<u>3,473,332</u>	<u>8,017,480</u>

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 30)	1	—	—	34,118	(25,672)	—	—	8,447
Equity-settled share option arrangements (note 30)	—	—	—	—	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>

* These reserve accounts comprise the consolidated reserves of RMB4,544,015,000 (30 June 2017: RMB5,263,731,000) in the interim condensed consolidated statement of financial position as at 30 June 2018.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		263,790	521,364
Adjustments for:			
Finance costs		360,743	314,407
Share of (profit)/loss of an associate		(2,636)	777
Interest income	6	(46,319)	(13,373)
Loss on disposal of items of other property, plant and equipment	6	1,025	504
Fair value loss on investments in equity shares and redeemable preference shares	6	6,732	32,426
Fair value changes on derivative instrument transaction not qualifying as hedges	6	92,189	38,972
Depreciation of rental vehicles	11	704,957	645,044
Depreciation of other property, plant and equipment	12	37,558	36,105
Amortisation of prepaid land lease payments	15	807	807
Amortisation of other intangible assets	16	3,367	4,392
Impairment of trade receivables	20	2,127	5,991
Exchange loss/(gain)	6	102,559	(147,638)
Equity-settled share option expenses	30	1,490	4,531
		1,528,389	1,444,309
Increase in rental vehicles		(2,363,300)	(775,212)
(Increase)/decrease in trade receivables		(3,536)	7,859
Decrease/(Increase) in due from related parties		391,801	(259,501)
Increase in inventories		(32,094)	(32,446)
(Increase)/decrease in prepayments, deposits and other receivables		(197,569)	23,962
(Increase)/decrease in finance lease receivables		(478,424)	42,551
(Decrease)/Increase in trade payables		(14,521)	26,688
Decrease in due to a related party		(2,368)	(27,844)
Increase in advances from customers		57,962	148,773
(Decrease)/Increase in other payables and accruals		(38,525)	59,835
Tax paid		(175,220)	(225,789)
NET CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(1,327,405)	433,185



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	<i>Notes</i>	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of other property, plant and equipment		(36,375)	(26,116)
Proceeds from disposal of other property, plant and equipment		1,068	31
Purchases of other intangible assets		(4,873)	(394)
Acquisition of subsidiaries		—	(3,360)
Settlement of derivative financial instruments		(191,884)	—
Interest received		24,807	16,107
		<hr/> (207,257) <hr/>	<hr/> (13,732) <hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Addition)/Release of deposits for borrowings		(30,000)	30,000
Decrease/(Increase) in restricted cash		60,895	(54,476)
Increase in other current financial assets		(481,000)	—
Proceeds from bank and other borrowings		2,554,681	1,423,046
Repayments of bank and other borrowings		(1,973,131)	(1,986,111)
Proceeds from issuance of corporate bonds	27	722,268	295,548
Proceeds from issuance of senior notes	26	731,465	—
Proceeds from exercise of share options		6,599	8,447
Repurchase of shares		—	(584,319)
Interest paid		(311,589)	(304,863)
		<hr/> 1,280,188 <hr/>	<hr/> (1,172,728) <hr/>
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES			
		<hr/> (254,474) <hr/>	<hr/> (753,275) <hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		4,813,311	5,723,161
Effect of foreign exchange rate changes, net		(5,303)	(43,942)
		<hr/> 4,553,534 <hr/>	<hr/> 4,925,944 <hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD			

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 14 August 2018.

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

2. BASIS OF PREPARATION AND CHANGES 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 2018 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 2017.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2018 below:

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

IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRS 9	<i>Financial Instruments</i>
IFRIC Interpretation 22	<i>Foreign Currency Transactions and Advance Considerations</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
Amendments to IFRS 1	<i>First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
Amendments to IAS 28	<i>Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice</i>

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



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

(continued)

2.2 Changes in accounting policies and disclosures (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has adopted the following revised IFRSs for the first time in these interim condensed consolidated financial statements.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The effect of adopting IFRS 15 is as follows:

- The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 11, IAS 18 and related Interpretations and;
- As required for the interim condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 5 for the disclosure on disaggregated revenue. Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of IAS 11, IAS 18 and related Interpretations. As a result, the disclosure of disaggregated revenue in note 5 would not include comparative information under IFRS 15.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

(continued)

2.2 Changes in accounting policies and disclosures (continued)

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for the six months ended 30 June 2018.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets, including financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held-to-maturity investments have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit or loss.

The accounting for financial liabilities remains largely the same as it was under IAS 39.

As of 1 January 2018, the category of loans and receivables under IAS 39, including cash and cash equivalents, accounts and notes receivables, financial assets included in prepayments, deposits and other receivables and due from a related company, were transferred to debt instruments at amortised cost under IFRS 9.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



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

(continued)

2.2 Changes in accounting policies and disclosures *(continued)*

IFRS 9 Financial Instruments *(continued)*

Changes to the impairment calculation

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model. The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its accounts and notes receivables. The Group applies the general approach of financial assets included in prepayments, deposits and other receivables and due from a related company.

All the other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

4. RENTAL REVENUE

Rental revenue mainly represents the value of car rental service rendered, net of business tax and discounts allowed.

An analysis of rental revenue is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Car rental revenue	2,073,302	1,738,692
Fleet rental revenue	409,104	704,674
Finance lease income	5,105	5,408
Others	5,615	6,943
	<u>2,493,126</u>	<u>2,455,717</u>

5. SALES OF USED RENTAL VEHICLES

An analysis of sales of used rental vehicles is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of used rental vehicles	<u>582,288</u>	<u>1,155,880</u>

With the adoption of IFRS 15 from 1 January 2018, the disaggregation of the company's revenue from contracts with customers, including sales of used rental vehicles above is as follows:

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



5. SALES OF USED RENTAL VEHICLES (continued)

	Six months ended 30 June 2018 RMB'000 (Unaudited)
Type of goods or service	
Sales of used rental vehicles and total revenue from contracts with customers	582,288
Timing of revenue recognition	
Goods transferred at a point in time and total revenue from contracts with customers	582,288

6. OTHER INCOME AND EXPENSES, NET

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest income from bank deposits	46,319	13,373
Exchange (loss)/gain	(102,559)	141,982
Government grants*	27,976	17,902
Loss on disposal of items of other property, plant and equipment	(1,025)	(504)
Fair value loss on investments in equity shares and redeemable preference shares	(6,732)	(32,426)
Fair value changes on derivative instrument transaction not qualifying as hedges	(92,189)	(38,972)
Others	6,115	5,020
	(122,095)	106,375

* 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 2018

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales of used vehicles	588,306	1,190,817
Depreciation of rental vehicles	704,957	645,044
Depreciation of other property, plant and equipment	37,558	36,105
Recognition of prepaid land lease payments	807	807
Amortisation of other intangible assets*	3,367	4,392
Minimum lease payments under operating leases in respect of offices and stores	47,124	40,106
Minimum lease payments under operating leases in respect of rental vehicles	10,302	18,783
Wages and salaries	306,633	326,222
Equity-settled share option expenses (note 30)	1,490	3,426
Pension scheme contributions**	66,826	69,958
Insurance expenses	100,608	95,558
Repair and maintenance	125,872	142,005
Exchange loss/(gain)	102,559	(141,982)
Auditors' remuneration	2,000	1,600
Impairment of trade receivables	2,127	5,991
Loss on disposal of items of other property, plant and equipment	1,025	504
Advertising and promotion expenses	12,899	6,819
Share of (profit)/loss of an associate	(2,636)	777
Finance costs	360,743	314,407
Fair value changes on derivative instrument transaction not qualifying as hedges	92,189	38,972
Fair value loss on investments in equity shares and redeemable preference shares	6,732	32,426

* Amortisation of other intangible assets for the six months ended 30 June 2018 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 2018



8. INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	115,839	156,734
Deferred tax	12,471	(14,382)
Total tax charge for the period	<u>128,310</u>	<u>142,352</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 RMB14,010,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB13,291,000).



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

8. 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	263,790	521,364
Tax at the PRC statutory tax rate of 25%	65,948	130,341
Tax effect of tax rate differences between PRC and overseas entities	80,228	9,654
(Utilisation)/Impact of unrecognised deferred tax assets	(14,759)	6,308
PRC entities with preferential tax rate	(20,644)	(23,684)
Gain not subject to tax	—	(236)
Expenses not deductible for tax	3,527	6,678
Withholding tax on the deemed income	14,010	13,291
Total charge for the period	128,310	142,352

The effective tax rate of the Group was 48.64% for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 27.30%).

9. 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 2017: Nil).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



10. 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 2,149,952,069 (for the six months ended 30 June 2017: 2,312,927,423) 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	135,480	379,012
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,149,952,069	2,312,927,423
Effect of dilution on the weighted average number of ordinary shares:		
– Share options	27,650,493	36,029,654
	<u>2,177,602,562</u>	<u>2,348,957,077</u>



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

11. RENTAL VEHICLES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At 1 January:		
Cost	11,593,572	11,191,607
Accumulated depreciation	(2,054,744)	(2,014,869)
Net carrying amount	9,538,828	9,176,738
At 1 January, net of accumulated depreciation	9,538,828	9,176,738
Additions	3,488,003	2,000,898
Disposals and transfers to inventories	(618,292)	(1,223,431)
Transfers to finance leases	(506,411)	(2,255)
Depreciation provided during the period	(704,957)	(645,044)
At 30 June, net of accumulated depreciation	11,197,171	9,306,906
At 30 June:		
Cost	13,689,589	11,326,045
Accumulated depreciation	(2,492,418)	(2,019,139)
Net carrying amount	11,197,171	9,306,906

Vehicles with a carrying value of RMB738,005,000 as at 30 June 2018 (31 December 2017: RMB178,844,000) were pledged to secure certain of the Group's interest-bearing loans (note 25).

Included in the Group's rental vehicles as at 30 June 2018 were rental vehicles with an net carrying amount of RMB207,017,000 purchased from a third party car dealer and the Group has the option to require the car dealer to repurchase vehicles at a specified price and date, subject to certain vehicle condition and mileage. The Group currently estimates to execute the repurchase option and depreciates vehicles with an amount equal to the difference of the initial purchase payment and the contractual repurchase price, thereby minimising any gain or loss.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



12. OTHER PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired items of other property, plant and equipment with a cost of RMB37,178,000 (for the six months ended 30 June 2017: RMB26,116,000). Depreciation for items of other property, plant and equipment was RMB37,558,000 during the period (for the six months ended 30 June 2017: RMB36,105,000).

Assets with a net book value of RMB2,093,000 were disposed of by the Group during the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB534,000).

13. OTHER CURRENT FINANCIAL ASSETS

Debt instruments at amortised cost:

Other current financial assets

30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
481,000	—

As of 30 June 2018, other current financial assets of RMB481,000,000 (31 December 2017: Nil) had been pledged to secure the Group's certain interest-bearing loans (note 25).



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

14. FINANCE LEASE RECEIVABLES

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Net minimum lease payments receivable	1,070,096	224,959
Unearned finance income	(390,618)	(23,905)
Total net finance lease receivables	<u>679,478</u>	<u>201,054</u>
Less: current portion	<u>164,035</u>	<u>85,611</u>
Non-current portion	<u>515,443</u>	<u>115,443</u>

Future minimum lease payments to be received under non-cancellable finance lease arrangements as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	307,624	102,135
In the second to fifth years, inclusive	762,472	122,824
	<u>1,070,096</u>	<u>224,959</u>

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	164,035	85,611
In the second to fifth years, inclusive	515,443	115,443
	<u>679,478</u>	<u>201,054</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



15. PREPAID LAND LEASE PAYMENTS

Leasehold lands are situated in Mainland China and are held with lease term ranging from 40 to 50 years. There is no addition of prepaid land lease payments during the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil). Amortisation of prepaid land lease payments was RMB807,000 during the period (for the six months ended 30 June 2017: RMB807,000).

16. OTHER INTANGIBLE ASSETS

During the six months period ended 30 June 2018, the Group acquired other intangible assets with a cost of RMB4,873,000 (for the six months ended 30 June 2017: RMB394,000). Amortisation of other intangible assets was RMB3,367,000 during the period (for the six months ended 30 June 2017: RMB4,392,000). The Group did not dispose of other intangible assets during the six months period ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

17. INVESTMENT IN AN ASSOCIATE

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Share of net assets	26,815	24,179
Goodwill on acquisition	8,306	8,306
	35,121	32,485

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
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 had completed listing on the National Equities Exchange and Quotations ("NEEQ") in December 2016.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

17. INVESTMENT IN AN ASSOCIATE (continued)

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

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Share of the associate's profit/(loss) for the period	2,636	(777)
Share of the associate's total comprehensive income/(loss)	2,636	(777)
Carrying amount of the Group's investment in the associate	<u>35,121</u>	<u>31,601</u>

18. INVESTMENTS IN EQUITY SHARES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Investments in equity shares of an unlisted company		
– UCAR Technology Inc. (a)	—	—
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.) (b)	<u>2,800,512</u>	<u>2,807,244</u>
	<u>2,800,512</u>	<u>2,807,244</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



18. INVESTMENTS IN EQUITY SHARES *(continued)*

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

On 1 July 2015, the Group, among others, entered into the Series A preference share subscription agreement with UCAR Cayman, pursuant to which the Group agreed to subscribe for 2,500,000 Series A preference shares in UCAR Cayman at a consideration of US\$125 million. On 16 September 2015, the Group, among others, entered into the Series B preference share subscription agreement with UCAR Cayman pursuant to which the Group agreed to subscribe for 443,263 Series B preference shares at a consideration 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.

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

On 5 May, 2016, a termination agreement was entered into amongst, inter alios, the Company, UCAR Cayman, and other shareholders of UCAR Cayman. ("Termination Agreement") According to the Termination Agreement, the Company agrees that immediately after the listing of UCAR Inc. on the NEEQ, at the election of UCAR Cayman, the Company shall transfer its entire equity in UCAR Cayman to UCAR Inc. at the lowest price permitted under the applicable laws.

On 9 March, 2018, the Company, along with other shareholders of UCAR Cayman, transferred its entire equity in UCAR Cayman to UCAR Limited (a subsidiary of UCAR Inc.) at a consideration of USD 1.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

18. INVESTMENTS IN EQUITY SHARES *(continued)*

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

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

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

The unlisted equity shares were measured at fair value and were classified as Level 3 fair value measurement as at 31 December 2017 and 30 June 2018. 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 2018 was based on the market approach, with reference to the market multiples from comparable companies with consideration of the size, profitability and development stage of the industry and those comparable companies. The associated fair value loss of RMB6,732,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Fair value gain RMB1,432,000) was recognised through profit or loss under “other income and expenses, net”.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



19. INVENTORIES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Used rental vehicles held for sale	127,329	104,230
Fuel	51,957	43,375
Others	12,722	12,309
	<u>192,008</u>	<u>159,914</u>

20. TRADE RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	95,740	94,926
Impairment provision	(1,879)	(2,474)
	<u>93,861</u>	<u>92,452</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 2018 and 31 December 2017, based on the invoice date and net of provisions, is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 3 months	86,815	86,939
3 to 6 months	5,389	4,489
6 to 12 months	1,657	1,024
	<u>93,861</u>	<u>92,452</u>



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

20. TRADE RECEIVABLES (continued)

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Balance at beginning of the period	2,474	8,339
Impairment losses recognised	2,127	5,991
Amount written off as uncollectible	(2,722)	(1,257)
	<hr/>	<hr/>
Balance at end of the period	1,879	13,073
	<hr/> <hr/>	<hr/> <hr/>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB1,879,000 as at 30 June 2018 (31 December 2017: RMB2,474,000) with a carrying amount before provision of RMB2,654,000 as at 30 June 2018 (31 December 2017: RMB3,278,000).

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	31 December
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Neither past due nor impaired	50,070	53,609
Past due but not impaired:		
Less than 3 months past due	37,472	34,363
3 months to 1 year past due	5,544	3,676
	<hr/>	<hr/>
	93,086	91,648
	<hr/> <hr/>	<hr/> <hr/>

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 2018



21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Deductible VAT input	1,053,726	901,266
Prepayments	330,409	235,549
Other receivables	28,320	8,083
Rental deposits	24,017	23,059
Others	29,037	6,700
	<u>1,465,509</u>	<u>1,174,657</u>

Included in other receivables was an amount of RMB6,250,000 (2017:Nil) being the interest receivables from certain financial assets, and as at 30 June 2018, had been pledged to secure the Group's certain interest-bearing loans (note 25)

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash and bank balances	3,738,860	3,856,353
Time deposits	815,949	1,019,128
	<u>4,554,809</u>	<u>4,875,481</u>
Less: Pledged time deposits:		
Pledged for derivative financial instruments *	—	60,895
Pledged for bank overdraft facilities	1,275	1,275
Cash and cash equivalents	<u>4,553,534</u>	<u>4,813,311</u>

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

The cash and bank balances of the Group denominated in RMB amounted to RMB3,397,136,000 as at 30 June 2018 (31 December 2017: RMB2,671,748,000). 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.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

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.

23. TRADE PAYABLES

An aging analysis of the outstanding trade payables as at 30 June 2018 and 31 December 2017, based on the invoice date, is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 3 months	66,388	75,580
3 to 6 months	466	1,363
Over 6 months	614	5,046
	67,468	81,989

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

24. OTHER PAYABLES AND ACCRUALS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Interest payables	167,654	158,640
Deposits by customers – rental deposits	184,887	154,307
Payroll payable	69,729	93,899
Other tax payable	165,222	182,161
Payable for other property, plant and equipment	13,838	13,838
Others	69,144	97,245
	670,474	700,090

Other payables and accruals are non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:						
Short-term loans						
– guaranteed	3.15-5.00	2019	595,501	—	—	—
– unsecured and unguaranteed	5.35	2019	604,848	4.57-5.06	2018	392,834
Current portion of long-term bank loans						
– guaranteed	4.15-5.75	2019	765,486	3.77-5.72	2018	1,321,196
– unsecured and unguaranteed	5.18-5.75	2019	611,013	4.99-5.69	2018	690,845
Current portion of long-term other loans						
– guaranteed	5.8	2019	700,000	—	—	—
Current portion of sale and leaseback obligations						
– secured	6.2	2019	223,277	6.2	2018	100,411
			3,500,125			2,505,286
Non-current:						
Bank loans						
– guaranteed	3.15-5.75	2019-2021	2,323,630	3.77-5.73	2019-2020	1,896,348
– unsecured and unguaranteed	5.18-5.75	2019-2020	373,465	4.99-5.69	2019	548,788
Other loans						
– guaranteed	—	—	—	5.8	2019	700,000
Sale and leaseback obligations						
– secured	6.2	2019-2020	115,491	6.2	2019	26,065
			2,812,586			3,171,201
			6,312,711			5,676,487



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
within one year or on demand	2,576,848	2,404,875
in the second year	2,180,309	2,385,136
in the third to fifth years, inclusive	516,786	60,000
	5,273,943	4,850,011
Other borrowings repayable:		
within one year or on demand	700,000	—
in the second year	—	700,000
	700,000	700,000
Sale and leaseback obligations:		
within one year or on demand	223,277	100,411
in the second year	115,491	26,065
	338,768	126,476
	6,312,711	5,676,487

As at 30 June 2018, the Group's overdraft bank facilities amounted to RMB8,141,448,000 (31 December 2017: RMB8,334,696,000), of which RMB6,460,260,000 (31 December 2017: RMB5,567,310,000) was utilised.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



25. 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)	Security/guarantee
338,768	126,476	Secured by certain of rental vehicles (a)
1,930,822	1,703,145	Guaranteed by CAR Inc.
1,958,294	2,214,399	Guaranteed by 7 offshore subsidiaries
1,589,326	1,632,467	Unsecured and unguaranteed
495,501	—	Secured by certain other current financial assets and interests (b)
<u>6,312,711</u>	<u>5,676,487</u>	

- (a) Bank and other borrowings of RMB338,768,000 as at 30 June 2018 (31 December 2017: RMB126,476,000) were secured by certain of the Group's rental vehicles, the total carrying amount of which at 30 June 2018 was RMB738,005,000 (31 December 2017: RMB178,844,000) (note 11).
- (b) Other borrowings of RMB495,501,000 at 30 June, 2018 (31 December 2017: Nil) were secured by certain of the Group's other current financial assets and its interests set forth in note 13 and note 21 above, the total carrying amount of which at 30 June, 2018 was RMB 487,250,000 (31 December 2017: Nil).



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

26. 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 2018



26. 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total carrying amount at 1 January	3,305,841	3,489,127
Exchange realignment	41,308	(82,206)
Interest expenses	107,610	115,249
Interest expense payment	(96,947)	(104,976)
Total carrying amount at 30 June	<u>3,357,812</u>	<u>3,417,194</u>
Less: Interest payables due within one year reclassified to other payables and accruals	<u>84,431</u>	<u>86,444</u>
	<u>3,273,381</u>	<u>3,330,750</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 2018.

(2) The 2015 Notes (B)

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



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

26. SENIOR NOTES (continued)

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

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:

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total carrying amount at 1 January	1,972,615	2,084,293
Exchange realignment	24,215	(49,058)
Interest expenses	61,982	66,460
Interest expense payment	(56,594)	(61,744)
Total carrying amount at 30 June	<u>2,002,218</u>	<u>2,039,951</u>
Less: Interest payables due within one year reclassified to other payables and accruals	<u>45,898</u>	<u>47,205</u>
	<u>1,956,320</u>	<u>1,992,746</u>

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

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



26. SENIOR NOTES (continued)

(3) The 2018 Notes (A)

On 4 April 2018, the Company issued senior notes with an aggregated nominal value of RMB400 million due 2021 (the "2018 Notes (A)"). The 2018 Notes (A) were listed on the Stock Exchange of Hong Kong Limited. The 2018 Notes (A) carries interest at the rate of 6.50% per annum, payable semi-annually on 4 April and 4 October in arrears, and will mature on 4 April 2021, unless redeemed earlier.

The 2018 Notes (A) may be redeemed in the following circumstances:

- (i) At any time on or after 4 April 2020, the Company may at its option redeem the Notes, in whole or in part, at 103.25% of the principal amount of Notes redeemed plus accrued and unpaid interest, if any, to (but not including) the redemption date.
- (ii) At any time and from time to time prior to 4 April 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus an applicable premium (as defined in the Indenture) as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The 2018 Notes (A) recognised in the statement of financial position were calculated as follows:

	Six months ended 30 June 2018 RMB'000 (Unaudited)
Total carrying amount at 1 January	—
Addition, net of issuance costs	387,447
Interest expenses	7,125
Interest expense payment	—
Total carrying amount at 30 June	<u>394,572</u>
Less: Interest payables due within one year reclassified to other payables and accruals	<u>6,217</u>
	<u>388,355</u>

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



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

26. SENIOR NOTES (continued)

(4) The 2018 Notes (B)

On 2 May 2018, the Company issued Additional Notes (the “2018 Notes (B)”) in the aggregate principal amount of RMB350 million, to be consolidated and form a single series with the 2018 Notes (A). The Additional Notes will mature on 4 April 2021, unless earlier redeemed pursuant to the terms thereof. The 2018 Notes (B) were listed on the Stock Exchange of Hong Kong Limited. The 2018 Notes (B) carries interest at the rate of 6.50% per annum, payable semi-annually on 4 April and 4 October in arrears, and will mature on 4 April 2021, unless redeemed earlier.

The 2018 Notes (B) may be redeemed in the following circumstances:

- (i) At any time on or after 4 April 2020, the Company may at its option redeem the Notes, in whole or in part, at 103.25% of the principal amount of Notes redeemed plus accrued and unpaid interest, if any, to (but not including) the redemption date.
- (ii) At any time and from time to time prior to 4 April 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus an applicable premium (as defined in the Indenture) as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The 2018 Notes (B) recognised in the statement of financial position were calculated as follows:

	Six months ended 30 June 2018 RMB'000 (Unaudited)
Total carrying amount at 1 January	—
Addition, net of issuance costs	344,018
Interest expenses	5,876
Interest expense payment	—
	<hr/>
Total carrying amount at 30 June	349,894
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Less: Interest payables due within one year reclassified to other payables and accruals	5,440
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	344,454
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Early redemption options are regarded as embedded derivatives closely related to the host contract.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



27. CORPORATE BONDS

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

(1) The 2017 Corporate Bonds (A)

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

The 2017 Corporate Bonds (A) recognised in the statement of financial position were calculated as follows:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Total carrying amount at 1 January	307,360	—
Addition, net of issuance costs	—	295,548
Interest expenses incurred	8,567	3,118
Interest expense paid	(16,500)	—
Total carrying amount at 30 June	<u>299,427</u>	<u>298,666</u>
Less: Interest payables due within one year reclassified to other payables and accruals	<u>2,938</u>	<u>2,975</u>
	<u>296,489</u>	<u>295,691</u>

The options of the 2017 Corporate Bonds (A) entitled to the Company and the investors are regarded as embedded derivatives closely related to the host contract.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

27. CORPORATE BONDS (continued)

(2) The 2018 Corporate Bonds (B)

The public issue of the second tranche of the Corporate Bonds (the “2018 Corporate Bonds (B)”) was completed on 25 April 2018. The final principal amount of the 2018 Corporate Bonds (B) is RMB730 million, at a coupon rate of 6.3% per annum, with a term of three years with the Company’s option to adjust the coupon rate after the end of the second year upon issuance and the investors’ entitlement to require repurchase of the 2018 Corporate Bonds (B).

The 2018 Corporate Bonds (B) recognised in the statement of financial position were calculated as follows:

	Six months ended 30 June 2018 RMB’000 (Unaudited)
Total carrying amount at 1 January	—
Addition, net of issuance costs	722,268
Interest expenses incurred	8,861
Interest expense paid	—
	<hr/>
Total carrying amount at 30 June	731,129
	<hr/>
Less: Interest payables due within one year reclassified to other payables and accruals	8,419
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	722,710
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The options of the 2018 Corporate Bonds (B) entitled to the Company and the investors are regarded as embedded derivatives closely related to the host contract.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



28. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Liabilities		
Derivative financial instruments-Current	49,131	187,026
Derivative financial instruments- Non Current	38,200	—
	87,331	187,026

As at 30 June 2018, the Group has entered into derivative financial instruments of forward currency contracts, with an aggregate contractual amount of US\$530.0 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 hedge purposes and are measured at fair value through profit or loss. The aggregate changes in the fair value of non-hedging currency derivatives were charged to the statement of profit or loss.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

29. SHARE CAPITAL

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Authorised: 26,000,000,000 ordinary shares of US\$0.00001 each	1,586	1,586
Issued and fully paid: 2,153,843,383 (31 December 2017: 2,173,420,201) ordinary shares of US\$0.00001 each	133	134

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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



29. SHARE CAPITAL (continued)

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.

A summary of movements in the Company's share capital for the six months ended 30 June 2018 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 2018 (audited)	2,173,420,201	134	1,886,096	1,886,230
Issuance of shares pursuant to the option scheme (note 30)*	6,608,182	1	28,577	28,578
Cancellation of shares**	(26,185,000)	(2)	(147,479)	(147,481)
As at 30 June 2018 (unaudited)	<u>2,153,843,383</u>	<u>133</u>	<u>1,767,194</u>	<u>1,767,327</u>

* During the six months ended 30 June 2018, the subscription rights attaching to 6,608,182 share options were exercised at the average subscription price of US\$0.16 per share (note 30), resulting in the issue of 6,608,182 ordinary shares for a total cash consideration of RMB6,599,000, of which RMB6,598,000 was charged to share premium. During the six months ended 30 June 2018, an amount of RMB21,979,000 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. For the six months ended 30 June 2018, the Company has cancelled 26,185,000 shares which were repurchased through the Stock Exchange in 2017.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

30. 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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



30. SHARE OPTION SCHEME *(continued)*

On 14 August 2014, 4,456,688 Tranche C options have been granted with an exercise price of US\$0.87. The 300,000 share options granted to certain management members 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.

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 2018.



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

30. SHARE OPTION SCHEME (continued)

The following share options were outstanding during the period:

	Weighted average exercise price US\$ per share	Number of options
At 1 January 2018, after share split	0.15	<u>36,034,099</u>
Forfeited during the period	—	—
Exercised during the period	0.16	<u>(6,608,182)</u>
At 30 June 2018	0.15	<u><u>29,425,917</u></u>

The exercise prices and exercise periods of the share options outstanding as at 30 June 2018 are as follows:

Number of options	Exercise price US\$ per share	Exercise period
6,616,070	0.058	Till 31 December 2023
12,997,657	0.174	Till 31 December 2023
—	0.174	Till 1 May 2024
<u>9,812,190</u>	0.174	Till 31 August 2024
<u><u>29,425,917</u></u>		

The Group recognised share option expenses of RMB1,490,000 during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB4,531,000).

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



31. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its operating assets under operating lease arrangements. As at 30 June 2018 and 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	172,951	147,906
In the second to fifth years, inclusive	158,544	142,476
After five years	37,766	42,763
	369,261	333,145

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments as at 30 June 2018 and 31 December 2017:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for		
Rental vehicles	114,199	10,139
Buildings	172,701	16,014
	286,900	26,153



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

33. RELATED PARTY TRANSACTIONS

a) Related parties

Related parties for the six months ended 30 June 2018 and 2017 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

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	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
UCAR	375,888	664,618

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.

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
UCAR	166,865	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.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



33. RELATED PARTY TRANSACTIONS (continued)

b) Related party transactions (continued)

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
UCAR	166	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) Office rental income from a related party:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
UCAR	1,586	1,586

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

- (v) Office rental services rendered from a related party:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
UCAR	2,498	—

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



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

33. RELATED PARTY TRANSACTIONS (continued)

b) Related party transactions (continued)

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
UCAR	12,516	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.

c) Outstanding balances with related parties

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Due from related parties:		
– UCAR	367,151	387,121
– UCAR Cayman	—	371,831
	367,151	758,952
Due to a related party:		
– UCAR	2,596	4,964

As at 30 June 2018 and 31 December 2017, balances with related parties were unsecured, non-interest-bearing and repayable on demand.

The management of the Company was of the view that no bad debt provision was necessary.

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



33. RELATED PARTY TRANSACTIONS *(continued)*

d) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short term employee benefits	2,568	2,160
Equity-settled share option expenses	511	3,901
	3,079	6,061



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2018 and 31 December 2017 are as follows:

As at 30 June 2018

Financial assets

	Financial assets at fair value through profit and loss <i>RMB'000</i> <i>(Unaudited)</i>	Loans and receivables <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Finance lease receivables			
– non-current	—	515,443	515,443
Investments in equity shares	2,800,512	—	2,800,512
Rental deposits	—	182	182
Restricted cash – non-current	—	1,275	1,275
Deposits for sales – leaseback borrowings – non-current	—	30,000	30,000
Other non-current assets	—	16,813	16,813
Trade receivables	—	93,861	93,861
Amounts due from related parties	—	367,151	367,151
Financial assets included in prepayments, deposits and other receivables	—	81,374	81,374
Finance lease receivables			
– current	—	164,035	164,035
Other current financial asset	—	481,000	481,000
Cash and cash equivalents	—	4,553,534	4,553,534
	2,800,512	6,304,668	9,105,180

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



34. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

As at 30 June 2018 *(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	67,468	—	67,468
Financial liabilities included in other payables and accruals	435,523	—	435,523
Interest-bearing bank loans and other borrowings – current	3,500,125	—	3,500,125
Due to a related party	2,596	—	2,596
Derivative financial instruments – current	—	49,131	49,131
Derivative financial instruments – non-current	—	38,200	38,200
Senior notes	5,962,510	—	5,962,510
Corporate bonds	1,019,199	—	1,019,199
Interest-bearing bank loans and other borrowings – non-current	2,812,586	—	2,812,586
Deposits received for rental vehicles	674	—	674
	13,800,681	87,331	13,888,012



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

34. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

As at 31 December 2017

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	—	115,443	115,443
Investments in equity shares	2,807,244	—	2,807,244
Rental deposits	—	19	19
Restricted cash – current	—	60,895	60,895
Restricted cash – non-current	—	1,275	1,275
Other non-current assets	—	16,223	16,223
Trade receivables	—	92,452	92,452
Amounts due from related parties	—	758,952	758,952
Financial assets included in prepayments, deposits and other receivables	—	37,842	37,842
Finance lease receivables			
– current	—	85,611	85,611
Cash and cash equivalents	—	4,813,311	4,813,311
	<u>2,807,244</u>	<u>5,982,023</u>	<u>8,789,267</u>

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



34. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

As at 31 December 2017 *(continued)*

Financial liabilities

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



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

35. 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 2018 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2017 <i>RMB'000</i> <i>(Audited)</i>	30 June 2018 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2017 <i>RMB'000</i> <i>(Audited)</i>
Financial assets				
Investments in equity shares (note 18)	<u>2,800,512</u>	<u>2,807,244</u>	<u>2,800,512</u>	<u>2,807,244</u>
Financial liabilities				
Derivative financial instruments (note 28)	<u>87,331</u>	<u>187,026</u>	<u>87,331</u>	<u>187,026</u>

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 2018 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 2018



35. 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 2018 and 30 June 2017:

As at 30 June 2018

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments in equity shares of UCAR	Market approach	Concluded market multiples	6.6	20% increase/(decrease) in concluded market multiples would result in increase/(decrease) in fair value by RMB511,632,000/ (RMB511,632,000)

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)



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			Total
	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)	
Investments in equity shares (note18)	—	—	2,800,512	2,800,512

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Investments in financial assets at fair value through profit or loss:		
At 1 January	2,807,244	3,073,706
Investments during the period/year	—	—
Transfer in during the period/year	—	—
Total loss recognised in the statement of profit or loss included in other income	(6,732)	(66,086)
Disposal	—	(200,376)
At the end of the period/year	2,800,512	2,807,244

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018



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

Fair value hierarchy (continued)

Liability measured at fair value:

	Fair value measurement using			Total
	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	—	87,331	—	87,331

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Derivative financial instruments:		
At 1 January	187,026	—
Investments during the period/year	—	—
Transfer in during the period/year	—	—
Total loss recognised in the statement of profit or loss included in other income	92,189	187,026
Settlement	(191,884)	—
At the end of the period/year	87,331	187,026

During the six months ended 30 June 2018, 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 2017: Nil).



NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2018

36. EVENTS AFTER THE REPORTING PERIOD

As announced by the Company on 11 July 2018, the Company and FDG Electric Vehicles Limited (五龍電動車(集團)有限公司) ("FDG", a company listed on the Main Board of the Stock Exchange; stock code: 729) entered into a non-legally binding memorandum of understanding (the "MOU"), pursuant to which the Company intended to subscribe, and FDG intended to issue (1) 9,000,000,000 ordinary shares in FDG at tentative subscription price of HK\$0.06 per ordinary share (the "Subscription Shares"); and (2) convertible bonds issued by FDG in the principal amount of HK\$600,000,000 at the initial conversion price of HK\$0.06 per share (the "Convertible Bonds", together with the possible subscription of the Subscription Shares, the "Possible Subscription"), subject to adjustments in accordance with the terms and conditions of the formal legally-binding agreement to be entered into between the Company and FDG (the "Formal Agreement"). Upon full conversion of the Convertible Bonds and together with the Subscription Shares, the intended subscription represents approximately 37.32% of the total issued share capital of FDG as enlarged by (i) the allotment and issue of the Subscription Shares; (ii) the allotment and issue of certain subscription shares by other investors; and (iii) allotment of certain placing shares pursuant to a placing conducted by FDG. The MOU is non-legally binding in nature, and the Company and FDG may or may not enter into the Formal Agreement in connection with the Possible Subscription. Upon signing of the MOU, the Company is required to pay two refundable deposits in the amount of HK\$100 million within 5 business days from the date of the MOU, and a further HK\$200 million within 10 business days from the date of the MOU, as part of the consideration of the Possible Subscription.

The Directors consider that the Possible Subscription represents an opportunity to expand into the electric vehicle market and the Possible Subscription will be in the interests of the Company and the Shareholders as a whole. FDG is a specialized commercial electric vehicle manufacturer based in China. The cooperation between the Company and FDG will create synergy for both and create unparalleled opportunity for the Company to lay a strong foundation for the Company's strategy in new energy vehicles.



BOARD OF DIRECTORS

Executive Director

Ms. Yifan SONG (*Chief Executive Officer*)

Non-executive Directors

Mr. Charles Zhengyao LU (*Chairman*)

Mr. Linan ZHU

Ms. Xiaogeng LI

Mr. Zhen WEI

Independent Non-executive Directors

Mr. Sam Hanhui SUN

Mr. Wei DING

Mr. Li ZHANG

CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER

Mr. Wilson Wei LI*

COMPANY SECRETARY

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

AUDIT AND COMPLIANCE COMMITTEE

Mr. Sam Hanhui SUN (*Chairman*)

Ms. Xiaogeng LI

Mr. Li ZHANG

NOMINATION COMMITTEE

Mr. Li ZHANG (*Chairman*)

Mr. Charles Zhengyao LU

Mr. Sam Hanhui SUN

REMUNERATION COMMITTEE

Mr. Wei DING (*Chairman*)

Ms. Xiaogeng LI

Mr. Li ZHANG

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Hong Kong

INDEPENDENT AUDITORS

Ernst & Young

(*Certified Public Accountants*)

* Mr. Wilson Wei LI has resigned from his positions as the chief financial officer and the chief operating officer of the Company with effect from 1 September 2018.



CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

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