2019

CAR Inc. Annual Report

Incorporated in the Cayman Islands with Limited Liability

Stock Code: 699

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of CAR Inc. ("CAR" or the "Company"; together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the year ended 31 December 2019 (the "Reporting Period").

In 2019, China made solid efforts to push forward the supply-side structural reform against the pressure of Sino-US trade tensions and global economic downturn by expanding its efforts to regulation during the conversion period, and maintained stable growth in the national economy. The GDP increased by 6.1% as compared to that of the previous year. However, the uncertainties existed in the external environment had caused an impact on consumer sentiment in society that resulted in dampened enthusiasm for travelling and consumption as compared to that of last year.

On the other hand, the car rental industry in China is challenging. The production and sales of automobiles in China have declined for 18 months, and recorded a total sales of 25,770,000 vehicles for 2019, representing a year-on-year decline of 8.2%. The trading of used vehicles was impacted by the unsatisfactory sales of new vehicles, resulting in a decline in their selling prices and thus a substantial increase in the depreciation cost of the Company. In the weak business environment, the Company has determined to expand its efforts to dispose the used vehicles to ensure that cash will be recovered as early as possible and that the cash flow will be maintained at a high level, which will enable it to be well-prepared for the uncertainties.

As a leading company within the car rental industry in China, the Company has adopted the dynamic pricing strategy to maintain its leading position in the market. Meanwhile, the Company has been steadily enlarging its fleet size and advancing its smart mobile business to enhance the operating efficiency. During the Reporting Period, initial success was achieved in launching the trial Smart Assistant management system (beta version), which will automatically allocate responsibilities of the staff based on various factors such as requirement, location and workload to improve workflow and provide customers with more convenient services. The total fleet size expanded to 148,894 as at the end of 2019 from 135,191 as at the end of 2018. Of which, self-served transactions accounted for 88% of the total number of transactions in December 2019, representing a substantial increase of 26 percentage points as compared to that of last year, and 94% of the car rental reservation was made through our mobile APP. As at the end of 2019, the comprehensive self-served network is fundamentally in place.

Through economies of scale and various means of optimizing management, the Company has made progress within the difficult mobility market in China. During the Reporting Period, the decrease in RevPAC and the increase in depreciation cost and finance cost have squeezed our profit, resulting in net profit and adjusted net profit of RMB31 million and RMB292 million, respectively, decreased by 89.3% and 57.1% from that of last year, respectively. Nevertheless, the Company recorded an increase of 4.1% in the total rental revenue to RMB5,559 million. Of which, the car rental revenue increased by 9.6% to RMB4,917 million from that of last year. In addition, the adjusted EBITDA increased by over 6% year-over-year to over RMB3,400 million, an all-time high compared with last year, while the adjusted EBITDA margin increased by 1.4 percentage points year-over-year to 62.3%. The Company generated an inflow of over RMB1,500 million free cash flow, the second-highest in history.

To optimize the debt schedule and reduce short-term debt, the Company continued to work with different financial institutions on refinancing proposals. In May 2019, the Company completed an exchange offer in respect of approximately US$172 million of the existing USD-denominated senior notes due 2020, extending the term for three years, The Company issued the three-year senior notes with principal amount of US$200 million in the same month. The Company has made early repayment of the syndicated loan due in November 2019.

In November 2019, the Company signed a strategic agreement with Baidu, Inc. ("Baidu") and Beijing Borgward Auto Co., Ltd. ("Beijing Borgward") on the establishment of laboratory for the research and development of connected and autonomous driving vehicles to work together in promoting wider application of connected vehicles and commercialization of autonomous driving vehicles and accelerating the reform of the automobile industry in China, which will provide travelers and consumers with more convenient and pleasant experience in the long run.

Looking forward, a legion of uncertainties will remain in domestic and international economic environment in 2020. These uncertainties, together with the novel coronavirus outbreak, will definitely deal a blow to the macro-economy and consumer market in mainland China. On the other hand, the phase one trade deal reached by China and the US at the beginning of the year is expected to mitigate the external demand pressure and enable China to restore the growth in terms of investment in exports and manufacturing industry. More importantly, China has been proactively seeking full resumption of operation on its efforts to the epidemic prevention and control and implementing various measures for reform by expanding financial and monetary support. The development of investment projects such as those in the field of hygiene and healthcare that benefit the people are expected to be the driver for a new round of economic growth in China, which would help China to safeguard the employment market, stabilize the domestic demand and realize sustainable social development.

Leveraging its leading market position, sound brand recognition, advantage in terms of fleet size and diversified business portfolio, CAR will expand its business in a market with good prospect of recovery. To meet the needs of customers for the resumption of operations, the Company has offered a number of incentives for the corporate customers by providing additional services such as deposit-free function, exclusive discounts, cloud management and professional teams. Furthermore, all vehicles will be sterilized and the transactions will be conducted in a contactless way. The vehicle will be ready for use within 30 minutes for a worry-free travel. The Company will continue to optimize the service plans by providing customers with more choices and better consumer experience. The Company will increase its efforts on operation and marketing and will launch a new plan of membership to reward frequent customers and enhance the loyalty of consumers to the brands of CAR.

The Company will continue to innovate technologies and explore new and creative business models to ensure continuous provision of quality auto-related services. The Company will also continue to upgrade the Smart Assistant management system to further enhance the operating efficiency and minimize direct operating expenses per unit.

Furthermore, the Company will also proactively implement our refinancing proposals and optimize the repayment size and schedule. Meanwhile, the plans to acquire new vehicles will be suspended and more used vehicles will be sold to tighten the cost control and expand our liquidity so as to lay a sound foundation for healthy development of the Company.

Finally, on behalf of the Board, I would like to express our gratitude to our shareholders and partners for their tremendous support during the past year. Furthermore, the Company would also like to express its gratitude to the management team and the employees for their contribution and efforts and express its gratitude to our customers for their continuous support and recognition.

Charles Zhengyao LU
CAR Inc.
Chairman

Hong Kong, 17 March 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	**Year-over-year change**
	(in RMB millions, except percentages)		
Total rental revenue	**5,559**	5,340	4.1%
– Car rental	**4,917**	4,485	9.6%
– Fleet rental & others	**642**	855	-24.9%
Net profit	**31**	290	-89.3%
Adjusted net profit(1)	**292**	681	-57.1%
Adjusted net profit margin(2)	**5.3%**	12.7%	-7.4pp
Adjusted EBITDA(1)	**3,464**	3,255	6.4%
Adjusted EBITDA margin(2)	**62.3%**	60.9%	1.4pp
Free cash flow(1)	**1,516**	-973	255.8%

Notes:

(1) Adjusted EBITDA, adjusted net profit and free cash flow are non-IFRS measures. Please refer to "Management Discussion and Analysis – Non-IFRS Financial Reconciliation" for details.

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

I. BUSINESS OVERVIEW

In 2019, the Company continued to demonstrate its strong cash generating capabilities but the overall performance was modest due to various factors including lower than expected demand in tourist cities, strong commitment to dispose more vehicles for revenue generation and extra consideration paid for exchange offer to extend the maturity of USD-denominated senior notes due 2020, and the share-based compensation expenses for stock option. The Company believes the costs incurred were essential to maintain the sustainability of the business in this business cycle and solidify the Company's financial position, which had prepared the Company to cope with the novel coronavirus (COVID-19) outbreak since late January 2020.

During the Reporting Period, rental revenue increased by 4.1% year-over-year to RMB5,559 million. Car rental revenue was RMB4,917 million, representing a growth of 9.6% year-over-year. Fleet rental and other revenue was RMB642 million, representing a decrease of 24.9% year-over-year. Adjusted EBITDA increased by 6.4% year-over-year to a record high of RMB3,464 million, and adjusted EBITDA margin increased by 1.4 percentage points year-over-year to 62.3%, a record high annual result. Free cash flow was an inflow of RMB1,516 million for the year ended 31 December 2019, second highest in history.

On the other hand, during the Reporting Period, adjusted net profit decreased by 57.1% to RMB292 million, and net profit decreased by 89.3% year-over-year to RMB31 million, mainly due to decreased RevPAC, increased depreciation costs and finance costs. The decrease in RevPAC was due to the weak demand as a result of weak travel frequencies in major tourist cities. Depreciation costs increased significantly due to the significant reduction of estimated residual values of used vehicles to promote used vehicles sales. Finance costs increased due to the consideration paid for the exchange offer for the USD-denominated senior notes due 2020 in May 2019 and higher cash level.

During the Reporting Period, the average daily rental fleet increased by 21.6% year-over-year to 111,636. ADRR decreased slightly by 3.7% year-over-year to RMB210, to stimulate weak demand in some tourist cities. Car utilization rate decreased to 57.5% due to the weak demand and enlarged fleet size. In December 2019, self-served transactions increased to 88% of the total reservations. During the Reporting Period, 94% car rental reservations were made through the Company's mobile APP.

As at 31 December 2019, the total fleet size was 148,894[(1)]. During the Reporting Period, the Company disposed of 29,203 used vehicles, compared with 12,596 vehicles for the same period of 2018. The Company disposed of 12,050 vehicles during the fourth quarter of 2019 to enhance liquidity. The sales of vehicles generated a significant revenue of RMB2,132 million. The cost-to-sales ratio of used vehicles improved to 102.7%, as a result of the significant reduction of estimated residual values.

Note:

(1) The total fleet size was 148,894, including 5,000 vehicles leased from a financial institution.

II. STRATEGIES

The Company has adopted various initiatives to stimulate growth in 2020. The initiatives integrated internal management intelligence, customer experience optimization and systematic incentives to create a new cycle to amplify business growth. Enhancing profitability will be the main focus of 2020.

Over the past year, the Company thoroughly tested Smart Assistant management system (beta version) and optimized the application with smarter intelligence based on abundant internal usage. In early second quarter of 2020, the Company will launch the enhanced version to further increase operation efficiency. Laying on this strong foundation, the Company is going to introduce a completely new membership scheme to differentiate customer loyalty to improve unit customer economics, together with a full upgrade of the APP interface. In return, the management has increased the incentives, including the grant of stock options in October 2019, to encourage larger growth. The Company believes a virtuous circle will form and continue to grow.

The outbreak of novel coronavirus (COVID-19) since late January 2020 has caused a decline of business from late Chinese New Year holiday. A lot of the Company's services locations were forced to close temporarily. However, a significant number of the self-served locations remained in business. Starting from late February 2020, the Company has introduced various longer term rental packages when offices started to resume work. A recovery was sighted.

In this challenging situation, the Company has stopped purchasing new vehicle to maintain safe cash level. At the same time, the Company stimulated growth by encouraging car rental to reduce body contact. The Company will continue to sell more used vehicles to replenish liquidity.

1. REVENUES AND PROFITABILITY ANALYSIS

Rental revenue

	Year ended 31 December		
	2019	2018	
	RMB	*RMB*	**Year-over-year change**
	(in thousands, except percentages)		
Car rental revenue	**4,916,440**	4,484,784	9.6%
Fleet rental & other revenue	**642,262**	855,348	-24.9%
Total rental revenue	**5,558,702**	5,340,132	4.1%

Car rental metrics

	FY' 18	FY' 19	1Q' 18	2Q' 18	3Q' 18	4Q' 18	1Q' 19	2Q' 19	3Q' 19	4Q' 19
Average daily fleet[(1)]	91,802	111,636	80,303	86,160	100,112	100,321	103,384	109,047	118,104	115,799
ADRR[(2)] (RMB)	218	210	229	216	222	208	226	208	213	193
Utilization rate[(3)] (%)	61.5%	57.5%	63.0%	61.4%	64.3%	57.7%	60.4%	60.2%	60.0%	50.1%
RevPAC[(4)] (RMB)	134	121	144	132	143	120	136	125	128	97

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.

The Company's total rental revenue increased by 4.1% year-over-year to RMB5,558.7 million for the year ended 31 December 2019.

- ***Car rentals.*** Revenue from car rentals increased by 9.6% year-over-year to RMB4,916.4 million for the year ended 31 December 2019, mainly driven by 14% rental days growth and offset by the decrease in RevPAC. The RevPAC decrease was mainly driven by lower car utilization rate. The car utilization rate was 57.5%, which was lower than last year due to the weaker demand in tourist cities and enlarged fleet. During the Reporting Period, the average daily fleet increased by 21.6% year-over-year to 111,636.

- ***Fleet rentals and others.*** Revenue from fleet rentals and others decreased by 24.9% year-over-year to RMB642.3 million for the year ended 31 December 2019, mainly due to the decrease in fleet rented by UCAR Inc. ("UCAR").

Depreciation of rental vehicles and direct operating expenses of rental services

	Year ended 31 December			
	2019		2018	
	RMB	**% of rental revenue**	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Depreciation of rental vehicles	**1,835,717**	**33.0%**	1,494,832	28.0%
Direct operating expenses				
– Payroll costs	**501,314**	**9.0%**	523,441	9.8%
– Store expenses	**339,297**	**6.1%**	289,422	5.4%
– Insurance fees	**272,502**	**4.9%**	218,762	4.1%
– Repair and maintenance fees	**264,598**	**4.8%**	263,011	4.9%
– Fuel and transportation expenses	**124,602**	**2.2%**	112,207	2.1%
– Others	**327,132**	**5.9%**	311,345	5.8%
Total direct operating expenses	**1,829,445**	**32.9%**	1,718,188	32.2%
Total costs of rental business	**3,665,162**	**65.9%**	3,213,020	60.2%

Depreciation of rental vehicles. As a percentage of rental revenue, depreciation expenses increased to 33.0% for the year ended 31 December 2019 from 28.0% for the year ended 31 December 2018. The increase was primarily driven by (i) reduced estimations of the residual values for most of the vehicle models to promote used vehicles sales except models which are subject to the repurchase agreement; and (ii) decrease in car rental RevPAC.

Direct operating expenses of rental services. As a percentage of rental revenue, direct operating expenses increased slightly to 32.9% for the year ended 31 December 2019 from 32.2% for the year ended 31 December 2018. The increase was driven by the increase in parking costs as a result of the increased number of self-served service locations to increase network density but offset by savings in payroll after the application of the Smart Assistant management system.

Sales of used vehicles (revenue & cost)

	Year ended 31 December	
	2019	2018
	RMB	*RMB*
	(in thousands, except percentages)	
Revenue from sales of used vehicles	**2,131,958**	1,103,566
Cost of sales of used vehicles	**2,188,531**	1,146,913
Cost as a % of revenue (sales of used vehicles)	**102.7%**	103.9%
Total number of used vehicles disposed	**29,203**	12,596

The Company disposed of 29,203 used vehicles for the year ended 31 December 2019, compared with 12,596 used vehicles for the year ended 31 December 2018.

Cost of sales of used vehicles was 102.7% of revenue from the sales of used vehicles for the year ended 31 December 2019, compared with 103.9% for the year ended 31 December 2018, due to further adjustment of estimated residual values as an effort to dispose more used vehicles, resulting in a higher depreciation cost.

Gross profit

	Year ended 31 December	
	2019	2018
	RMB	*RMB*
	(in thousands, except percentages)	
Gross profit of rental business	**1,893,540**	2,127,112
Gross profit margin of rental business	**34.1%**	39.8%
Gross loss of sales of used vehicles	**(56,573)**	(43,347)
Gross loss margin of sales of used vehicles	**-2.7%**	-3.9%
Total gross profit	**1,836,967**	2,083,765
Total gross profit margin as a % of rental revenue	**33.0%**	39.0%

Gross profit of rental business decreased by 11.0% to RMB1,893.5 million for the year ended 31 December 2019, mainly due to the increase in depreciation costs to dispose more used vehicles. Total gross profit margin as a percentage of rental revenue decreased to 33.0% for the year ended 31 December 2019 from 39.0% for the same period last year, mainly due to the increase in depreciation costs and loss from the sales of used vehicles.

Selling and distribution expenses

	Year ended 31 December			
	2019		2018	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	**1,350**	**0.0%**	1,182	0.0%
Advertising expenses	**2,341**	**0.0%**	19,289	0.4%
Share-based compensation	**146**	**0.0%**	–	–
Others	**23,918**	**0.5%**	57,787	1.1%
Total	**27,755**	**0.5%**	78,258	1.5%

Selling and distribution expenses decreased by 64.5% to RMB27.8 million from RMB78.3 million. As a percentage of rental revenue, selling and distribution expenses were 0.5% for the year ended 31 December 2019. This was mainly due to the decreased commissions paid for the disposal of the Company's used vehicles and decrease in advertising expenses due to higher brand recognition.

Administrative expenses

	Year ended 31 December			
	2019		2018	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	**345,965**	**6.2%**	299,048	5.6%
Office expenses	**47,960**	**0.9%**	50,760	1.0%
Rental expenses	**26,462**	**0.5%**	25,046	0.5%
Share-based compensation	**84,351**	**1.5%**	1,655	0.0%
Others	**102,691**	**1.8%**	91,719	1.7%
Total	**607,429**	**10.9%**	468,228	8.8%

Administrative expenses increased by 29.7% year-over-year to RMB607.4 million for the year ended 31 December 2019. As a percentage of rental revenue, administrative expenses increased by 2.1 percentage points year-over-year to 10.9%. The increase was mainly due to the increase in share-based compensation to incentivize growth.

Other income and expenses, net

	Year ended 31 December	
	2019	2018
	(RMB in thousands)	
Interest income	**81,449**	89,888
Unrealized exchange loss related to USD-denominated liabilities	**(150,031)**	(360,436)
Realized exchange loss	**(8,214)**	(13,701)
Government grants	**69,417**	114,246
Fair value changes on derivative instrument-transactions not qualifying as hedges	**56,588**	(26,750)
Fair value (loss)/gain from investment in equity shares	**(9,000)**	2,397
Loss on disposal of items of other property, plant and equipment	**(275)**	(1,249)
Others	**7,980**	25,640
Total	**47,914**	(169,965)

Net gain was RMB47.9 million for the year ended 31 December 2019, compared with a net loss of RMB170.0 million for the year ended 31 December 2018. The net gain for the year of 2019 was mainly due to the decrease in exchange loss related to USD-denominated liabilities.

Finance costs. Finance costs increased by 25.8% to RMB983.9 million for the year ended 31 December 2019, primarily due to the costs for the exchange offer for the USD-denominated senior notes due 2020 and the Company's higher cash position to prepare for the repayment of the USD-denominated senior notes due 2020. The costs for the exchange offer were primarily the difference between the original carrying amount of the exchanged notes and the present value of the future cash flow.

Profit before tax. Profit before tax decreased by 54.3% year-over-year to RMB272.0 million for the year ended 31 December 2019.

Income tax expenses. Income tax expenses decreased by 20.8% year-over-year to RMB241.3 million for the year ended 31 December 2019.

Net profit. As a result of the aforementioned factors, the net profit decreased by 89.3% year-over-year to RMB30.8 million for the year ended 31 December 2019.

Adjusted net profit. As a result of the aforementioned factors, adjusted net profit decreased by 57.1% year-over-year to RMB292.3 million for the year ended 31 December 2019. Adjusted net profit margin decreased by 7.4 percentage points to 5.3% for the year ended 31 December 2019.

Adjusted EBITDA. Adjusted EBITDA increased by 6.4% year-over-year to RMB3,464.3 million for the year ended 31 December 2019. Adjusted EBITDA margin increased by 1.4 percentage points year-over-year to 62.3% for the year ended 31 December 2019.

Key performance indicators ("KPIs")

The KPIs of the Company can generally be categorized into profitability, revenue growth, cost control and service quality. Profitability mainly refers to net profit. Revenue mainly refers to utilization rate and pricing. Cost control refers to costs controllable by the operation of stores. Service quality refers to the assessment scores given to a service location based on their level of compliance with the central operation policies, customer satisfaction scores and the number of complaints. At the company-level, profitability is the main KPI for the management and support departments, while at the city-level, revenue, cost control and services quality are the key KPIs for the operation and frontline departments. With the development of the Company and constant review of the performance assessment system, the Group is adapting the KPIs from time to time to accommodate for the best interests of the employees and the Group.

2. FINANCIAL POSITION

	As at	
	31 December 2019	31 December 2018
	(RMB in millions)	
Total assets	**24,633.0**	22,204.9
Total liabilities	**16,540.3**	14,231.9
Total equity	**8,092.7**	7,973.0
Cash and cash equivalents	**5,360.5**	3,186.4
Restricted cash	**523.8**	251.3
Total cash	**5,884.3**	3,437.7
Interest bearing bank and other borrowings – current	**3,554.4**	4,699.7
Interest bearing bank and other borrowings – non-current	**2,589.3**	754.8
Senior notes – current	**2,284.5**	–
Senior notes – non-current	**5,427.1**	6,176.5
Corporate bonds	**1,024.2**	1,020.8
Total debt	**14,879.5**	12,651.8
Net debt (total debt less total cash)	**8,995.2**	9,214.1
Total debt/adjusted EBITDA (times)[1]	**4.3x**	3.9x
Net debt/adjusted EBITDA (times)[1]	**2.6x**	2.8x

Note:

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

Cash

As at 31 December 2019, the Company's total cash balance was RMB5,884.3 million, compared with RMB3,437.7 million as at 31 December 2018.

Trade receivables and due from a related party

Trade receivables were RMB96.8 million and RMB96.4 million as at 31 December 2019 and 31 December 2018, respectively.

Due from a related party, which relates to the trade receivables from UCAR and its affiliates, was RMB443.9 million and RMB360.1 million as at 31 December 2019 and 31 December 2018, respectively, mainly due to the increase of test driving business with Beijing Borgward.

Capital expenditures

The majority of the Company's capital expenditures was for vehicle acquisitions. For the year ended 31 December 2019, the Company purchased rental vehicles valued at RMB4,034.0 million, which was inclusive of payments for rental vehicles that have not commenced service. The Company also spent RMB159.8 million on purchases of other property, plant and equipment, and other intangible assets during the Reporting Period.

Borrowings

As at 31 December 2019, the Company had total debt of RMB14,879.5 million and net debt of RMB8,995.2 million, compared with RMB12,651.8 million and RMB9,214.1 million as at 31 December 2018, respectively. As at 31 December 2019, the current debt portion was RMB5,838.9 million, representing 39.2% of total debt. All the borrowings are mainly denominated in RMB and USD and 38.8% of them are at fixed interest rate. For more information, please refer to notes 26 and 29 to the Financial Statements.

Foreign exchange risk management

As at 31 December 2019, the Company has entered into forward currency contracts with an aggregate contractual amount of US$300.0 million, which has been settled in January 2020.

Free cash flow

The Company generated an inflow of RMB1,516.5 million free cash flow for the year ended 31 December 2019, compared with an outflow of RMB973.3 million for the same period of 2018 mainly due to the significant increase in sales of used vehicles and the collection of finance lease receivables.

Pledge of assets

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

Significant investments held

During the Reporting Period, the Group has no significant investments.

Material acquisitions and disposals

During the Reporting Period, the Group has no material acquisitions and disposals of subsidiaries and affiliated companies.

Share repurchases

At the Company's annual general meeting on 14 May 2019, the shareholders granted a general mandate to the directors of the Company (the "Directors") to repurchase shares of the Company (the "Repurchase Mandate"). Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 211,954,326 shares, being 10% of the total number of issued shares of the Company as at the date of the annual general meeting, on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

For the year ended 31 December 2019, the Company has not repurchased any shares through the Stock Exchange. For 2020, as of the date of this annual report, the Company has not repurchased any shares through the Stock Exchange.

NON-IFRS FINANCIAL RECONCILIATION

	For the year ended 31 December	
	2019	2018
	(RMB in thousands, except percentages)	
A. Adjusted net profit		
Net profit	**30,776**	289,845
Adjusted for:		
Share-based compensation	**87,606**	1,655
Fair value changes on derivative instrument-transaction not qualifying as hedges	**(56,588)**	26,750
Fair value loss/(gain) from investment in equity shares	**9,000**	(2,397)
Share of profit of associates	**(6,286)**	(9,426)
Foreign exchange loss	**158,245**	374,137
Finance costs (Senior notes exchange offer)	**69,513**	–
Adjusted net profit	**292,266**	680,564
Adjusted net profit margin (as a percentage of rental revenue)	**5.3%**	12.7%
B. Adjusted EBITDA		
Reported EBITDA calculation		
Profit before tax	**272,043**	594,555
Adjusted for:		
Finance costs	**983,940**	782,185
Interest income from bank deposit	**(50,278)**	(89,888)
Depreciation of rental vehicles	**1,835,717**	1,494,832
Depreciation of other property, plant and equipment	**64,728**	69,770
Depreciation of right-of-use assets/ amortization of prepaid land lease payment	**158,840**	1,614
Amortization of other intangible assets	**3,118**	5,698
Impairments of trade receivables	**4,231**	5,146
Reported EBITDA	**3,272,339**	2,863,912

	For the year ended 31 December	
	2019	2018
	(RMB in thousands, except percentages)	
Reported EBITDA margin (as a percentage of rental revenue)	**58.9%**	53.6%
Adjusted EBITDA calculation		
Reported EBITDA	**3,272,339**	2,863,912
Adjusted for:		
Share-based compensation	**87,606**	1,655
Fair value loss/(gain) from investment in equity shares	**9,000**	(2,397)
Fair value changes on derivative instrument-transaction not qualifying as hedges	**(56,588)**	26,750
Share of profit of associates	**(6,286)**	(9,426)
Foreign exchange loss	**158,245**	374,137
Adjusted EBITDA	**3,464,316**	3,254,631
Adjusted EBITDA margin (as a percentage of rental revenue)	**62.3%**	60.9%

C. Free cash flow

Net cash flows generated from/(used in) operating activities	**1,676,026**	(793,188)
Purchases of other property, plant and equipment	**(150,980)**	(173,833)
Proceeds from disposal of other property, plant and equipment	**226**	1,296
Purchases of other intangible assets	**(8,820)**	(7,624)
Net investment activity	**(159,574)**	(180,161)
Free cash flow	**1,516,452**	(973,349)

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 net profit and adjusted EBITDA are useful financial metrics to assess the Group's operating and financial performance. The adjusted net profit is defined as earnings before finance costs of senior notes exchange offer, share-based compensation, foreign exchange loss, 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 of associates. The adjusted EBITDA is defined as earnings before interest, income tax expenses, depreciation and amortization, impairment of trade receivables, share-based compensation, foreign exchange loss, 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 of associates. In addition, the non-IFRSs financial measures may not be calculated in the same manner by all companies, therefore they may not be comparable to other similar titled measures used by other companies.

Foreign exchange loss, fair value gain from investment in equity shares and redeemable preference shares, gain on disposal of subsidiaries, and share of profit 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-transactions not qualifying as hedges has been added in the reconciliation in 2018. Finance costs of senior notes exchange offer has been added in the reconciliation in 2019. 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 mainly results from its USD-denominated senior notes. Finance costs of senior notes exchange offer mainly results from the exchange offer for the USD-denominated senior notes due 2020. 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 IFRS 9 Financial Instruments. Fair value changes on derivative instrument-transactions not qualifying as hedges are recognized based on the market price of the foreign exchange contract that the Company entered into during the Reporting Period. These accounting recognitions and measurements do not relate to the Group's business operations. Share of profit of associates relates to the share of (profit)/loss from two associates that the Group acquired during the second quarter of 2016 and the first quarter of 2019 respectively.

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

EXECUTIVE DIRECTOR

Yifan SONG (宋一凡), aged 43, was appointed as the Chief Executive Officer and an Executive Director on 11 April 2016. Ms. Song has worked as a vice-president for the Group from September 2007 to August 2013, and was promoted to an executive vice-president since September 2013. She is also a founding member of the Group. Before her appointment as the Chief Executive Officer of the Company, she was responsible for general management of processes and standardization; in particular, stores, fleet, repair and maintenance facilities and call centers. Ms. Song has over 21 years of industry experience. She was the head of customer services for Beijing Huaxia United Automobile Association Co. Ltd. (北京華夏聯合汽車俱樂部有限公司) from March 2005 to August 2007 and she served as the head of customer services at Beijing Yingtong Information System Co., Ltd. (北京盈通資訊系統有限公司), an internet service provider company, from January 2003 to March 2005. Ms. Song worked as the head of customer services at Shouchuang Internet Co., Ltd. (首創網絡有限公司), another internet service provider company, from May 2000 to December 2002 and at Beijing Youheng Technology Co., Ltd. (北京友恒科技有限公司) as a technical support manager from June 1999 to May 2000. She was a member of the technical support department at Beijing Ruide Hengchang Computer System Co., Ltd. (北京瑞得恒昌計算機系統集成有限公司) from May 1998 to May 1999. Ms. Song obtained a master degree in business administration from Central University of Finance and Economics of China (中央財經大學) in June 2009. She graduated from the College of Electric Automation Engineering of Beijing Union University (北京聯合大學電子自動化工程學院) and received her bachelor's degree in communication engineering in July 1998.

NON-EXECUTIVE DIRECTORS

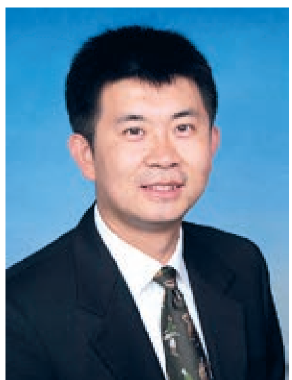
Charles Zhengyao LU (陸正耀), aged 50, was appointed as an Executive Director, Chief Executive Officer and Chairman of the Board on 25 April 2014. Mr. Lu resigned from his position as Chief Executive Officer and was re-designated as a Non-executive Director on 11 April 2016. Mr. Lu is currently a member of the Nomination Committee of the Company. He is responsible for participating in formulating the Company's corporate and business strategies. He has been appointed as a director, the chief executive officer and chairman of the board for China Auto Rental Holdings Inc. ("CARH"), the Company's holding company prior to IPO since 27 September 2007. Mr. Lu has been the chairman of the board of Luckin Coffee Inc. (a company listed on NASDAQ since 17 May 2019, Stock Code: LK) since 29 June 2018. Mr. Lu is also the chairman and chief executive officer of UCAR Inc. (a company listed on the NEEQ of the PRC, Stock Code: 838006 and a substantial shareholder of the Company). Mr. Lu has over 26 years of industry experience. Mr. Lu served as the chairman of the board of UCAR Technology Inc., a substantial shareholder of the Company, from June 2015 to March 2018. In March 2005, Mr. Lu founded Beijing Huaxia United Automobile Association Co. Ltd. (北京華夏聯合汽車俱樂部有限公司), a prominent automobile club in China, and served as its chief executive officer from March 2005 to August 2007. Mr. Lu served as the president of Beijing Huaxia United Science & Technology Co., Ltd. (北京華夏聯合科技有限公司), a prominent provider of Internet protocol long-distance call services for enterprises, from October 2003 to March 2005. Mr. Lu served as the president of Beijing Shenzhou Deke Technology Development Co., Ltd. (北京神州迪科科技發展有限公司), a system integration solutions provider, from February 1994 to March 2005. Mr. Lu received an Executive Master of Business Administration degree from Peking University in July 2010. Mr. Lu graduated from the University of Science & Technology of Beijing (北京科技大學) in July 1991 where he obtained his bachelor's degree majoring in industrial electric automation.

Linan ZHU (朱立南), aged 57, was appointed as a Non-executive Director on 29 April 2014. He is responsible for participating in formulating the Company's corporate and business strategies. He has also been appointed as a director for CARH since 18 November 2010. Mr. Zhu has over 23 years of industry experience. Mr. Zhu has been a director of Right Lane Limited ("Right Lane", a wholly-owned subsidiary of Legend Holding Corporation ("Legend Holdings")) since June 2006. Both of Legend Holdings and Right Lane are regarded as substantial shareholders of the Company. Mr. Zhu has been a director of Legend Holdings Ltd. (the predecessor of Legend Holdings) since April 2001 and held various positions including executive vice president and president. From 1997 to 2001, Mr. Zhu held various positions in Lenovo Group Limited, including the head of Corporate Strategic Planning Department and a senior vice president. Other than that, Mr. Zhu has been a director and president of Legend Capital Co., Ltd. (君聯資本管理股份有限公司) (formerly known as Beijing Legend Capital Co., Limited (北京君聯資本管理有限公司)) since November 2003. For companies listed on the Stock Exchange, Mr. Zhu served as an executive director and president of Legend Holdings (Stock Code: 3396) from February 2014 to December 2019, and has been re-designated as a non-executive director since January 2020. Mr. Zhu has also served as a non-executive director of Lenovo Group Limited (Stock Code: 0992) since April 2005. Mr. Zhu has been a senior engineer certified by the Chinese Academy of Sciences since December 1998. Mr. Zhu received his master's degree in electronic systems in March 1987 from Shanghai Jiao Tong University (上海交通大學).

Xiaogeng LI (李曉耕), aged 44, was appointed as a Non-executive Director, a member of the Remuneration Committee of the Company on 17 November 2015 and a member of the Audit and Compliance Committee of the Company on 27 February 2018. Ms. Li has over 14 years of experience in the information technology industry. She is currently a director and vice president of UCAR Inc. (a company listed on the NEEQ of the PRC, Stock Code: 838006 and a substantial shareholder of the Company), where she is primarily responsible for strategic investment. Prior to joining UCAR, Ms. Li served as the vice president of UCAR Technology Inc. from November 2014 to January 2016 and the president and an executive director of Uniware Technology Co., Ltd., a software company providing big data analysis services, from March 2004 to September 2014. She was an assistant to the president at Tom.com Internet Group from August 2003 to January 2004 and an associate in the investment banking department at China International Capital Corporation Limited from July 1998 to September 2001. Ms. Li received a doctor's degree in economics, majoring in world economy, from the Graduate School of the Chinese Academy of Social Sciences in July 2014 and a Master of Science degree in accounting and finance from London School of Economics and Political Science in July 2003. Ms. Li graduated from Beijing University of Aeronautics and Astronautics with a bachelor of economics degree in July 1998 where she majored in international finance.

Zhen WEI (魏臻), aged 48, was appointed as a Non-executive Director on 13 January 2016. He is a managing director of Warburg Pincus Asia LLC, an affiliate of Amber Gem Holdings Limited, a substantial shareholder of the Company and is primarily responsible for investments in the consumer and healthcare sectors in China. Prior to joining Warburg Pincus Asia LLC, Mr. Wei was with the investment banking division of Morgan Stanley in Hong Kong, and McKinsey & Company in Shanghai. Mr. Wei has been a director of Huabao WP Fund Management Co., Ltd. since January 2019. Mr. Wei has been a non-executive director of ZTO Express (Cayman) Inc. (a company listed on the New York Stock Exchange, Stock Code: ZTO) since August 2015. From April 2018 to August 2019, Mr. Wei served as a director of WXNC Consumer Innovation, Inc. From October 2017 to July 2019, Mr. Wei served as a non-executive director of Jiuyue Education and Technology Group Inc. From January 2015 to August 2018, Mr. Wei served as a non-executive director of AAG Energy Holdings Limited (a company listed on the Stock Exchange, Stock Code: 2686). Mr. Wei has resigned as a non-executive director of each of ANE Logistics Co., Ltd., Souche Holdings Ltd., Sunnywell Group and China Kidswant Investment Holdings Co. Ltd. in July 2018, May 2018, August 2016 and May 2016, respectively. Mr. Wei received a master degree in business administration from Harvard Business School in 2002 and a bachelor of science degree from the University of Texas at Austin in 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS



Sam Hanhui SUN (孫含暉), aged 47, has served as an Independent Non-executive Director since 18 August 2014. Mr. Sun is currently the Chairman of Audit and Compliance Committee of the Company and a member of the Nomination Committee of the Company. He is responsible for participating in the decision making of the Company's significant events; and participating in making decisions and advising on issues relating to corporate governance and audit. Mr. Sun has over 25 years of industry experience. Mr. Sun was appointed as an independent director and the chairman of the audit committee of each of iQiyi Inc. (listed on the NASDAQ, Stock Code: IQ) in March 2018. From March 2018 to July 2019, Mr. Sun has served as an independent director and chairman of the audit committee of Sunlands Technology Group (formerly known as Sunlands Online Education Group, a company listed on the New York Stock Exchange; Stock Code: STG). Since December 2015, Mr. Sun has served as an independent director and the chairman of the audit committee of Yirendai Ltd., a company listed on the New York Stock Exchange (Stock Code: YRD). From September 2010 to May 2019, Mr. Sun has served as an independent director and the chairman of the audit committee of Fang Holdings Limited (formerly named "SouFun Holdings Limited") which is a company listed on the New York Stock Exchange (Stock Code: SFUN). From January 2010 to May 2015, Mr. Sun served as the chief financial officer of Qunar Cayman Islands Ltd, a NASDAQ-listed company (Stock Code: QUNR).

Mr. Sun was also an independent director and audit committee member of KongZhong Corporation, a NASDAQ-listed company, from July 2005 to January 2007. He was the chief financial officer of KongZhong Corporation from February 2007 to April 2009. From 2004 to 2007, Mr. Sun served in several financial controller positions at Fang Holdings Limited, Maersk China Co., Ltd. and Microsoft China R&D Group. Mr. Sun worked in KPMG's auditing practice group from April 1995 to October 2004, including eight years at the Beijing office of KPMG where he was an audit senior manager, and two years at KPMG in Los Angeles, California. In May 1998, Mr. Sun was admitted as a China certified public accountant by the Chinese Institute of Certified Public Accountants. Mr. Sun graduated from the Beijing Institute of Technology in July 1993 with a bachelor degree in engineering, majoring in business administration.

Wei DING (丁瑋), aged 60, has served as an Independent Non-executive Director since 18 August 2014. Mr. Ding is currently the Chairman of Remuneration Committee of the Company. He is responsible for participating in the decision making of the Company's significant events and participating in making decisions and advising on issues relating to corporate governance and remuneration of Directors and senior management. Mr. Ding has nearly 33 years of industry experience in international finance, commercial banking, investment banking, and private equity industry. Since May 2016, Mr. Ding has been serving as managing director and the head of private equity business of China International Capital Corporation Limited. Since June 2012, Mr. Ding has been serving as a member of the board for Hwa Pao Investment. From February 2011 to December 2013, Mr. Ding served as the senior managing director and head of Temasek Greater China, where he was responsible for Temasek's China strategy and investments. From October 2002 to February 2011, Mr. Ding worked at China International Capital Corporation as the managing director and later served as the head of investment banking division. From March 1999 to September 2002, Mr. Ding served as the chief country officer for China at Deutsche Bank. Mr. Ding worked at the World Bank and the International Monetary Fund in Washington, D.C. from November 1987 to February 1999, serving as an economist, project manager, divisional manager and the chief representative. In January 1998, Mr. Ding completed the executive development program at Harvard Business School, which was tailor-made for the World Bank. Mr. Ding received a bachelor degree majoring in finance from Renmin University of China in July 1982.

Li ZHANG (張黎), aged 52, was appointed as an Independent Non-executive Director, the chairman of the Nomination Committee of the Company and members of the Audit and Compliance Committee and the Remuneration Committee of the Company on 27 February 2018. He is responsible for participating in the decision making of the Company's significant events and participating in making decisions and advising on issues relating to the corporate governance, nomination of directors and remuneration of directors and senior management. He was an Independent Non-executive Director, a chairman of the Nomination Committee of the Company and the member of the Remuneration Committee of the Company from 18 August 2014 to 13 January 2016, and a member of the Audit and Compliance Committee of the Company from 17 November 2015 to 13 January 2016. Mr. Zhang has over 24 years of industry experience. Mr. Zhang has served as an Independent director of China United Property Insurance Company Limited since January 2020. From October 2013 to May 2016, Mr. Zhang has been serving as a deputy dean of the National School of Development at Peking University. From October 2013 to January 2017, Mr. Zhang has been serving as the dean of BiMBA Business School of the National School of Development at Peking University where he was responsible for education in business administration, research and administration of school affairs. From September 2008 to September 2013, he was working as a professor and deputy dean of Beijing International MBA at Peking University, where he was mainly responsible for education in management studies, research and administration of school affairs. From September 2003 to August 2008, he was working as an associate professor and assistant dean of Beijing International MBA at Peking University, where he was mainly responsible for teaching and research. From January 2002 to August 2003, Mr. Zhang was employed by Peking University to participate in project management and teaching. Mr. Zhang received a doctor of philosophy degree from the Ohio State University in September 1999, a master degree in commodity sciences from Renmin University of China in July 1995 and a bachelor degree in textile engineering from Tianjin Institute of Textile Science & Technology (now known as Tianjin Polytechnic University) in July 1989.

SENIOR MANAGEMENT

Guangyu CAO (曹光宇), aged 43, was appointed as the Chief Financial Officer and vice president of the Company on 1 September 2018. Mr. Cao is registered as a Certified Public Accountant and Certified Tax Agent in the PRC. He has over 19 years' experience in accounting and financial management. Mr. Cao is a founding member of the Company and he built the financial system and financial team of the Company and laid the solid foundation for the Company's rapid growth. Mr. Cao served as the senior vice president of UCAR Inc. from April 2016 to August 2018 and the vice-president and financial controller of the Company from September 2007 to April 2016. Mr. Cao worked in different roles in the finance field from 2000 to 2007 in various companies. Mr. Cao obtained a master's degree in accountancy from Peking University in January 2014. He graduated from Nankai University with a bachelor's degree in accountancy in July 2000.

Yandong ZENG (曾龑冬), aged 44, was appointed as the Company's senior management on 11 April 2016. Mr. Zeng has been working as a vice-president for the Group since June 2009 and is responsible for fleet management, including repair and maintenance, insurance and logistics. Since Mr. Zeng joined the Group in 2009, he has assumed a key management role in the fleet management. Prior to joining us, Mr. Zeng worked as a vice-president at Zhongyida Commercial Trading Group Co., Ltd (眾義達商貿集團有限公司) from September 2008 to May 2009. From June 2006 to September 2008, he worked as a sales director at APV Far East Ltd. (APV遠東有限公司). From March 2001 to May 2006, he worked as a national sales manager at Tetrapak China Co., Ltd. (利樂中國有限公司). From September 1998 to March 2001, he worked as a manufacturing engineer at Ford Motor (China) Ltd. (福特汽車(中國) 有限公司). From August 1997 to September 1998, he worked as a process engineer at Beijing Warner Gear Co., Ltd. (北京華納齒輪有限公司). Mr. Zeng received an Executive Master of Business Administration degree from Peking University (北京大學) in July 2008. He graduated from Tsinghua University (清華大學) and obtained a bachelor's degree in automotive engineering in July 1997.

COMPANY SECRETARY

Ka Man SO (蘇嘉敏), aged 46, was appointed as our company secretary on 30 July 2014. Ms. So has over 21 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. From August 2000 to December 2003, Ms. So worked at Tengis Limited (currently known as Tricor Tengis Limited). She is currently a director at the corporate services division of Tricor Services Limited ("Tricor"), a global professional service provider specializing in integrated Business, Corporate and Investor Services. Ms. So is currently the company secretary of Embry Holdings Limited (安莉芳控股有限公司) (Stock Code: 1388), China Logistics Property Holdings Co., Ltd (中國物流資產控股有限公司) (Stock Code: 1589), Computime Group Limited (金寶通集團有限公司) (Stock Code: 320) and Maoye International Holdings Limited (茂業國際控股有限公司) (Stock Code: 848), all companies are listed on the Stock Exchange. Ms. So is also a joint company secretary of Xiaomi Corporation (小米集團) (a company listed on the Stock Exchange; Stock Code: 1810). Ms. So is a chartered secretary and a fellow of both the Hong Kong Institute of Chartered Secretaries ("HKICS") and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. (Note: The Company has engaged Tricor as external service provider and appointed Ms. So as the company secretary since 30 July 2014.)

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving good corporate governance standards.

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

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

The Board is of the view that during the year ended 31 December 2019, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provision E.1.2, and the details are set out below.

A. MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2019.

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

B. BOARD OF DIRECTORS

As at 31 December 2019, the Board comprised 8 members, consisting of 1 Executive Director, 4 Non-executive Directors and 3 Independent Non-executive Directors as set out below:

Executive Director:

Ms. Yifan SONG *(Chief Executive Officer)*

Non-executive Directors:

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

Independent Non-executive Directors:

Mr. Sam Hanhui SUN *(Chairman of Audit and Compliance Committee and member of Nomination Committee)*
Mr. Wei DING *(Chairman of Remuneration Committee)*
Mr. Li ZHANG *(Chairman of Nomination Committee and members of Audit and Compliance Committee and Remuneration Committee)*

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

(1) Chairman and Chief Executive Officer

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

(2) Independent Non-executive Directors

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

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

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

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

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

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

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

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

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

(5) Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2019, the Company organized a training session for all Directors. Such training session covers a wide range of relevant topics including directors' duties and responsibilities, corporate governance and updates on Listing Rule amendments etc. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

The training records that have been received from the Directors for the year ended 31 December 2019:

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

Note:

Type of Training

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

C. BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit and Compliance Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available to shareholders upon request.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" in this annual report.

(1) Audit and Compliance Committee

The Board has established an Audit and Compliance Committee in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code.

The main duties of the Audit and Compliance Committee are to assist the Board in reviewing the Company's financial information and relationship with external auditors; overseeing and monitoring the Company's risk management, financial reporting system, internal control procedures and corporate governance functions; reporting to the Board of any suspected frauds, irregularities, failures of the risk management or internal control systems; meeting with the internal and external auditors or senior management to discuss the audit plans; and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

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

The Audit and Compliance Committee is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code and such functions include the following: (a) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (b) reviewing and monitoring the training and continuous professional development of Directors and senior management; (c) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; (d) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board and reporting to the Board on matters; (e) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and (f) reviewing and monitoring the Company's compliance with the Company's whistleblowing policy.

During the year ended 31 December 2019, the Audit and Compliance Committee held four meetings to review the quarterly, half-year and annual results of the Company; to review continuing connected transactions of the Group; to review financial reporting system and the risk management and internal control systems of the Group and make relevant recommendation to the Board; to consider and recommend to the Board on the re-appointment of the auditors; and to review the Company's corporate governance policies, practices and related matters.

(2) Remuneration Committee

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

During the year ended 31 December 2019, the Remuneration Committee met twice to review the remuneration of the Directors and senior management of the Company.

Pursuant to code provision B.1.5, the annual remuneration (including share options) of the members of the senior management by band for the year ended 31 December 2019 is set out below:

	Number of individuals
Nil to RMB1,000,000	1
RMB1,000,001 to RMB10,000,000	0
Over RMB10,000,000	1
	2

Details of the remuneration of each of the Directors and chief executive for the year ended 31 December 2019 are set out in note 9 to the Financial Statements.

(3) Nomination Committee

The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; making recommendations to the Board on the appointment and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer; and assessing the independence of Independent Non-executive Directors and identifying suitable candidates to become Board members.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process in the nomination and appointment of Directors which aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

The Company also recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of directors is good for corporate governance and is committed to attract and retain candidate(s) for Board with a combination of competencies from the widest possible pool of available talents; to assess regularly the diversity profile of the Board and, where applicable, senior management prepared for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any; and to ensure that changes to the Board's composition can be managed without undue disruption. A Board diversity policy was adopted by the Company, pursuant to which the Board and the Nomination Committee is responsible for reviewing and assessing the Board composition under diversified perspectives (including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience and length of service). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board that are aligning with the Company's strategy and objectives. The current Board's composition under diversified perspectives is disclosed in the biographical information of the Directors set out in the section headed "Profile of Directors and Senior Management" in this annual report.

During the year ended 31 December 2019, the Nomination Committee met once to review the nomination procedures; to review the composition and diversity of the Board, Nomination Committee, Remuneration Committee and Audit and Compliance Committee; to consider and recommend to the Board on the re-election of Directors at the Company's annual general meeting; and to assess the independence of the independent non-executive Directors. The Nomination Committee was satisfied with the current procedures and composition.

D. ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

The attendance record of each Director at the Board, Board Committee and shareholders' meetings of the Company held during the year ended 31 December 2019 is set out in the table below:

Attendance/Number of Meetings

Name of Director	Board	Nomination Committee	Remuneration Committee	Audit and Compliance Committee	Annual General Meeting	Extraordinary General Meeting
Ms. Yifan SONG	5/5	–	–	–	1/1	0/1
Mr. Charles Zhengyao LU	2/5	0/1	–	–	0/1	1/1
Mr. Linan ZHU *(Note 1)*	0/5	–	–	–	0/1	0/1
Ms. Xiaogeng LI	5/5	–	2/2	4/4	0/1	0/1
Mr. Zhen WEI *(Note 2)*	0/5	–	–	–	0/1	0/1
Mr. Sam Hanhui SUN	5/5	1/1	–	4/4	1/1	0/1
Mr. Wei DING	2/5	–	1/2	–	0/1	0/1
Mr. Li ZHANG	5/5	1/1	2/2	4/4	0/1	0/1

Notes: (1) Mr. Linan ZHU appointed his representatives to attend five Board meetings held during the year.

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

During the year ended 31 December 2019, an annual general meeting was held on 14 May 2019 and an extraordinary general meeting was held on 22 February 2019. The Chairman held a meeting with the independent non-executive Directors without the executive Director, non-executive Directors or senior management present during the year ended 31 December 2019.

E. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

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

F. AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors for the year ended 31 December 2019 amounted to RMB4,500,000.

An analysis of the remuneration paid/payable to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Service Category	**Fees Paid/ Payable** *RMB'000*
Audit Services	4,500
Non-audit Services	
– Internal Audit	–
– Others	–

G. RISK MANAGEMENT AND INTERNAL CONTROL

According to the requirements under Code Provision C.2.1 of the CG Code set out in Appendix 14 to the Listing Rules, the directors should at least conduct a review annually on the effectiveness of the risk management and internal control systems of the issuer and its subsidiaries and report to the shareholders that they have completed such review in their Corporate Governance Report. The review should cover all material aspects including financial, operational and compliance controls as well as the risk management functions. By combining the internal control system and evaluation method of the Company and on the basis of regular and special supervision of internal controls, we have conducted an evaluation on the effectiveness of the Company's risk management and internal control for the year of 2019.

I. Organizational Structure of Risk Management and Internal Control

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

First line of defence – Operation and Management

The first line of defence is primarily comprised of the business departments of the Company and all of its branches and subsidiaries which are responsible for daily business operation and management, and are responsible for design and execute the relevant control to safeguard against risks.

Second line of defence – Risk Management

The second line of defence is comprised of functional departments such as operation management department, finance department, legal department and human resources department, which are responsible for the formulation of the relevant policies of risk management and internal control of the Company, providing assistance to the first line of defence for streamlining relevant business process, establishing and improving risk management, internal control and authorization systems, and performing supervision functions to reasonably ensure the effective implementation of the risk management and internal control tasks under the first line of defence.

Third line of defence – Assurance of Independence

The third line of defence is mainly constituted by the internal control and supervisory department.

The internal control team is responsible for performing the internal audit function and conducting independent review on the sufficiency and effectiveness of the risk management and internal control systems, as well as overseeing the continuous improvement and enhancement of the management over the risk management and internal control aspect, with a high degree of independence, and is responsible for receiving reports from multiple channels and conducting timely follow-up actions and investigations on alleged corruption cases, while at the same time assisting the management to promote the anti-corruption mechanism among staffs of the Company to establish correct values.

A direct reporting relationship has been established between the internal control department and the Audit and Compliance Committee.

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

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

II. Corporate Risk Management Procedure

The Company places great emphasis on the establishment of risk management system, and gradually clarifies and enhances the overall risk management mechanism in the course of implementing operation management. The Company adopts various risk management methods with qualitative and quantitative combinations. The Company attaches great importance to the risks relating to strategy, operation, reporting and compliance on the basis of strategic objectives and operating objectives. The risk management procedure is as follows:

Stage 1: Risks Identification

On the basis of strategic and operating objectives, the Company identifies uncertainties and risk exposures which could affect the realization of its strategic and operational objectives in major areas, including strategy, operation, marketing, finance, law, human resources, information security and reputation.

Stage 2: Risks Evaluation

For various risks identified, the Company evaluates and rates such risks in two aspects, namely the probability and magnitude of impact from the occurrence of risks, and then ranks such risks as high, moderate and low based on the risk rating to formulate a risk heat map.

Stage 3: Risks Respond

Based on the results of risk identification and risk evaluation, the management adopts appropriate risk response strategy to design and implement relevant process and internal control activities to manage and control the risks. The risk response process and the internal control activities are implemented and executed by all branches and subsidiaries of the Company and all departments of from the headquarters.

Stage 4: Risks Supervision and Enhancement

The management continues to monitor the implementation of measures of risk tackling, continues to evaluate the risk level and the adequateness of the existing control by combining the changes in external environment and internal business model, and continues to enhance and improve the effectiveness of design and implementation of internal control.

The internal control department performs independent evaluation on the effectiveness of the design and implementation of the process for tackling various risks at least once per year through procedures such as information gathering, interview with management, walk through test and sampling test. The results of evaluation will be passed to the management and then the management would promote the continuous enhancement and improvement of the design and implementation of the risk control.

Stage 5: Risk Reporting

The internal control department reports the effectiveness of design, implementation and operation of the risk management and internal control systems to the Audit and Compliance Committee at least once per year.

III. High-Risk Areas

With expansion in the size of business, diversification of business modes and continuous changes in the external environment, changes may occur in the risk conditions of the Company.

According to the risk evaluation results for the year of 2019, the major risks faced by the Company and the risk tackling measures implemented are as follows:

Significant Risks	Tackling Measures
Macroeconomic risk	In response to the macroeconomic slowdown, the Company promotes business situations by adopting the following: 1. The Company enters into strategic agreement with Baidu and Beijing Borgward on the establishment of laboratory for conducting research and development in internet of vehicles and autonomous driving vehicles; 2. The Company significantly increases the numbers of self-renting cars and increases the density of self-renting points in order to improve customer experience and enhance operating efficiency. Through the above methods, the Company continues to expand profit channels and user coverage and improves customer experience as a response to cope with the impact caused by the macroeconomic situation.
Liquidity risk	The Company has optimized its financing structure by diversifying its financing channels to support the continuous growth of business, whilst adopting a steady financial policy to ensure the balance between leverage ratio and credit indicators at the same time.
Foreign exchange risk	The Company has managed foreign exchange risk closely. As of 31 December 2019, the Company has signed forward foreign exchange contracts with total contract value of US$300 million to provide protection against foreign exchange risks.
Vehicle residual risk	The Company enhances the used cars disposal capabilities and lowers the risk of vehicle residual value by adopting the following: 1. The Company determines the timing of retirement by considering vehicle condition, selling price of used vehicle, and demand and supply of vehicles; and strives to enhance the used cars disposal capabilities and lower the risk of vehicle residual value by penetrating to the B2C channels of used cars;

Significant Risks	Tackling Measures
	2. The Company has entered into a sales and purchase framework agreement with Beijing Borgward's wholly-owned subsidiary, Borgward Auto (China) Co., Ltd., ("Borgward China") with a predetermined annual depreciation rate comparable to the Company's best depreciation rate. The arrangement protects the Company from increased depreciation cost and used vehicles sales pressure.
Corruption risk	To further improve the professional conduct risk prevention system, the Company has established an anti-corruption mechanism to promote the anti-corruption policy of the Company, which has provided channels for reporting and collecting various types of reported information for the prevention and discovery of business corruption. The Company performs internal anticorruption function and conducts special investigations to exercise the supervisory function.
Data security risk	The Company has lowered information security risk by adopting the following measures: 1. Continuously strengthening the input of resources for information technology infrastructure construction, and constantly optimizing disaster recovery mechanism in order to provide steady support to business development; 2. Establishing management standards of operational maintenance and protection mechanism of business continuity in information system in order to ensure smooth and continuous system operation; 3. Establishing relevant management standards including the collection, transmission, secure storage, encryption, authorized access and destruction of data; safeguarding sensitive information through various measures such as encryption technology, data access authorization control and process control; in addition, network safety monitoring has been continuously strengthened in order to lower the risk of leaking sensitive information.

IV. Internal Control

The Company determines the major businesses and high-risk areas to be covered by the scope of evaluation based on the risk-oriented principle. Based on business generation subjects of various principal businesses, management process and frequency of control and operation, the Company comprehensively determines the major units that need to be incorporated in the scope of evaluation. The major units, businesses and items and high-risk areas included in the above scope of evaluation cover the major aspects of operation and management of the Company, including aspects at the organizational, operational, financial reporting and IT system levels. During the Reporting Period, neither significant control failings nor material control weakness was occurred in the Company.

The internal control department of the Company has started the internal control and evaluation work in the third quarter of 2019. Individual interview, suitability test, walk through test and sample test are comprehensively adopted during the evaluation procedure. We analyze and identify whether deficit existed in the design of internal control and whether the implementation of internal control is effective by broadly gathering the evidences of effective operation of internal control within appraised units, and formulating the working paper. The working paper records contents of evaluation in details, including risks of elements in evaluation, control measures taken, relevant evidence information and result of evaluation.

The internal control department consolidates and formulates the internal control evaluation report, submits to the Audit and Compliance Committee for their consideration, and evaluates the procedure through the meetings of the Audit and Compliance Committee held quarterly.

V. Annual Review on Risk Management and Internal Control Systems

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

During the year, the management and internal control department have conducted an annual review on risk management and internal control systems of the Company, consolidated and formulated the audit report proposal as well as performed the procedure of proposing to the Audit and Compliance Committee for consideration in accordance with the guidelines of disclosure policy formulated by the Company. Through a review on the work and findings of internal control department, the Audit and Compliance Committee has identified and audited the effectiveness of the risk management and internal control systems in monitoring fraud and non-compliance.

According to the findings of internal control department, the Audit and Compliance Committee concluded that, for the year ended 31 December 2019: (i) the Company should refer to COSO Standard as and when needed, the effectiveness of the Company's risk management and internal control systems are sufficient and adequate, and maintains effective internal control in respect of financial report in all material aspects; (ii) the Company has already adopted monitoring mechanism which is necessary for monitoring and rectifying non-compliance; and (iii) the Company has already been in compliance with the requirements on risk management and internal control under the CG Code.

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

VI. Disclosure of Inside Information

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

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

H. COMPANY SECRETARY

Ms. Ka Man SO of Tricor Services Limited, an external service provider, has been engaged by the Company as its company secretary. Her primary contact person at the Company is Ms. Siu Wan PAAU, Director of Investor Relations of the Company.

I. SHAREHOLDERS' RIGHTS

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

(1) Convening a General Meeting

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

(2) Putting Forward Proposals at General Meeting

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

(3) Putting Forward Enquiries to the Board

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

(4) Contact Details

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

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

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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

(5) Articles of Association

The Articles of Association was adopted pursuant to the written resolutions of sole shareholder of the Company passed on 18 August 2014 and took effect from 19 September 2014. Since then, there have been no changes to the Articles of Association and an up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

J. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

Code provision E.1.2 of the CG Code stipulates that the chairman of the independent board committee should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. At the Company's extraordinary general meeting held on 22 February 2019 for approving the continuing connected transactions between the Company and UCAR (the "EGM"), the independent board committee members were not present. Alternatively, the Company's management, who is well-versed in the Company's business and affairs, was arranged to answer questions from the Company's independent shareholders at the meeting. Besides, opinions of independent non-executive Directors had been expressed and endorsed in the letter from the independent board committee, which was included in the circular for the EGM dated 18 January 2019.

Code provision E.1.2 of the CG Code also 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 14 May 2019 due to other engagement. In view of his absence, Mr. LU had arranged for other director and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "Financial Statements").

PRINCIPAL ACTIVITIES

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

(i) car rental;

(ii) fleet rental; and

(iii) sales of used rental vehicles.

Details of the principal activities of the principal subsidiaries are set out in note 1 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the Financial Statements of this annual report.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group and analysis of the Group's performance using key performance indicators is provided in the section headed "Management Discussion and Analysis" of this annual report.

Environmental Policies and Performance

Car rental is a mobility solution that reduces car ownership and hence helps solve traffic congestion and carbon dioxide emission. As the largest car rental company in China, our goal is to provide anyone with any car at any time anywhere. With a fleet size of 148,894 cars at the end of 2019, we were able to provide green travel solutions to customers in the 170 major cities across the country. As the electric vehicle technology gets more mature, we also aim to increase the portion of our electric vehicles in our total fleet to operate our business in a more environmental way.

Internally, we encourage green work by promoting paperless communications and the adoption of the office administration system where certain approval processes and internal communications were done electronically. We also place recycle boxes at designated area for employees to re-use paper. We have also assigned certain employees to check the conditions of the electric appliances after office hours to maximize savings.

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

Compliance with Relevant Laws and Regulations

The Company is subject to laws and regulations governing its relationship with its employees, including wage and hour requirements, working and safety conditions, and social insurance, housing funds and other welfare. Employers of People's Republic of China (the "PRC") are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to remediate on payments within a stipulated time period. During the Reporting Period, there was no under-contributed social insurance housing fund and other employee benefit.

In accordance with Road Traffic Safety Law and Provisions on the Registration of Motor Vehicles promulgated by the Ministry of Public Security, all automotive vehicles must be registered and equipped with license plates. As of 31 December 2019, our vehicles have been registered with relevant local administration authorities and are equipped with license plates. The car rental industry is primarily regulated by government authorities at local levels, where regulatory requirements on operating entities and vehicles vary from one locale to another. The Company is in compliance with local rules on car rental industry in general.

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

The Board has overall responsibility for our environmental, social and governance ("ESG") strategy and reporting. The Board is responsible for evaluating and determining our ESG-related risks, and ensuring that appropriate and effective ESG risks management and internal control systems are in place. A confirmation regarding the effectiveness of these systems has been provided to the Board during the year ended 31 December 2019.

Key Relationships with Stakeholders

Employees

In 2019, the number of our employees has decreased from 6,910 to 5,914, which was mainly due to the enhanced productivity and efficiency with the optimized proprietary smart staffing APP. During the fourth quarter of last year, the Company granted 119,747,379 share options to employees, with an exercise price of HKD6.36, with the intention to stimulate growth in business and share price. The Company also increased the incentives to frontline staff to enhance services quality and growth. As a result, average rental days grew approximately 14%. Vehicle per store staff, a key metric to assess our operating efficiency, increased from 37 to 43, which was an impressive result.

Customers

As compared with 2018, the customer base increased by 19% and registered members increased by 23%. We strive to upgrade customer experience from time to time by providing better fleet condition, more convenient and value services. The percentage of self-served transaction increased by 26 percentage points to 88% in December 2019, providing faster and more convenient service experience to our customers. The Company will also reprogramme the membership scheme to be launched in 2020 to reward frequent customers.

OEM suppliers

OEM suppliers are one of the most important business partners of the Company. In 2019, due to the downward trend of the used car sale prices, the Company purchased a significant number of Borgward vehicles with repurchase agreement to protect vehicle residual values. Therefore, Borgward became a significant OEM supplier of the Company. Although car purchase from other OEM suppliers decreased due to the aforementioned strategic arrangement, regular communications with major OEM suppliers were conducted to maintain close business relationships.

Creditors

We spent a significant amount of capital expenditure in 2019 to purchase new cars. A large portion of the capital was from the operating cash flow, proceeds from the sales of used cars, and the borrowings from banks. We have been maintaining a healthy operation, used car disposal capability and financial position which allowed us to obtain financing when needed.

Key Risks and Uncertainties

The car rental business is capital intensive. Our business requires a large amount of capital to finance the expansion and replenishment of our fleet. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely affect our business, results of operations and financial condition.

We face risks related to the residual value of our rental vehicles and may not be able to dispose of our used cars at desirable prices and volume. As used cars constitute a significant portion of our assets and our business requires us to constantly replenish our fleet, risks related to the residual value of our rental vehicles and failure to dispose of our used cars at desirable prices and volume may materially and adversely affect our financial condition and business prospects.

The rental fleet constituted a large number of Borgward vehicles, which came with a repurchase agreement. The repurchase agreement will entitle the Company the right to request Borgward China to repurchase the vehicles at a pre-determined annual depreciation rate. If Borgward is unable to execute the repurchase agreement, the estimated residual values of Borgward vehicles might be reduced and resulted in higher depreciation cost, which will affect the financial performance of the Company and customer experience.

Our business, financial condition and results of operations may be adversely affected by the downturn in the PRC or global economy and weakness in travel demand. Our growth may be adversely impacted by uncertainties in China's car rental industry, which is at an early stage of development and may experience unexpected downturns for various reasons.

We have a large portion of USD-denominated liabilities. RMB depreciation has resulted and might incur a significant exchange loss to the Company, if we failed to manage foreign exchange risk.

We strategically lowered our price and utilization rate for our car rental business over the past few years for market expansion and defending our leadership position. Although we target to stabilize these key operating metrics in the future, it could be a challenge for us if we failed to manage customer expectation and new forms of competition.

Two major investments made by the Company could result in meaningful loss. In 2019, the fair value of UCAR decreased slightly and caused a fair value loss to the Company. If the fair value continued to decrease in 2020, additional loss might be recorded. The Company has not received the refund of HKD100 million from FDG Electric Vehicles Limited ("FDG"). Although the Company has maintained dialogues with FDG, there is risk that the Company may not get refunded.

The outbreak of novel coronavirus (COVID-19) has affected the Company's business performance since late January 2020, and has caused a decline of our business. As at the date of this annual report, the livelihood in China has not fully recovered. The Company may continue to face challenges until the virus is fully cured.

Prospects

Currently, we do not have plans for material investments except purchasing cars for our ordinary course of business. Accordingly, we foresee that our major source of funding will be from the operating cash flow, sales of used cars and borrowings from the banks.

Please refer to section headed "Strategies" in this annual report for more details.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy (including but not limited to the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans), dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Reporting Period are set out in notes 34 and 35 to the Financial Statements.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

RESERVES

Details of the movements in reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 109 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had no distributable reserves.

FINANCIAL SUMMARY

A summary of the published results of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 258 of this annual report. This summary does not form part of the audited financial statements.

CHARITABLE CONTRIBUTION

During the year ended 31 December 2019, the Group made charitable contributions totaling RMB193,000.

RETIREMENT BENEFITS

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

RENTAL VEHICLES, OTHER PROPERTY, PLANT AND EQUIPMENT

Details of movements in rental vehicles, other property, plant and equipment of the Group during the Reporting Period are set out in note 13 and note 14 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the Reporting Period are set out in note 29 to the Financial Statements.

CONTINGENCY LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange had granted a waiver under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company's issued share capital (the "Minimum Public Float") subject to:

(i) the Minimum Public Float of 15%; and

(ii) appropriate disclosure of the lower prescribed percentage of public float and confirmation of sufficiency of public float in successive annual reports after listing.

Pursuant to the waiver, the Company has complied with the public float requirement which is at the higher of such percentage (being 21.6%) shares held by the public immediately after the completion of the issue and allotment by the Company of the over-allotment shares. Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the waiver.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are:

Executive Director

Ms. Yifan SONG *(Chief Executive Officer)*

Non-executive Directors

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

Independent Non-executive Directors

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

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

Pursuant to Articles 84 of the Articles of Association, Ms. Xiaogeng LI, Mr. Zhen WEI and Mr. Li ZHANG shall retire by rotation at the annual general meeting of the Company to be held on 12 May 2020 (the "AGM"). All of the above retiring Directors, being eligible, offered themselves for re-election at the AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE AGREEMENT AND LETTERS OF APPOINTMENT

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

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the Independent Non-executive Directors, namely Mr. Sam Hanhui SUN, Mr. Wei DING and Mr. Li ZHANG, the confirmation of their respective independence pursuant to the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our Independent Non-executive Directors have been independent during the Reporting Period and remain so as at the date of this annual report.

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

As at 31 December 2019, the interests of the Directors and chief executive in the shares and underlying shares of the Company which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, were as follows:

Long position in the shares of the Company

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Ms. Yifan SONG (宋一凡) (1)	Interest in a Controlled Corporation	38,498,464	1.82%
Mr. Charles Zhengyao LU (陸正耀) (2)	Interest in Controlled Corporations	630,956,855	29.76%
Mr. Sam Hanhui SUN (孫含暉)	Beneficial Owner	510,000	0.02%

Notes:

(1) Ms. Song was deemed to be interested in 38,498,464 shares of the Company through a controlled corporation, Dignity Ally Limited.

(2) Mr. Lu was deemed to be interested in 630,956,855 shares of the Company through various controlled corporations.

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	23,322,548	1.10%

Note:

(3) Ms. Song was interested in 23,322,548 underlying shares of the Company as beneficial owner.

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

Name	Capacity	Number of Underlying Shares in respect of the Put Options	Approximate Percentage of the Company's Issued Share Capital*
Ms. Yifan SONG (宋一凡) (4)	Interest in a Controlled Corporation	38,498,464	1.82%

Note:

(4) Ms Song was deemed to be interested in the 38,498,464 underlying shares of the Company through a controlled corporation, Dignity Ally Limited.

* The percentage represents the number of ordinary shares/underlying shares divided by the number of the Company's issued shares as at 31 December 2019.

Save as disclosed above, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2019.

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

As at 31 December 2019, 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	29.76%
Legend Holdings Corporation[2]	Interest in Controlled Corporations	563,583,025	26.59%
Right Lane Limited[2]	Interest in a Controlled Corporation	563,583,025	26.59%
Grand Union Investment Fund, L.P. [2]	Beneficial Owner	562,668,025	26.54%
Infinity Wealth Limited[2]	Interest in a Controlled Corporation	562,668,025	26.54%
Amber Gem Holdings Limited[3]	Beneficial Owner	214,348,260	10.11%
Warburg Pincus & Co.[3]	Interest in Controlled Corporations	214,348,260	10.11%
Warburg Pincus Private Equity XI, L.P.[3]	Interest in Controlled Corporations	214,348,260	10.11%
Warburg Pincus XI, L.P.[3]	Interest in Controlled Corporations	214,348,260	10.11%
WP Global LLC[3]	Interest in Controlled Corporations	214,348,260	10.11%
Warburg Pincus Partners II, L.P.[3]	Interest in Controlled Corporations	214,348,260	10.11%

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Warburg Pincus Partners GP LLC(3)	Interest in Controlled Corporations	214,348,260	10.11%
WP XI Equity Ltd(3)	Interest in a Controlled Corporation	214,348,260	10.11%
UCAR Technology Inc.	Beneficial Owner	260,486,310	12.29%
UCAR Inc. (4)	Interest in Controlled Corporations	630,956,855	29.76%

Notes:

(1) Ms. Lichun 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 60.47% 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 Partners II, L.P. Warburg Pincus Partners II, L.P. is wholly owned by Warburg Pincus Partners GP 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, Warburg Pincus Partners II, L.P., Warburg Pincus Partners GP LLC and Warburg Pincus & Co. were deemed to be interested in 214,348,260 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 31 December 2019.

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 31 December 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above and the section headed "Summary of the Share Option Schemes" below, at no time during the year ended 31 December 2019 and up to the date of this annual report was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group, none of the directors and controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended 31 December 2019 and up to the date of this annual report.

CONTINUING CONNECTED TRANSACTIONS

Since Mr. Lu has been the actual controller of UCAR Inc., UCAR Inc. constitutes a connected person of the Company and the following transactions between the Company and UCAR Inc., among other related party transactions disclosed in note 39 to the Financial Statements, constitute continuing connected transactions of the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

As the applicable percentage ratio exceeds the de minimus threshold as stipulated under Rule 14A.76 of the Listing Rules, the Company is required to comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Renewed Framework Agreement with UCAR Inc. dated 13 December 2018

On 13 December 2018, the Company entered into a renewed framework agreement with UCAR Inc. in relation to fleet rental, technical services, leasing and other services with a term of not more than three years. The renewed framework agreement replaced the framework agreement with UCAR Inc. dated 16 March 2016 upon its expiry on 31 December 2018. For details of the original framework agreement with UCAR Inc. dated 16 March 2016, please refer to the announcement dated 17 March 2016, the circular dated 28 April 2016 and the disclosure in the 2018 Annual Report of the Company.

The Company convened an extraordinary general meeting on 22 February 2019 to seek independent Shareholders' approval of the transactions under the renewed framework agreement and the aggregate annual caps for the financial years ending 31 December 2019 to 2021. The renewed framework agreement was approved by the independent shareholders of the Company.

For the year ended 31 December 2019, the aggregate amount paid by UCAR Inc. to the Group in relation to fleet rental, technical services and leasing services under the renewed framework agreement was approximately RMB366,992,000, RMB40,382,000 and RMB3,171,000, respectively, and the aggregate amount paid by the Group to UCAR Inc. in relation to leasing services was approximately RMB5,059,000, which did not exceed the aggregate annual cap of RMB780,000,000. For details, please refer to the announcement of the Company dated 13 December 2018 and the circular dated 18 January 2019.

New Framework Agreement with UCAR Inc. dated 25 June 2018

On 25 June 2018, the Company entered into a new framework agreement with UCAR Inc. in relation to its sale of vehicle business, with a term of not more than three years and subject to terms and conditions provided therein. The new framework agreement replaced the framework agreement with UCAR Inc. dated 29 June 2016 upon its expiry on 31 December 2018. For details of the original framework agreement with UCAR Inc. dated 29 June 2016, please refer to the announcement dated 29 June 2016, the circular dated 27 July 2016 and the disclosure in the 2018 Annual Report of the Company.

The Company convened an extraordinary general meeting on 16 August 2018 to seek independent shareholders' approval of the transactions under the new framework agreement and the aggregate annual caps for the financial years ending 31 December 2018 to 2020. The new framework agreement was approved by the independent shareholders of the Company.

For the year ended 31 December 2019, the aggregate amount of commission paid to UCAR Group for sale of vehicles to end-users through UCAR Group's sales platform was approximately RMB1,482,000, which did not exceed the aggregate annual cap of RMB290,000,000. For details, please refer to the announcement of the Company dated 25 June 2018 and the circular dated 17 July 2018.

Continuing Connected Transactions with Beijing Borgward pursuant to Rule 14A.60 of the Listing Rules

On 29 July 2019, UCAR Inc. completed the acquisition of 67% of equity interest in Beijing Borgward through its subsidiary (the "Acquisition"). Therefore, Beijing Borgward became a non-wholly owned subsidiary of UCAR Inc. and hence constitutes a connected person of the Company.

Prior to the completion of the Acquisition, Beijing China Auto Rental Co., Ltd. ("CAR Beijing"), an indirectly wholly-owned subsidiary of the Company, had entered into (1) Sales and Purchase Framework Agreement on 28 February 2019 and (2) Test Drive Cooperation Framework Agreement on 1 March 2019, with Borgward China, a wholly-owned subsidiary of Beijing Borgward. The transactions contemplated under the Sales and Purchase Framework Agreement and Test Drive Cooperation Framework Agreement became continuing connected transactions of the Company following the completion of the Acquisition in accordance with Rule 14A.60 of the Listing Rules.

From 29 July 2019 to 31 December 2019, the aggregate amounts paid by the Company in relation to the Sales and Purchase Framework Agreement was approximately RMB781,888,000 and the aggregate amounts received in relation to the Test Drive Cooperation Framework Agreement was approximately RMB59,224,000.

In the event that any of the agreements is renewed or its terms are varied, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 13 August 2019.

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

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

The Special Compliance Committee continuously traces and regularly monitors the progress of the continuing connected transactions and report to management of the Company. The Special Compliance Committee reviews the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. The heads of different departments of the Company will also be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions. Quarterly or as needed, the Special Compliance Committee will communicate with the Company's Audit and Compliance Committee to report the progress of the continuing connected transactions, and request for approval of new or significant changes of existing transaction terms. Audit and Compliance Committee has also assigned the independent internal audit team to ensure that the Company's internal control measures in respect of the continuing connected transactions are conducted in accordance with the terms of the relevant agreement, pricing policies and on normal commercial terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Independent Non-executive Directors and the auditor of the Company have reviewed the nature and process of the business transactions, discussed the pricing methodology of the referred transactions, and have confirmed that the above continuing connected transactions have been entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing it and on terms that were fair and reasonable and in the interests of the Company and the shareholders as a whole.

The auditor of the Company has issued its letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, confirming that (i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board, (ii) for transactions involving provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group, (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions, and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save for the above, during the Reporting Period, we have not entered into any connected transaction or continuing connected transaction which should be disclosed in this annual report pursuant to the Listing Rules.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers. The Company arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors or entities connected with the Directors is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2019 and up to the date of this annual report.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

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

MANAGEMENT CONTRACTS

No contracts other than the employment contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2019, the Group had 5,914 employees. The Group's remuneration policies based on the performance of individual employees are formulated by benchmarking with companies in similar industries and companies with similar size in the market and are reviewed regularly. The remuneration of our employees includes salaries and allowances and most employees receive salaries based on the KPIs set by headquarters and branch offices. The KPIs of the Company can generally be categorized into profitability, revenue growth, cost control and service quality. Profitability mainly refers to net profit. Revenue mainly refers to utilization rate and pricing. Cost control refers to costs controllable by the operation of stores. Service quality refers to the assessment scores given to a service location based on their level of compliance with the central operation policies, customer satisfaction scores and the number of complaints. At the company-level, profitability is the main KPI for the management and support departments, while at the city-level, revenue, cost control and services quality are the key KPIs for the operation and frontline departments. With the development of the Company and constant review of the performance assessment system, the Group is adapting the KPIs from time to time to accommodate for the best interests of the employees and the Group. The Group offers competitive remuneration packages to the Directors, and the Directors' fees are subject to shareholders' approval at general meeting. The packages were set by benchmarking with companies in similar industries and companies with similar size in the market. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

Details of the Directors' remuneration during the Reporting Period are set out in note 9 to the Financial Statements.

RELATIONSHIP WITH EMPLOYEES

We have not experienced any significant disputes with our employees. As of 31 December 2019, none of our employees was represented by any labour union that engages in collective bargaining.

2014 PRE-IPO SHARE OPTION SCHEME I

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

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

As at 31 December 2019, a total of 27,536,766 options were outstanding under the 2014 Pre-IPO Share Option Scheme I. Set out below are details of the outstanding options granted to senior management under the 2014 Pre-IPO Option Scheme I:

Relevant Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Outstanding as of 1 January 2019	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2019
Yifan SONG (宋一凡)	816,730	16 June 2014	100% on the date of grant	10 years from 20 December 2013	US$0.058	730	–	–	–	730
	1,596,510	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	US$0.174	1,197,510	–	–	–	1,197,510
	2,250,000	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	US$0.174	1,691,000	–	–	–	1,691,000
	4,663,240					2,889,240	–	–	–	2,889,240
Employees	34,272,260	16 June 2014	100% on the date of grant	10 years from 20 December 2013	US$0.058	6,496,250	(114,410)	–	–	6,381,840
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	11,443,277	(720,781)	–	–	10,722,496
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	7,871,190	(328,000)	–	–	7,543,190
Employees	1,500,000	31 July 2014	1/3 each on 31 July 2015, 2016 and 2017	10 years from 31 July 2014	US$0.174	–	–	–	–	–
Total	**92,461,415**					**28,699,957**	**(1,163,191)**	–	–	**27,536,766**

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the year ended 31 December 2019 is approximately HK$6.77.

For further details of the 2014 Pre-IPO Share Option Scheme I, please refer to the section headed "Report of the Directors – Summary of the Share Option Schemes" in this report and note 35 to the Financial Statements.

2014 PRE-IPO SHARE OPTION SCHEME II

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

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

As at 31 December 2019, no options were outstanding under the 2014 Pre-IPO Share Option Scheme II.

For further details of the 2014 Pre-IPO Share Option Scheme II, please refer to the section headed "Report of the Directors – Summary of the Share Option Schemes" in this report and note 35 to the Financial Statements.

POST-IPO SHARE OPTION SCHEME

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

The Post-IPO Share Option Scheme has become effective for the period of 10 years commencing on the effective date. The maximum number of the Company's shares in respect of which options may be granted pursuant to the Post-IPO Share Option Scheme is 239,494,759 shares, being 10% of the total issued shares of the Company on the date of approval of the Post-IPO Share Option Scheme. The details of the Post-IPO Share Option Scheme are set out in the section headed "Report of the Directors – Summary of the Share Option Scheme" in this report and note 35 to the Financial Statements.

As at 31 December 2019, 119,747,379 options were outstanding under the Post-IPO Share Option Scheme. Set out below are details of the outstanding options granted to senior management under the Post-IPO Share Option Scheme:

Relevant Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Closing Price of Shares immediately before the date on which the Options were granted	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2019
Yifan SONG (宋一凡)	20,433,308	18 October 2019	One third of Options have vested on 18 October 2019, one-third of the Options will be vested on 18 October 2020 and one-third of the Options will be vested on 18 October 2021; and the Options granted will be exercisable until the expiry date of the Option Period.	10 years from 18 October 2019	HK$6.360	HK$6.380	–	–	–	20,433,308
	20,433,308						–	–	–	20,433,308
Employees	99,314,071	18 October 2019	One third of Options have vested on 18 October 2019, one-third of the Options will be vested on 18 October 2020 and one-third of the Options will be vested on 18 October 2021; and the Options granted will be exercisable until the expiry date of the Option Period.	10 years from 18 October 2019	HK$6.360	HK$6.380	–	–	–	99,314,071
Total	**119,747,379**						–	–	–	**119,747,379**

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
1.	Purpose	To promote the success and enhance the value of the Company by linking the personal interests of the members of the Board, Chief Financial Officer and employees to those of the Company's shareholders, and is intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of the members of the Board, the Chief Financial Officer and the employees upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.		
2.	Participants	Eligible participants include (i) any Director (including executive Director, non-executive Director and independent non-executive Director) of any member of the Group from time to time; and (ii) any employee or officer of any member of the Group.	The only eligible participant is the Chief Financial Officer.	Eligible participants include (i) the full-time employees of the Company; (ii) the full-time employees of any of the subsidiaries; and (iii) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company and/or any of its subsidiaries.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
3.	Total number of shares available for issue	As at 31 December 2019, options to subscribe for an aggregate of 6,382,570 shares were outstanding under Tranche A, options to subscribe for an aggregate of 11,920,006 shares were outstanding under Tranche B and options to subscribe for an aggregate of 9,234,190 shares were outstanding under Tranche C, representing approximately 0.3011%, 0.5623% and 0.4356% of the issued capital of the Company as at 31 December 2019, respectively. In total, options to subscribe for an aggregate of 27,536,766 shares were outstanding under the 2014 Pre-IPO Share Option Scheme I. No further option could be granted under the 2014 Pre-IPO Share Option Scheme I.	As at 31 December 2019 and the date of this report, no share options were outstanding. No further option could be granted under the 2014 Pre-IPO Share Option Scheme II.	The maximum number of the Company's shares in respect of which options may be granted and have been granted pursuant to the Post-IPO Share Option Scheme is 239,494,759 shares, representing approximately 11.30% of the number of issued shares of the Company as at the date of this annual report. As at 31 December 2019, 119,747,379 options were granted to the eligible participants.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
4.	Maximum entitlement of each participant	Determined by the Board	Determined by the Board	Substantial shareholders/ Independent Non-executive Directors: 0.1% of the issued Shares/ aggregate value not exceeding HK$5 million. Other participants: 1% of the issued Shares. Details of the maximum entitlement are set out in Rules 17.03(4) and 17.04(1) of the Listing Rules.
5.	Option period	Tranche A: 10 years from 20 December 2013 Tranche B: 10 years from 20 December 2013 Tranche C: 10 years from 31 July 2014	10 years from 1 March 2014	10 years from 18 October 2019.
6.	Acceptance of offer	Options granted must be accepted within 5 days of the offer date by the grantee. Acceptance is deemed when the grantee duly signs the duplicate letter and the Company receives a remittance in favor of the Company of RMB1.00 as stated in the offer letter by way of consideration for the grant.		An offer shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the offer is duly signed by the grantee, together with a remittance in favor of the Company of RMB1.00 by way of consideration for the grant.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
7.	Exercise price	Exercise price for each of Tranche A options, Tranche B options and Tranche C options are US$0.058, US$0.174 and US$0.174 respectively.	Exercise price is US$0.174	Exercise price shall not be less than the highest of (i) the nominal value of a share; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted, which must be a business day; and (iii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is granted.
8.	Basis of determining the exercise price	The exercise price was determined based on estimated reward level to grantees.		See above disclosure under "7. Exercise price".
9.	Remaining life of the scheme	The 2014 Pre-IPO Share Option Scheme I shall be valid and effective until terminated on the 10th anniversary of its adoption date, i.e. from 15 June 2014 to 14 June 2024.	The 2014 Pre-IPO Share Option Scheme II shall be valid and effective until terminated on the 10th anniversary of its adoption date, i.e. from 1 March 2014 to 29 February 2024.	The Post-IPO Share Option Scheme shall be valid and effective for the period of 10 years commencing on the effective date, i.e. from 11 April 2016.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the amount of the Group's revenue derived from the Group's five largest customers accounted for approximately 10.37% of the Group's revenue and the revenue derived from the largest customer, namely UCAR Inc., which included therein amounted to 6.07%. Our five largest suppliers accounted for approximately 84.00% of our purchases during the year ended 31 December 2019 and the purchases from the largest supplier included therein amounted to 60.53%.

Save as disclosed under the section headed "Continuing Connected Transactions" that Mr. Lu, our Non-executive Director, who is the actual controller of UCAR Inc., none of our Directors or any of their close associates or any shareholders (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and vehicle suppliers.

PROPERTY INTERESTS

As at 31 December 2019, the Group had no properties held for investment where any of the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) exceeds 5%.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2019.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

In February 2020, the Company fully repaid the USD-denominated senior notes due 2020.

In early 2020, the outbreak of novel coronavirus (COVID-19) has certain impact on the car rental business of the Company due to travel restrictions and suppress on tourism. The degree of the impact depends on the epidemic preventive measures and the duration of the epidemic. Given the dynamic circumstances and high uncertainties, the financial impact could not be reasonably estimated at this stage and will be reflected in the Company's 2020 financial statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. During the year ended 31 December 2019, the Company has complied with the code provisions in the CG Code, save and except for code provision E.1.2, details of which are set out in the Corporate Governance Report.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by Ernst & Young, certified public accountants.

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

CHANGES IN THE INFORMATION OF THE DIRECTOR SINCE LAST INTERIM REPORT

The changes in the information of the Director as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Linan ZHU has been re-designated from an executive director to a non-executive director and cease to serve as the president of Legend Holdings Corporation (a company listed on the Stock Exchange, Stock Code: 3396) with effect from 1 January 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 May 2020 to 12 May 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. (Hong Kong time) on 6 May 2020.

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

Hong Kong, 17 March 2020

EXPLANATION OF THE REPORT

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

Report release cycle and scope

According to the materiality principle, the environmental, social and governance report ("ESG Report") covers the ESG subject areas in relation to lease-related business as the Company's main source of operating income during the Reporting Period. The Company manages to select the Company's relevant important ESG policies and include them in the ESG Report through communications with stakeholders, important identification and assessment.

ESG reporting principles

Materiality: This ESG Report discloses ESG issues considered by the Board and ESG working group in compliance with the materiality principle of the Stock Exchange. For the details of communication with stakeholders, identification and results of material issues, please refer to the corresponding sections below.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for qualitative key performance indicators herein and source of conversion factors are all explained in the definitions of the report.

Balance: This ESG Report shall provide an unbiased picture of the ESG performance of our Group during the Reporting Period. It should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgment by the report readers.

Consistency: The statistical methodologies applied to the data disclosed in this ESG Report shall be consistent.

ESG governance

The Board of Directors takes responsibility for the strategies and reports on environment, society and governance of the Company. In particular, we have set up a special environmental, social and governance group to be responsible for coordinating with departments of the Company involving in the relevant subject, in order to prepare this ESG Report in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("ESG Reporting Guide").

Due to the business nature of the Company, total packaging material used for finished products (KPI A2.5 of the ESG Reporting Guide) is not applicable. Save for the above, the Company has followed the "comply or explain" approach in this ESG Report.

COMMUNICATION WITH STAKEHOLDERS

The Company has established diversified communication channels with stakeholders to reduce potential social risks, protect the rights and interests of various stakeholders and effectively implement ESG management.

Stakeholders	Expectations and concerns	Communication method(s)
Shareholders/investors	Protecting shareholders' rights and interests Investment return Information disclosure Operation and management in compliance with laws and regulations	General meeting of shareholders Press releases and announcements Financial reports of the Company The Stock Exchange/Company website Investor conferences and roadshows
Government/regulatory authorities	Legal and compliance supervision Fulfillment of tax obligations Business and economic development Social contribution Operation safety	Compliance reports On-site inspections Attending conferences/seminars Special enquiries/inspections Reporting documents
Users	Personal data privacy protection Product safety Quality service experience	Company website Multi-channel customer service
Employees	Protecting employees' rights and interests Occupational health and safety Improving employees' welfare Equal opportunity in employment and diversified development	Contracts Employees meetings Daily communication
Suppliers/partners	Long-term business relationship Fair and reasonable price Product quality assurance	Field visits Daily communication Regular meetings
Environment	Enhancing environmental and ecological protection Energy and resource conservation Spread the concept of low carbon travel	Environmental inspection Environmental information disclosure
Communities/public	Community engagement Social fusion Public welfare events	Volunteer activities Charitable activities

ASSESSMENT OF MAJOR ISSUES

The following table sets out the ESG issues that were important to the Company during the Reporting Period based on the assessment conducted by ESG Working Group.

Major issues on ESG of the Company	Topics of ESG Guideline
A.Environment	
Greenhouse gas management and waste management	A1 Emissions
Green operation and low-carbon transportation	A2 Use of resources
Advocating green travel	A3 Environment and natural resources
B.Society	
Equal employment and employee rights and interests	B1 Employment
Occupational health and safety & care for employees	B2 Health and safety
Employee training and development	B3 Development and training
Put an end to child labour and forced labour	B4 Labour standards
Safe procurement source and fair and public procurement	B5 Supply chain management
Safety experience, quality service and customer data privacy protection	B6 Product responsibility
Combat corruption and uphold integrity	B7 Anti-corruption
Charity and volunteer activities	B8 Community investment

1. TECHNOLOGY MAKES TRAVEL EASIER

The car rental industry has been undergoing a "smart transformation" as there is an increasing demand from the Chinese customers for more convenient and smart solutions in their daily lives. As a domestic car rental service provider, we are committed to combining intelligent technology with car rental service optimization to provide intelligent rental services to customers by combining optimized vehicle resource allocation with Internet operation practices, in order to help people optimize their daily travel and boost low-carbon shared development.

1.1 Intelligent travel

The Company leads more people to enjoy a convenient and green car experience with a innovative automobile consumption concept in strict compliance with the provisions and requirements of relevant laws such as the Company Law, the Contract Law (《合同法》), the Administrative of Internet Information Services Procedures (《互聯網信息服務管理辦法》), the Interim Provisions on the Administration of the Automobile Leasing Industry (《汽車租賃業管理暫行規定》). Based on the traditional car rental business, we extensively use self-service technology and the Smart Assistant management system to continuously optimize the layout of car rental business, improve service standards, speed and customer satisfaction to create a more environmentally friendly operation model while making customers experience more convenient, safe and comfortable services.

The Company remains the mission to provide best-in-class smart and convenient mobility solutions to customers, providing a "better experience" and "more choices" to our customers. During the Reporting Period, the Company continued to expand the physical network and improve and optimize customer experience by launching the self-served services at multiple service locations, launching test drive business and optimizing functions of car rental application ("APP") to allocate operating resources flexibly, so that customers can enjoy car rental services more conveniently.

During the Reporting Period, the Company expanded the distribution of physical car rental locations. As of 31 December 2019, our physical locations expanded to 2,619 directly-operated service locations in 170 cities, including 443 stores and 2,176 self-served locations. During the Reporting Period, the Company launched self-served services across the country, and optimized the distribution of service locations. The cities where we have the self-served business has covered all major tier 1 and tier 2 cities as well as key tourist destinations. The Company has also set up self-served points in some tier 3 and tier 4 cities with rapid economic development.

Distribution of business

Case 1: Optimization of our APP

In order to achieve easier access to rent cars on the mobile terminal by the users, the Company optimized and upgraded our APP during the Reporting Period. Through the addition of functions such as real-life map, arrears reminder and payment, and change of service locations for returning vehicles, we have enhanced the online and offline linkage to optimize user experiences of our APP.

Addition of real-life map

In order to strengthen the guidance to customers, the customers can fully and clearly understand the actual car parking spot in the service location through the Company's APP. After the new version of the Company's APP was introduced in June 2019, the system added real-life service locations map functions. Customers can view the service locations real-life pictures on the service locations details, service locations list, car pick-up and other pages of the Company's APP. As of the end of the Reporting Period, the upload of real-life maps has been completed for our service locations that have been opened nationwide.

New fee payment reminder and payment function

The front page and order list page of the APP is newly embedded with the function for fee payment information reminder of short-term rental and test drive orders. Fee payment function is added in order details, where the customer is reminded of outstanding amount payable when self-served pick-up and may pay the outstanding amount through the popup window. Currently, the customers may pay any outstanding amounts by the use of three payment methods including Alipay, UnionPay and ApplePay.

New customer self-modification function

With the introduction of self-modification function, the customer can modify the car return locations through the APP after the short term or test drive order has been booked successfully. It greatly facilitates customers' usage, guarantees that customers can use them as needed, and improves operational efficiency.

1.2 Quality Experience

The Company starts from the dimensions of ensuring travel safety, protecting customer privacy, eradicating deceptive advertisement, improving service quality, and strengthening customer communication, to provide customers with a more secure and high-quality car experience.

- Travel Safety in the Use of Vehicles

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

Protecting customer safety is the top priority commitment to our customers for the Company. We regularly inspect and maintain our cars so that our customers will feel safer and more reassured when using our vehicles. For rental vehicles with a driving mileage of 7,500 km, specific high-end models with a driving mileage of 10,000 km, we will carry out repair and maintenance periodically. Meanwhile, the Company provides value-added services to customers on specific roads in certain seasons, such as providing customers with free upgrades to snow tire and escorting some customers who use cars in the north.

We establish emergencies procedures, including the delineation of insured liability, instructions for the claim, dealing with accidents, rescues and spare vehicle services, resolving the worries of car renters. When customers are in danger with the vehicle, they can report the emergencies by calling the Company's 7x24 hotline. In addition, we offer rescues and spare vehicle services, including rescues for accidents, replacements of spare tyres, delivery of oil, unlocking services, and jump starts. Generally, the time it takes for a rescue vehicle to arrive is within 45 minutes in a city at prefecture level or above, and within 60 minutes in a city at county level.

Case 2：We provide Free Upgrades on Snow Tire for Customers

In December 2019, with the successive beginning of celebratory events such as ice and snow tourism festivals and power snow festivals held in northern region, tourists were attracted to travel north to enjoy ice and snow. However, the vehicle is uncontrollable when speeding up, braking or steering, due to the changing weather of ice and snow as well as slippery roads. In order to cope with this, the Company provides service free upgrade services on snow tire in the northern region to prepare for the ice and snow weather by giving better pliability and traction so as to ensure the safety of the customers in driving during their travel.

Picture: The Company's "Free Upgrades on Snow Tire"Campaign

- Protection of Customer Data Privacy

The Company complies with the laws and regulations, such as the Regulations on Security Protection of Computer Information Systems (《計算機信息系統安全保護條例》), the Administrative Measures for International Networking of Public Computer Internet (《公用計算機互聯網國際聯網管理辦法》) and the Interim Provisions on the Management for International Networking of Computer Information Network (《計算機信息網絡國際聯網管理暫行規定》), of the place where it operates to disseminate true information to the community and has established an internal comprehensive system of customer data privacy confidentiality and an identity verification process, including the Rule for the Management of Data Security in the Call Center of the Company, an Operating Guide for Members to Enquire into Their Passwords, the Process for Cell Phone Number Modification and Password Recall, and the Rule of Service of Sesame Credit (芝麻信用服務規則) so as to protect our customers' information security and data privacy, to effectively protect the privacy and security of customer data.

Establishment of the Rule for the Management of Date Security	The Rule for the Management of Data Security in the Call Center of the Company has been established by the Company and implemented till the present. This has defined the confidentiality scope of relevant confidential information such as customer information, the Company's software system, staff training, technical documents and the Company's commercial activities.
Clear clarification of duties	The Company actively conduct confidential staff training which require all staffs of calling center reading and signing "Data Confidential Agreement of Car Inc.'s Customer Center". Our Company has zero tolerance for leaking the Company's confidential information and customer information. In addition, the Company formulate a series of layered penalty such as economic penalties, personnel penalties and legal recourse based on the severity of disclosure behavior and the outcome.
Multiple steps of password authentication	In the process of customer service of the Company, the Company has designed a logical and rigorous authentication process including password authentication and password reset to protect customers' information and privacy. Customer service representatives can only inform the customer in the call of the private information regarding his/her own account if the customer pass the authentication process.

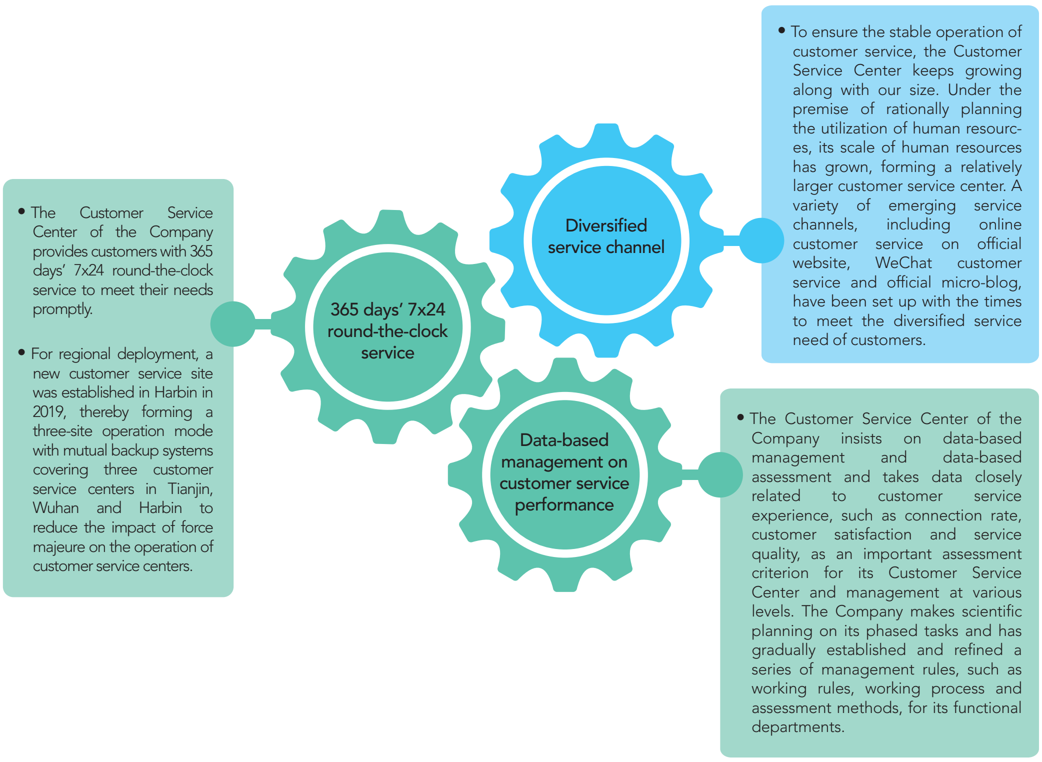
- Eradication of deceptive advertisement

The Company complies with the laws and regulations, such as Laws of Advertisement, of the place where it operates to pass on true information to the community. During the Reporting Period, the Company was not involved in any litigation and compensation thereof as a result of violation of the laws and regulations on advertisements and promotions.

Brand advertisements of the Company and other relevant information released by the official channels of other enterprises shall be approved by relevant business department, brand marketing department and legal department strictly in accordance with the internal approval procedures and be released to media for publication upon approval, ensuring the truthfulness and rigorousness of the information and eradicating deceptive advertisements such that true and reliable advertising information has been received by our customers.

- Improve Service Quality

The Company has a dedicated customer service center and always adheres to the "customer first" service standards and guidelines, and is committed to creating high-quality services. The Company strengthens the communication and linkage between customers and the company by developing 365 days' 7x24 round-the-clock service and creating a diversified service pipeline; through internal management of customer service performance data, standardizes the customer service management process and guarantees the quality of customer service.



Case 3: Innovation and Optimization of Operating Processes and Quality Improvement

During the Reporting Period, with the optimization and upgrading of our car rental business, and to better serve customers, improve customers' satisfaction and enhance the professional skills of customer service representatives, the Customer Service Center has formulated a closed-loop management of Quality Inspection Department – Business Operation Department – Training Department in line with the principle of PDCA (Plan-Do-Check-Act Cycle) in management, thereby promoting its overall service level.

If the customer service quality inspection department finds common problems in the sampling recording, it will analyze business reasons and give feedback to the training department to optimize the business process or conduct all-staff training for improving the mastery of business knowledge; problems such as personality or employees' habits will be conveyed to the business operation department which will provide timely tutoring to employees. After the improvement, the quality inspection department will carry out a second follow-up inspection. If it fails again, the training department or the business operation department will make further improvement as well as a third follow-up inspection and so on, to ensure that problems can be solved fundamentally.

- Listening to Customers

  The Customer Service Center of the Company collected customer feedback and complaints through various channels, such as the satisfaction evaluation on the Company's official website, official micro-blog, WeChat, official online customer service and telephone customer service and established a multi-sectoral complaint handling mechanism with cross-sector linkage to effectively respond to customers' demands. In 2019, the Company continuously improved the overall service level of the Customer Service Center and responded to customers' demands in a timely manner, and with a series of process optimization and adjustments, customers' annual service satisfaction reached 98.57% in 2019.

Case 4: Optimization and Upgrading of Customer Satisfaction Evaluation System

In 2019, the Company launched a new version of the satisfaction rating system, which, has a more reasonable rating setting when compared with the old version. If customer's scoring is low and related reasons are needed, the Company will collect problems and improve service quality depending on such customer's situation.

The satisfaction evaluation function of the new version was implemented in June 2019. Under the backdrop of the full implementation of self-served services, the new version of satisfaction includes two evaluation modes: self-served and non-self-served; different evaluation logic has been set for self-served orders, semi-self-served orders and non-self-served orders to better collect users' feedback. Since the launch of the new satisfaction evaluation function, the number of users' evaluations has been increasing, favorable rate of car rental has improved significantly, and customer experience has been optimized.

2. SHARING MAKES LIFE BETTER

As a domestic service provider in car rental industry, the Company has been actively promoting the concept of green travel and a new culture of automobile consumption, and promoted the concept of low-carbon transport, environmental protection and resource sharing to the society. In daily operations, the Company promotes environmentally friendly operations and sustainable development by promoting the concept of low-carbon transport, improving emissions management capabilities and implementing resource-saving measures to spread the concept of green life to the society.

2.1 Low-carbon transport

The Company continued to promote the development of low-carbon transport during the operation. At the operational level, the Company leveraged the advantages of combining its own vehicle resources with the Internet platform to promote the low-carbon innovation and development in the car rental industry. For vehicle purchase, exhaust emissions were controlled through the purchase of environmentally-friendly models and periodic scrapping. At the level of employee awareness, the Company disseminated green low-carbon travel and life concepts to employees.

- **Promote the development of green travel:** The Company set up a lot of additional self-served check-in points in 2019, which has improved the utilization rate of cars to meet residents' diversified demand for vehicles and has indirectly reduced the emissions of automobile exhaust to promote the development of green travel. The proportion of low-emission vehicles and new energy vehicles was increased in the procurement of operating vehicles, and green travel was promoted by spreading the concepts of low-carbon transport, environmental protection and resource sharing to the public.

- **Purchase green vehicles:** As a vehicle rental company, the Company chooses small and medium displacement models in the first place in the car procurement process. In 2019, the Company proactively purchased Beijing Borgward new energy pure electric SUV vehicles (model: Beijing Borgward BXi7 four-wheel drive flagship model) to promote the replacement of traditional energy with clean energy.

- **Strictly control the regular scrapping time:** In the operation process, the Company fully considers environmental protection and safety factors to strictly control the periodic scrapping time of vehicles by regularly eliminating vehicles that have reach certain years of life or kilometres in order to strictly control exhaust emission.

- **Disseminate low-carbon travel concept:** During our normal operation, the Company regularly carries out publicity activities on environmental protection to instill environmental protection concepts to employees, and encourages employees to select public transportation for travel and daily commute to reduce the use of vehicles and exhaust emissions.

Case 5: Adoption of a New Mode of Unmanned Self-serve Service

Since March 2019, the Company has launched a new unmanned self-served mode across the country, achieving significant results as of the end of the Reporting Period. As at the end of the Reporting Period, the nationwide car rental self-served rate reached 88%.

Such new unmanned self-served mode was well-received by customers. Compared with the traditional and complicated service locations pick-up and return procedures, the self-served function greatly shortens the time for users to pick up the car, and queuing at service locations during the peak period has been alleviated. Meanwhile, the unmanned mode reduces labour cost and vehicle scheduling process, thereby lowering exhaust emissions and making outstanding contributions to energy conservation and emissions reduction.

2.2 Emission Management

In continuous compliance with the laws such as the Environmental Protection Law (環境保護法), the Atmospheric Pollution Prevention and Control Law (大氣污染防治法), the Water Pollution Prevention and Control Law (水污染防治法), the Water Law (水法), the Environmental Impact Assessment Law (環境影響評價法) and the Law on the Prevention and Control of Environmental Pollution by Solid Wastes (固體廢物污染環境防治法), and the administrative regulations such as the Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例), the Implementation Rules of the Water Pollution Prevention and Control Law (水污染防治法實施細則), the Regulation on the Management of Ozone Depleting Substances (消耗臭氧層物質管理條例) and the Administrative Regulations on Environmental Protection for Construction Projects (建設項目環境保護管理條例) as well as other rules and regulatory requirements in the regions where we operate, the Company formulated and implemented a series of measures to save energy and reduce emission. During the Reporting Period, the Company had not been subject to any litigation and related penalties arising from any environmental non-compliance of the relevant environmental laws and regulations.

In the course of our operations, the major emissions include greenhouse gas, waste gas, waste water and wastes, of which the greenhouse gas is mainly generated from the emission of three major types of greenhouse gas, i.e. carbon dioxide (CO_2), methane (CH_4) and nitric oxide (N_2O), arising from the burning of petrol by official cars and rental vehicles and burning of diesel by freight vehicles, combustion of liquefied petroleum gas utilized in canteens; and the emission of CO_2 greenhouse gas due to usage of electricity purchased from the external parties. Industrial wastewater is mainly produced in the repairing and cleaning of our own vehicles, while domestic wastewater is mainly produced in daily office work and car rental outlet operations. Waste gas and particulate matters mainly include organic waste gas and overspray painting mist generated in the maintenance and preparing of vehicles at our own vehicle repair shops, while emission of organic waste gas and fog of overspray paint are carried out in accordance with requirements of the place of operation and relevant state regulations. Wastes mainly include waste oil, waste tires and lead car battery scraps etc., which have achieved 100% recycling, and qualified processors are selected to recycle and dispose of the wastes properly. Besides, there are domestic wastes generated by office operations, which are all passed to third parties for proper emission and treatment.

The Company adopted multi-dimensional measures specific to the characteristics of emissions generated internally in its daily operations and continuously enhanced the emission management capabilities of its self-built repair shops and branches and office premises at various cities during the Reporting Period.

- **Greenhouse gas management:** On the basis of basic compliance, various effective measures have been taken to reduce exhaust gas and greenhouse gas emissions with reference to the Vienna Convention for the Protection of the Ozone Layer, the Montreal Protocol, and the Framework Convention on Climate Change. In scope 1 – greenhouse gas direct emissions, the Company reduced direct greenhouse gas emissions by increasing the proportion of low-emission vehicles and new energy vehicles in the procurement of operating vehicles, increasing self-served check-in points to improve the utilization of vehicles and other means. In scope 2 – greenhouse gas indirect emissions, measures such as saving electricity were adopted to reduce emissions. In scope 3 – other indirect emissions, the Company advocated the use of video or teleconference and other methods among the staff in our work-related communications to minimize greenhouse gas emissions from business travels.

- **Waste water management:** Along with the construction of the main works for local repair shops, the sewage treatment facilities with corresponding treatment capacity are constructed based on the estimated sewage discharge of the shops. During the operation of repair shops, the sewage generated is treated in a centralized manner and discharged in accordance with the Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例) and the Water Pollutant Discharge Standards of the Automobile Maintenance Industry (汽車維修業水污染物排放標準) issued by local governments. In addition, special personnel will be arranged to regularly maintain sewage treatment equipment and monitor the sewage discharge to ensure that sewage and wastewater discharge from repair shops is in compliance with national and local standards. The Company also implemented strict management of domestic sewage discharge, such as setting up a sewage treatment tank and a bucket for dumping sewage in the office area, arranging special personnel responsible for unified treatment, and discharging to the urban drainage pipe network in accordance with the national regulations.

- **Waste gas management:** During the construction and operation of repair shops, the Company configured facilities and equipment for maintenance and exhaust gas treatment in accordance with the Conditions for the Opening of the Automobile Maintenance Industry (汽車維修業開業條件), the Administrative Regulations for Motor Vehicle Maintenance (機動車維修管理規定) and other regulations. For example, paint spraying is conducted in stoving or spray room in strict accordance with operating procedures to prevent exhaust gas such as toluene, xylene and non-methane total hydrocarbons from being directly discharged to the atmosphere, while ensuring that exhaust gas is purified via collection facilities and processing facilities and discharged within specified limits.

- **Hazardous waste management:** The Company has formulated treatment specifications for different types of waste in accordance with the PRC Law on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), the Administrative Regulations on Environmental Protection for Construction Projects (建設項目環境保護管理條例) and other regulations as well as the National Hazardous Waste List (國家危險廢物名錄). In response to the calls of local environmental protection bureaus, each repairing factory in the PRC has conducted compliance management and site optimization from perspectives such as regulation of hazardous waste storage and hazardous waste disposal according to requirements. Hazardous waste such as waste engine oil and waste batteries produced by various repair shops were directly placed in specific anti-corrosion and anti-spill containers, and such toxic wastes were then delivered to local units with a hazardous waste business license for treatment to prevent the harm to the ecological environment and the health of nearby residents.

- **Harmless waste management:** For general non-toxic waste, the Company will advocate the reuse of waste to employees, such as reusing printed paper; educate employees to reduce the use of or reuse plastic products such as plastic bags and bottles to reduce the generation of white garbage; require employees to separately dump office wastes and kitchen wastes and arrange a special person to deliver such wastes to waste disposal units or garbage removal units in a centralized manner; deliver non-toxic articles such as discarded car parts and package to recycling agencies to promote the recycling of resources.

Case 6: Guangzhou Anmiao Repair Shop Uses the Solid Waste Management Information Platform

During the Reporting Period, Guangzhou Anmiao Repair Shop actively responded to Guangdong Province's requirements for waste disposal and applied the unified solid waste management information platform in Guangdong Province.

According to the requirements of the platform, the repair shop opens a ledger to record incoming waste engine oil and waste oil filter generated within the plant under IoT (Internet of Things) equipment. After the specified cycle begins, waste engine oil and waste oil filter in the warehouse shall be sold to purchasers designated by local environmental protection bureaus, whose audit and approval of a form submitted in the system are required for the sale.

Case 7: Ji'nan and Guangzhou Anmiao Repair Shops Adopts the Photocatalytic Oxidation Method to Treat Waste Gas

During the Reporting Period, Ji'nan and Guangzhou Anmiao Repair Shops adopted photocatalytic oxidation method for treatment of various types of exhaust gas in the process of vehicle maintenance. The repair shops installed an environmental-friendly photocatalytic cracking system in the workshop. This system uses tailor-made high-energy and high-ozone ultraviolet beams to irradiate waste gas, so that organic or inorganic high-molecule malodorous compound molecular chains which are irradiated by high-energy ultraviolet beams can react with ozone to produce low-molecule compounds such as CO_2, H_2O and some small-molecule harmless substances. This method has good purification efficiency and deodorization effects and avoids secondary pollution while properly treating exhaust gas.

Figure: Waste Gas Treatment Facilities at Guangzhou Anmiao Shop

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

Indicator	Unit	2019
Total greenhouse gas emissions (Scope 1 + Scope 2)	Ton of CO_2e	37,149
Greenhouse gas emissions per million of turnover	Ton of CO_2e/ RMB million	4.83
Scope 1: Greenhouse gas emissions from direct emission sources	Ton of CO_2e	30,303
Scope 2: Greenhouse gas emissions from indirect emission sources	Ton of CO_2e	6,846
Emissions of CO_2	Ton	37,043
Emissions of CH_4	Ton	1.3055
Emissions of N_2O	Ton	0.2609
Domestic sewage emissions	Ton	137,765
Domestic sewage emissions per million of turnover	Ton/RMB million	17.91
Output of domestic waste	Ton	483
Output of domestic waste per million of turnover	Ton/RMB million	0.0628
Output of waste engine oil	Ton	1,402.63
Output of waste engine oil per million of turnover	Ton/RMB million	0.1824
Output of scraped old car batteries	Ton	549.08
Output of scraped old car batteries per million of turnover	Ton/RMB million	0.0714
Output of waste tires	piece	136,723
Output of waste tires per million of turnover	piece/RMB million	17.78

Notes:

1. The calculation of greenhouse gas emissions refers to the "Greenhouse Gas Auditing System Enterprise Auditing and Reporting Standard" issued by World Resources Institute (WRI) and World Business Council For Sustainable Development (WBCSD) and the Fifth Assessment Report issued by Intergovernmental Panel on Climate Change (IPCC).

2. The calculation of domestic sewage emissions refers to GB 50318-2017 "The People's Republic of China National Standard of Urban Drainage Works Planning Specification" issued by Ministry of Housing and Urban-Rural Development of the People's Republic of China.

3. The calculation of output of domestic waste refers to "The First National Survey of Pollution Sources on Urban Waste Source Discharge Coefficients Handbook" issued by the State Council.

4. Major wastes such as waste oil, waste tires and lead car battery scraps achieved 100% recycling.

2.3 Resource Conservation

During the Reporting Period, the Company continued to comply with the laws and regulations such as the Environmental Protection Law (環境保護法) in the regions where we operate, and adhered to the concept of energy conservation and consumption reduction by increasing the utilization of natural resources, continuously strengthening the management on use of resources and taking energy conservation measures in our daily office and operation.

- Paperless operation: During the Reporting Period, the Company processed a total of 6,360,647 e-orders and completed 131,957 online reimbursements, saving about 32,463,020 sheets of paper[1]. Meanwhile, the Company's instructions and inter-department work-related interactions are conducted through emails and the OA (Office Automation) system.

- The Company made its best efforts to save paper in daily office work by giving priority to two-sided printing when printing or photocopying documents, putting collection boxes in the printing area to contain recycled paper and waste paper separately and making good use of recycled paper.

- To set friendly reminders in many places in the office area to remind our employees to save water and electricity and recycle batteries, etc.

- To save electricity, the Company set the air conditioning system to switch off the air conditioner at different times and manually turn on as and when necessary.

- The Company required to shut down water and power supply before public holidays and designate personnel in charge of the supply management to avoid unnecessary resources waste during day-offs.

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

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

Indicator	**Unit**	**2019**
Total water consumption	Ton	162,077
Water consumption per million of turnover	Ton/RMB million	21.07
Total electricity consumption	kWh	11,053,639
Electricity consumption per million of turnover	kWh/RMB million	1,437.27
Total gasoline consumption	Litre	13,806,510
Gasoline consumption per million of turnover	Litre/RMB million	1,795.22
Diesel consumption	Litre	14,387
Diesel consumption per million of turnover	Litre/RMB million	1.87
LPG consumption	kg	20,290
LPG consumption per million of turnover	kg/RMB million	2.64
Natural gas consumption	Cubic metre	5,184
Natural gas consumption per million of turnover	Cubic metre/ RMB million	0.67

3. RESPONSIBILITY CREATES HARMONIOUS SOCIETY

We always adhere to our original aspiration, fulfills our corporate social responsibility and commitments, and creates more value for all stakeholders. We insist on the principle of "People Foremost", and pay attention to the physical and mental health and personal development of employees. We value the concept of win-win cooperation and create a good relationship with our suppliers. We stick to the bottom line of integrity and create a compliant and transparent operating environment. We care about communities and create well-being for society.

3.1 Care for employees

The Company continues to follow its core values of "Efficiency, Pro-activeness, Specialty and Integrity", and promotes equal employment and provides employees with a sound development platform, thus actively promotes the common progress of people and enterprises. On the basis of complying with relevant laws and regulations, we attach importance to humane care and are committed to creating a sound working environment for all employees, ensuring their physical and mental health, and creating harmonious employment relationships.

- Opposition to the occurrence of forced labour and child labour

The Group persistently implements the national and local regulations in relation to employment and abides by the relevant laws and regulations such as the Labour Law (《勞動法》), the Labour Contract Law (《勞動合同法》) and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) when conducting human resource related work, and eliminates the use of child labour or forced-labour workers. The Company has strictly implemented national policies when recruiting, and adopted effective measures to verify the identification of the candidates so as to identify their true age for the purpose of ensuring a minimum employee entry age of 16 years old during the recruitment phase in accordance with law and regulations. During the Reporting Period, the Company had no violations of relevant laws and regulations in relation to employment of child labour and forced labour.

- Protection of employees' interests

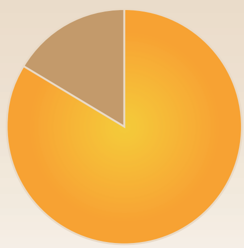
The Company complies with the laws and regulations such as the Labour Law of the place of operation, and the relevant provisions of the place of operation on salary and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, and anti-discrimination, and effectively protects the employees' interests. We adhere to the policy of diversified employment mode, cultural background and personnel composition to ensure that the employees will not be subject to discrimination during employment due to factors such as race, age and gender.

The Company improves the employee promotion channels, demonstrates the progress and growth of employees and builds a positive corporate culture. The Company has formulated the Promotion Management Measures (《晉升管理辦法》) to clarify the diversified employee promotion channels and regulate the standards and procedures for employee promotion, truly providing platform and path for employee development and promotion. The Company endeavors to establish a fair, equitable and open promotion system, allowing capable employees to realize personal values to the best of their ability.

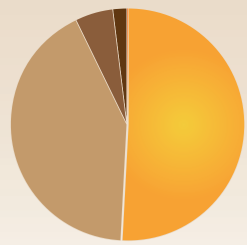
The Company emphasizes employee communication, listens to employees' demands and gives responses. The Company is committed to establishing a good communication channel, for which we have specially opened a complaint mailbox to accept internal suggestions and complaints, and to deal with related suggestions or complaints in a timely manner while ensuring not to disclose the sender's personal information.

As of the end of the Reporting Period, the Company had a total of 5,914 employees with the following specific distributions:

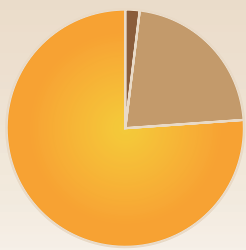
Employee composition by gender



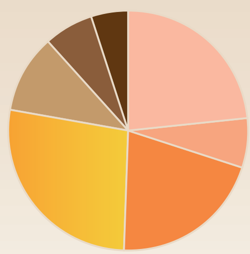
Employee composition by age



Employee composition by role composition



Employee composition by region



- Comprehensive Training System

The Company advocates the employment philosophy of "People Foremost and Growth with Employees", establishes a professional institute for development of internal talents -"Shenzhou Institute", and constantly optimizes the existing talent training system to create a personalized development and promotion platform for employees. During the Reporting Period, the Company provided a total of 451 trainings to employees, covering 26,958 person-time employees with an average of 25.89 training hours for each employee.

During the Reporting Period, the Company has carried out various training measures to enable the development of employees as follows:

- **Conducting training for general force building:** During the Reporting Period, we have carried out the new employee recruitment project through universities (management trainee project), the new employee recruitment and training project through society and the outdoor training project.

- **Conducting training on construction of professional competence:** During the Reporting Period, Shenzhou Institute has defined the direction of professional competence development, and promoted the professional development of empowered employees by introducing the training points management rules and carrying out various courses on the development of professional competence.

  - ✓ Training points management: During the Reporting Period, in order to encourage various departments to actively implement the development of professional competence of personnel and ensure the effectiveness and standardization of the development of professional competence, Shenzhou Institute issued the "Departments Training Points Management Rules" in April 2019, and included the result of this point in the annual work assessment of managers.

  - ✓ Construction of professional capacity: We carry out special training on professional capacity and operational training on practical business for key positions in car rental operations, customer service and self-built maintenance plants, providing a powerful ability input for the subsequent promotion of talents.

- **Carrying out training on leadership building:** During the Reporting Period, Shenzhou Institute has actively carried out training courses on leadership building, including Ruishi Supervisor Class Training, Store Manager Training Classes in Car Rental Area, Backbone Management Training in Customer Service Center and Leadership of All Managers, to fully help managers build new workplace leadership.

- **Improving the online learning platform:** During the Reporting Period, the Company has vigorously promoted the information management of training projects to further improve the accuracy and effectiveness of department talent training. The construction of the new online learning platform was started in August 2019. After three months of active preparation, the platform layout design, knowledge base construction, various function tests and the matching work of much information were completed, forming a more comprehensive and convenient online learning platform.

Case 8: Car rental business operation support training

During the Reporting Period, Shenzhou Institute has organized a car rental operation support training. The overall design was divided into three groups: course learning, case sharing and topic reply.

The learning group mainly included four courses: "Business Pain Point Analysis and Resolution Work Method", Operational Business Planning and Data Index Analysis, Operational Product/System Optimization, and Company Headquarters Strategic Analysis Courses. Through the learning group, the operational support personnel can quickly understand the Company's business knowledge and the analysis of operational skills improvement and development prospect. The case sharing group allowed trainees to share experience and learn from each other through actual case demonstrations. The topic reply group discussed the fixed topics on regional management, emphasizing trainees' participation and playing a role of team integration and brainstorming.

The operation support training covered 56 operation support personnel across the country, and improved the comprehensive business operation capabilities of the operation support personnel.

Picture: Car Rental Business Operation Support Training Site

Case 9: Regional store manager training course of the Company

In June 2019, Shenzhou Institute organized three training courses on leadership building for regional store managers in the Company. The overall design of the regional store manager training in the Company was divided into three groups: course learning, exchange and sharing and case battle. Through the learning group, the regional store managers can improve their management skills, realize the transition from "executives" to "managers", and clearly define their positioning under the new model and strategy. The exchange and sharing group invited the Company's business leaders to come in person and share experiences with regional store managers face to face. At the same time, through the case battle group, trainees were more involved in actual scenarios and learned practical experience. The three trainings covered a total of 140 regional store managers across the country, enabling the store managers to optimize and improve their leadership.

Picture: Regional Store Manager Training Course of the Company

- Physical and Mental Health of Employees

  The Company has been in compliance with laws and regulations such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Law on Labour Safety and Health, has been conscientiously implementing the Special Rules on the Labour Protection of Female Employees (《女職工勞工保護特別規定》) and has systems including the Safety Management System of the Company (《公司安全管理制度》) and Management System of Occupational Hygiene of the Company (《公司職業衛生有關管理制度》) to build a safe working and operating environment, care for the physical and mental health of employees and improve the happiness of employees, as well as to protect employees from occupational hazards through provision of a safe working environment for them. During the Reporting Period, there were no death incidents arising from work-related injuries of the Company's employees.

- **Employee body check:** New employees are required to conduct body check according to the Company's requirements before induction. After induction, the Company reimburses them for the body check expenses and organizes regular body check for them.

- **Health protection for female employees:** The Company actively cooperates in the implementation of the Regulation of the Protection on Women's Interests (《婦女權益保障條例》). The employees have the freedom of marriage and maternity. The female employees' breast-feeding leave will not affect their promotion, salary adjustment and the continuous calculation of their working years.

- **Alleviate the employees' pressure arising from healthcare expenditure:** During the Reporting Period, the Company continued to increase its efforts in supporting the employees living in difficulty. Besides the employees living in difficulty, the aiding scope was extended to the retired employees and the close family members of the employees and the aid of employees was significantly increased in respect of certain aspects such as the reimbursement for out-of-pocket expenses on serious illness. Moreover, the Company assisted the employees suffering serious illness in applying for the reimbursement for serious illness from the trade union, thus alleviating their pressure arising from out-of-pocket treatment expenses.

- **Improve the physical fitness of employees:** The Company has established a "the Company Running Group" and organized outdoor activities such as running from time to time to create a positive corporate culture. During the Reporting Period, the number of employees participating in the running group continuously increased, and employees' enthusiasm for participating in outdoor activities and actively improving their physical fitness became increasingly high.

- **Mental health protection for employees:** The Company has engaged psychological consultant to set up a service team and regularly visit the Company to provide psychological counseling services to its employees to protect the mental health of employees.

- **Occupational safety:** The Company provides labour safety supplies for the employees, such as safety gloves, based on the necessity of their work; and formulated a series of safety systems and rules and procedures for safe operation in respect of the on-site operational work at our garage, such as "Procedures for safe operation of lift", "Procedures for operation of dynamic balancing machines" and "Procedures for safe operation of tyre removing machines", to regulate safe operation in the course of repairs and prevent occupational injuries of the employees.

- ➢ **Caring for employees' families:** The Company pays attention to the family education of employees, and specially invites education experts to deliver family education lectures, through which the employees have learned a lot, providing feasible suggestions for employees' family education and improving the happiness index of employees' families.

Case 10: the Company's Union organized employees to participate in the first-aid training

In August 2019, the Konggang Hospital in Dongli Free Trade Zone, Tianjin, where the Tianjin headquarters of the Company is located, took the "8.18 Free Examination Day" as a branded public welfare event to serve the community and benefit the people. The event invited medical staff with rich clinical experience to visit grass-roots unions enterprises to provide employees with first-aid (such as cardiopulmonary resuscitation) training.

The the Company's grass-roots unions organized employees to sign up for diagnosis according to their own needs, reminded employees to take care of their health and master common sense of first aid in addition to working.

- Colorful employee activities

  With aims to help employees maintain work-life balance and improve their happiness and team cohesion, the Company conducted several colorful employee activities. By organizing employee's game, birthday parties, fellowship activities, festivals, etc., communication between employees has been enhanced and a good working atmosphere has been cultivated.

Picture: Women's Game at the Company's Tianjin Headquarters

Picture: Youth Fellowship Party at the Company's Tianjin Headquarters

3.2 Win-Win Partnerships

The Company has set up a well-established supplier management system, and maintains a sound regular communication mechanism with suppliers, and strives to achieve win-win results for several parties while creating value for its own operations.

In the purchasing management, purchases are divided into two major purchase segments: "vehicle purchase" and "parts and other materials purchase" based on the type and characteristics of purchased goods. As at the end of the Reporting Period, the number of vehicle suppliers was 46 and the number of parts and other materials suppliers was 238.

Vehicle Purchase Management

- The Company takes standardized control in the process of vehicle purchase. Any purchase process with suppliers shall be strictly implemented in accordance with the "For Supplier Management (《供應商管理部分》)" in the Vehicle Purchase Management Manual (《車輛採購管理手冊》). Only approved suppliers will be included in the list of qualified suppliers.

- Supplier certification is categorized as three types: standard certification, exempt certification and simple certification. For suppliers will be applicable to standard certification and simple certification, the Company will make monthly scoring and assessment based on hundred-mark system. Supplier ratings are divided into four grades: excellent, good, qualified, and unqualified. Upon the monthly assessment, the Company will notify the results to the suppliers and negotiate with them for follow-up solutions and improvement plans. For those who have failed to meet the conditions of qualified suppliers, the Company should cancel their qualification upon approval; for others, they are required to provide improvement measures and make rectification within a prescribed period.

- The Company will take into consideration of the assessment on the suppliers' environmental and social risks in assessing their overall strength. The Company will conclude the cooperation with the suppliers only after confirming their overall strength, vehicle sales capabilities, financial conditions, cooperative intention, relationship with host manufacturers and emergency vehicle source solutions.

Parts and Other Materials Purchase

- In 2019, the Company formulated and improved the Handbook for Parts Purchase and Supplier Management Processes (《配件採購及供應商管理流程手冊》), elaborating several aspects such as supplier management, selection and evaluation, bidding, access standards and on-the-spot investigation into suppliers and clarifying the dimensions and rules for supplier examination and evaluation, the specific procedures for evaluation and management methods for supplier rectification and elimination based on the evaluation results, and issued several documents such as the General Procurement Process (《通用採購流程》), Suppliers Access Standards and Suppliers Inspections (《供應商准入標準及供應商考察》), Management of Suppliers (《供應商的管理》), which have elaborated the management of the suppliers, and uploaded the documents to the the Company Network College for its relevant staff's learning and reference.

- The Purchasing Department conducts regular inspections and visits to suppliers and our maintenance shops, collects relevant issues from suppliers, communicates with the suppliers in respect of inventory, cooperation issues and prices, and summarizes and issues relevant reports to the suppliers for purpose of subsequent supplier management and evaluation.

- Purchasing Department conducts evaluation on suppliers in respect of six aspects: price, quality, delivery, after-sale, complaints and others; conducts surveys and evaluations through maintenance shops questionnaires, systematic procurement data and on-site inspections (maintenance shops and suppliers).

3.3 CORRUPTION-FREE OPERATION

The Company continued to comply with the bribery, blackmailing, fraud and corruption provisions under regulations and laws including the Criminal Law (《刑法》), the Anti-Unfair Competition Law (《反不正當競爭法》) and the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) in the places where we operate and consistently adhered to our established anti-corruption policy. In respect of potential fraud and corruption in our operations, the Company has regularly revised relevant business processes and management systems, and further monitored internally the procurement behavior of purchasing staff as to whether they have been observing the procurement policies of the Company and following the relevant national and regional laws and regulations through upgrading the management system and improving the internal control mechanism. As for external suppliers, the Company has set up anti-commercial bribery provisions and independent complaint channels in the procurement contracts to restrain purchasing staff and suppliers from the relevant violations that may occur during the procurement process. Through such policies and systems, the Company has eliminated corruption, embezzlement and bribery from the internal and external levels, respectively. Meanwhile, the induction trainings provided to our new employees include the interpretation of and emphasis on "integrity", one of corporate core values, in order to strengthen the self-regulation awareness of our employees on anti-corruption at the corporate culture level. During the Reporting Period, there were no litigations and corresponding penalties against us arising from acts such as corruption, fraud, bribery and money laundering.

During the Reporting Period, the Company implemented the following anti-corruption measures:

- **Specifying internal polices and systems:** The Company has the relevant anti-corruption and anti-fraud policies in place. Our Staff Handbook (《員工手冊》) explicitly stipulates in the form of "high-voltage power lines (高壓線)" that employees shall conduct in a corruption-free manner and may not use their powers and positions to seek improper interests during their term of office, and sets out explanations on specific circumstances of non-compliance with rules and systems.

- **Revising systems and provisions regularly:** The Company regularly revises procurement, supplier and contract management systems and has extended its monitoring scope to the entire process from the initiation of procurement requirements to contract signing, execution and conclusion through the contract management system and has regularly checked the implementation of the procurement process through internal control measures and provided feedbacks to the management to further urge the procurement behavior to follow the Company's procurement policy.

- **Procurement provisions and behavior bidding:** In order to ensure the independence and transparency of suppliers and to prevent potential bribery and corruption between suppliers and procurement department, the Company has set up anti-commercial bribery provisions in externally-signed procurement contracts to legally regulate and supervise suppliers' behaviors; For key and large amount purchases, the Company has clearly stipulated that the bid processes shall be organized for such purchases, and purchase prices shall be scientifically and reasonably determined so as to reduce the risk of fraud and corruption.

- **Carrying out anti-corruption trainings:** When new employees are enrolled, the human resources department provides the Staff Handbook (《員工手冊》) to them and make explanations accordingly with emphasis on anti-corruption policy therein, in order to strengthen employees' self-regulation awareness from their induction; in respect of new employees in business positions such as procurement with high risk of corruption, the business department carries out sharing and learning of procurement process management, supplier management and other relevant systems, which plays a role of internal training on corruption-free conduct; special courses named "Anti-fraud Training" are available on the Company's online learning platform for all employees to learn.

Case 11: Special courses named "Anti-fraud Training" launched on learning platform

In the second half of 2019, in order to strengthen the awareness of employees at each level on preventing fraud and further improve the cultural atmosphere of integrity, the Company launched special courses named "Anti-fraud Training" on its internal learning platform, which cover, among other things, basic introduction of fraud, consequences of fraud, relevant laws and regulations and the Company's internal systems on anti-fraud. Meanwhile, notices will be sent by email to all employees to remind them to learn timely. For new employees, upon formal employment, they also can find such special courses to learn directly after logging on the online learning platform.

The special courses named "Anti-fraud Training" cover the Company's employees at each level and popularize relevant anti-fraud knowledge, which promote the preventing of corruption and the construction of corruption-free operation environment as a whole.

3.4 DEVOTION TO PUBLIC WELFARE

As an enterprise citizen, the Company remains true to the original aspiration while seeking business development and has actively fulfilled its social responsibilities and leveraged on its resource strength to devote itself into public welfare. Since its establishment in 2007, the Company has focused on social contributions such as poverty alleviation, rescues in disaster-hit areas and helping the disabled, bringing positive effect to the society and promoting the positive development of places where we operate.

Case 12: the Company donated materials to students in poverty-stricken areas

Due to bad weather and even perpetual snow in some areas, the conditions for planting of fruit trees in Ninglang Yi Autonomous County are very bad. Local fruit is generally transported to external areas, resulting in high final selling prices and unaffordability of families in poverty-stricken mountain areas. In daily life, it is very hard for local children to eat fruit and many students suffer from retardation and even gastrointestinal diseases due to lack of vitamin, which has brought about enormous hidden danger for their normal development and healthy growth.

In June 2019, the Company together with the Northwest Yunnan Support Education Team overcome difficulties and sent 5,000 kilograms of fruit in an amount of over RMB40,000 to approximately 4,000 teachers and students of 21 middle and primary schools in Ninglang Yi Autonomous County. Such activity was highly recognized by the Northwest Yunnan Support Education Team which stated that the long-term support of the Company had promoted the successful support education journey and would ultimately have a profound and positive effect on the balanced development of education in mountain areas.

Picture: Donation of materials by the Northwest Yunnan Support Education Team

Case 13: The Company organized its staff to make volunteer blood donation

In July 2019, Shanghai the Company organized its staff to make volunteer blood donation at Hopson Fortune Plaza. On the mobile blood collecting vehicle, our staff waited in line for filling forms and registration, blood pressure measurement, blood test and blood donation. This is the twelve consecutive year for the Company to organize volunteer blood donation activity since its inception.

On the condition of its operation is ensured, the Company always keeps fulfilling social responsibilities in mind and motivates its staff to actively take part in public welfare to help those in need and make their contributions to the society.

Picture: The Company organized its staff to make volunteer blood donation

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

OPINION

We have audited the consolidated financial statements of CAR Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 257, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Lease classification for car rental arrangement	
The Group's principal business is the provision of car rental services through arrangements with customers in the form of leases. The Group uses a lease management system to determine the classification and ongoing accounting of its leases. The Group applies judgement at the initial inception of the leases to determine whether they should be classified as either operating leases or finance leases in accordance with IFRS 16 "Leases", depending on the lease terms. Classification of a finance lease also requires determining the appropriate discount rate implicit in the lease to discount the minimum lease payments, which in turn also affects the allocation of the rental income over the period of the lease. Related disclosures are included in Note 5 "Revenue", Note 6 "Other income and expense, net" and Note 15 "Finance lease receivables", respectively, to the financial statements.	Our procedures included obtaining an understanding of management's controls and testing them on the recognition and classification of leases by the lease management system. For finance leases entered into during the year, we assessed the appropriateness of the discount rates by comparing them with historical data and industry benchmarks. We also reviewed and tested other aspects of the lease accounting on a sample basis, such as the formula used in the accounting models, the calculation of the minimum lease payments, and the calculation of the rental income. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Accounting for investment in equity shares	
At 31 December 2019, the Group held 6.27% of ordinary shares of UCAR Inc., operating in the online businesses for the trade-in of used cars and chauffeured car services. The investment was classified as a financial asset at fair value through profit or loss and recorded as "Investment in equity shares" on the statement of financial position. The investment in ordinary shares was carried at fair value determined at each reporting period end date in accordance with IFRS 9 "Financial Instruments: Classification and Measurement". The investment in ordinary shares was stated at RMB2,800.64 million at 31 December 2019 and the Group recognised a net loss on fair value of RMB9.0 million, which was recorded as "Other income and expenses, net" in the statement of profit or loss. The investment was classified as Level 3 in the fair value hierarchy. The determination of the fair values involved the use of significant assumptions and estimations including the use of observable and unobservable inputs to the valuation model. Related disclosures are included in Note 3 "Significant accounting judgements and estimations", Note 6 "Other income and expenses, net" and Note 22 "Investment in equity shares" to the financial statements.	Our procedures included checking if the registration forms and relevant documents agreed and ensuring that the investment in equity shares was properly classified in accordance with IFRS 9. We also evaluated the methodology adopted by the Group to determine the fair value of the equity share investment at 31 December 2019 and tested the key assumptions and estimations used in the valuation by testing the observable data to third party derived data sources and corroborating the reasonableness of unobservable inputs by comparing to available data sources. We employed EY internal valuation specialists to assist us with our audit of the valuation. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Residual values of rental vehicles acquired outside of repurchase programs	
The book amount of rental vehicles acquired outside of repurchase programs at 31 December 2019 was RMB8,147.91 million. As such rental vehicles constitute a significant portion of the Group's assets and its business requires the Group to constantly replenish its fleet, the Group faces significant risks related to the estimated residual values of these rental vehicles acquired outside of repurchase programs. The Group estimates the residual values as at the expected time of disposal and the vehicles are depreciated over the estimated holding period on a straight-line basis, taking into account the residual values. The Group periodically reviews and makes adjustments, if necessary, to the depreciation rates of rental vehicles acquired outside of repurchase programs in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. Significant estimation and judgement is required in determining the residual values of the Group's rental vehicles acquired outside of repurchase programs.	We evaluated the design of controls and tested their operating effectiveness over the periodical review of the residual values of the rental vehicles acquired outside of repurchase programs. In addition, we assessed the key factors (primarily the available market information) applied by the Group to determine the estimated residual values, for a sample of disposals during the year, we evaluated the reasonableness of the estimated residual values by comparing them to the disposal proceeds.
Related disclosures are included in Note 3 "Significant accounting judgements and estimates" to the financial statements.	

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai, Ricky.

Ernst & Young
Certified Public Accountants
Hong Kong
17 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Rental revenue	5	**5,558,702**	5,340,132
Sales of used vehicles	5	**2,131,958**	1,103,566
Total revenue		**7,690,660**	6,443,698
Depreciation of rental vehicles	8	**(1,835,717)**	(1,494,832)
Direct operating expenses of rental services		**(1,829,445)**	(1,718,188)
Cost of sales of used vehicles	8	**(2,188,531)**	(1,146,913)
Gross profit		**1,836,967**	2,083,765
Other income and expenses, net	6	**47,914**	(169,965)
Selling and distribution expenses		**(27,755)**	(78,258)
Administrative expenses		**(607,429)**	(468,228)
Finance costs	7	**(983,940)**	(782,185)
Share of profit of associates	21	**6,286**	9,426
Profit before tax	8	**272,043**	594,555
Income tax expense	10	**(241,267)**	(304,710)
Profit for the year		**30,776**	289,845
Attributable to:			
Owners of the parent		**30,776**	289,845
Earnings per share attributable to ordinary equity holders of the parent	12		
Basic		**RMB0.015**	RMB0.135
Diluted		**RMB0.014**	RMB0.134

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 *RMB'000*	2018 *RMB'000*
Profit for the year	**30,776**	289,845
Other comprehensive income for the year, net of tax	—	—
Total comprehensive income for the year	**30,776**	289,845
Attributable to:		
Owners of the parent	**30,776**	289,845

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**31 December 2019 RMB'000**	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Rental vehicles	13	**10,792,336**	10,788,372
Other property, plant and equipment	14	**659,383**	573,644
Finance lease receivables – non-current	15	**855,952**	1,097,470
Prepayments	16	**—**	3,664
Right-of-use assets	18(b)	**561,175**	—
Prepaid land lease payments	18(a)	**—**	57,177
Goodwill	19	**6,728**	6,728
Other intangible assets	20	**154,530**	148,828
Investments in associates	21	**117,048**	41,911
Investment in equity shares	22	**2,800,641**	2,809,641
Rental deposits		**—**	145
Deposits for sale-leaseback borrowings		**54,250**	30,000
Restricted cash – non-current	26	**1,275**	1,275
Deferred tax assets	33	**240,595**	232,195
Other non-current assets		**9,813**	9,813
Total non-current assets		**16,253,726**	15,800,863
CURRENT ASSETS			
Inventories	23	**227,634**	190,648
Trade receivables	24	**96,810**	96,380
Due from a related party	39	**443,861**	360,129
Prepayments, other receivables and other assets	25	**1,343,958**	1,547,679
Finance lease receivables – current	15	**341,319**	250,299
Other current financial assets	17	**—**	522,510
Derivative financial instruments – current	32	**42,693**	—
Restricted cash – current	26	**522,510**	250,000
Cash and cash equivalents	26	**5,360,520**	3,186,401
Total current assets		**8,379,305**	6,404,046

	Notes	**31 December 2019 RMB'000**	31 December 2018 RMB'000
CURRENT LIABILITIES			
Trade payables	27	**86,753**	112,259
Other payables and accruals	28	**964,641**	869,708
Advances from customers		**241,943**	250,148
Interest-bearing bank and other borrowings – current	29	**3,554,423**	4,699,665
Senior notes – current	30	**2,284,546**	—
Due to a related party	39	**101,831**	305
Income tax payable		**55,475**	119,685
Total current liabilities		**7,289,612**	6,051,770
NET CURRENT ASSETS		**1,089,693**	352,276
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,343,419**	16,153,139

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Senior notes – non-current	30	**5,427,090**	6,176,503
Corporate bonds	31	**1,024,221**	1,020,834
Derivative financial instruments – non-current	32	—	13,895
Interest-bearing bank and other borrowings – non-current	29	**2,589,269**	754,846
Deposits received for rental vehicles		**604**	753
Deferred tax liabilities	33	**209,555**	213,280
Total non-current liabilities		**9,250,739**	8,180,111
Net assets		**8,092,680**	7,973,028
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**131**	131
Treasury shares	34	—	—
Reserves	36	**4,554,351**	4,414,050
Retained earnings		**3,538,198**	3,558,847
Total equity		**8,092,680**	7,973,028

Yifan SONG
Director

Sam Hanhui SUN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent							
	Share capital RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at 1 January 2018	134	2,382,719	246,025	1,886,096	168,566	(147,481)	3,336,574	7,872,633
Profit for the year	—	—	—	—	—	—	289,845	289,845
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	—	289,845	289,845
Appropriation of statutory reserve	—	—	67,572	—	—	—	(67,572)	—
Repurchase of shares	—	—	—	—	—	(198,440)	—	(198,440)
Cancellation of shares	(4)	—	—	(345,917)	—	345,921	—	—
Exercise of share options (note 35)	1	—	—	31,890	(24,556)	—	—	7,335
Equity-settled share option arrangements (note 35)	—	—	—	—	1,655	—	—	1,655
As at 31 December 2018	131	2,382,719	313,597	1,572,069	145,665	—	3,558,847	7,973,028
As at 1 January 2019	**131**	**2,382,719**	**313,597**	**1,572,069**	**145,665**	—	**3,558,847**	**7,973,028**
Profit for the year	—	—	—	—	—	—	**30,776**	**30,776**
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	—	**30,776**	**30,776**
Appropriation of statutory reserve	—	—	**51,425**	—	—	—	**(51,425)**	—
Repurchase of shares	—	—	—	—	—	—	—	—
Cancellation of shares	—	—	—	—	—	—	—	—
Exercise of share options (note 35)	—	—	—	**5,246**	**(3,976)**	—	—	**1,270**
Equity-settled share option arrangements (note 35)	—	—	—	—	**87,606**	—	—	**87,606**
As at 31 December 2019	**131**	**2,382,719**	**365,022**	**1,577,315**	**229,295**	—	**3,538,198**	**8,092,680**

* These reserve accounts comprise the consolidated reserves of RMB4,554,351,000 (2018: RMB4,414,050,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**272,043**	594,555
Adjustments for:			
Finance costs	7	**983,940**	782,185
Share of profit of associates	21	**(6,286)**	(9,426)
Interest income	6	**(81,449)**	(89,888)
Loss on disposal of items of other property, plant and equipment	8	**275**	1,249
Fair value loss/(gain) on investment in equity shares	6	**9,000**	(2,397)
Fair value changes on derivative instrument transactions not qualifying as hedges	6	**(56,588)**	26,750
Depreciation of rental vehicles	13,18	**1,835,717**	1,494,832
Depreciation of right-of-use assets/ amortisation of prepaid land lease payments	18	**158,840**	1,614
Depreciation of other property, plant and equipment	14	**64,728**	69,770
Amortisation of other intangible assets	20	**3,118**	5,698
Impairment of trade receivables	24	**4,231**	5,146
Exchange loss	6	**158,245**	374,137
Equity-settled share option expenses	35	**87,606**	1,655
		3,433,420	3,255,880
Increase in rental vehicles		**(1,839,681)**	(2,744,376)
Increase in trade receivables		**(4,661)**	(10,352)
(Increase)/decrease in amounts due from a related party		**(83,732)**	398,823
Increase in inventories		**(36,986)**	(30,734)
Decrease/(increase) in prepayments, other receivables and other assets		**226,049**	(222,632)
Decrease/(increase) in finance lease receivables		**150,498**	(1,146,715)
(Decrease)/increase in trade payables		**(25,506)**	30,270
Increase/(decrease) in amounts due to a related party		**101,526**	(4,659)
Decrease in advances from customers		**(8,205)**	(134,971)
Increase in other payables and accruals		**93,315**	103,978
Tax paid		**(330,011)**	(287,700)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**1,676,026**	(793,188)

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of other property, plant and equipment		**(150,980)**	(173,833)
Proceeds from disposal of items of other property, plant and equipment		**226**	1,296
Purchases of other intangible assets		**(8,820)**	(7,624)
Decrease/(increase) in other current financial assets		**522,510**	(522,510)
Settlement of derivative financial instruments	41	**–**	(199,881)
Increase in investments in associates		**(68,851)**	–
Interest received		**76,672**	56,840
NET CASH FLOWS GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**370,757**	(845,712)
CASH FLOWS FROM FINANCING ACTIVITIES			
Addition of deposits for borrowings		**(24,250)**	(30,000)
Increase in restricted cash		**(272,510)**	(189,105)
Proceeds from bank and other borrowings		**5,155,654**	2,969,754
Repayments of bank and other borrowings		**(5,045,948)**	(3,371,297)
Proceeds from issuance of corporate bonds	31	**–**	722,268
Proceeds from issuance of senior notes	30	**1,338,656**	731,465
Compensation of senior notes exchange offer		**(17,918)**	–
Proceeds from exercise of share options		**1,270**	7,335
Principal portion of lease payments		**(194,526)**	–
Repurchase of shares		**–**	(198,440)
Interest paid		**(813,442)**	(646,444)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**126,986**	(4,464)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,173,769**	(1,643,364)
Cash and cash equivalents at beginning of year		**3,186,401**	4,813,311
Effect of foreign exchange rate changes, net		**350**	16,454
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,360,520**	3,186,401

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**3,485,538**	2,506,401
Non-pledged time deposits with original maturity of less than three months when acquired	26	**1,874,982**	680,000
Cash and cash equivalents as stated in the statement of financial position		**5,360,520**	3,186,401
Cash and cash equivalents as stated in the statement of cash flows		**5,360,520**	3,186,401

1. CORPORATE AND GROUP INFORMATION

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

Information about subsidiaries and the controlled structured entity

Particulars of the Company's subsidiaries and the controlled structured entity are as follows:

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
北京神州汽車租賃有限公司 Beijing China Auto Rental Co., Ltd. ("CAR Beijing")	PRC/ Mainland China/ limited liability company	RMB 378.8 million	—	100	Car rental
重慶神州汽車租賃有限公司 Chongqing China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.3 million	—	100	Car rental
上海神州華東汽車租賃有限公司 Shanghai Shenzhou Huadong Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 9 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
北京凱普停車管理有限公司 Beijing Kaipu Parking Management Co., Ltd. ("Beijing Kaipu")	PRC/ Mainland China/ limited liability company	RMB 5 million	—	100	Vehicle parking management
無錫神州汽車租賃有限公司 Wuxi China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 2.01 million	—	100	Car rental
廣州神州汽車租賃有限公司 Guangzhou China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 1 million	—	100	Car rental
北京北辰汽車租賃有限公司 Beijing Beichen Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 35 million	—	100	Car rental
貴陽敬呂商貿有限公司 Guiyang Jinglv Trade Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 30,000	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
北京達世行華威勞務服務有限公司 Beijing Dashihang Warwick Labour Services Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 5 million	—	100	Car rental
China Auto Rental Limited (formerly known as Legend Capital Management (Hong Kong) Limited and LC Industrial Investment Limited)	Hong Kong/ company limited by shares	US$ 11.2 million	—	100	Investment holding
聯慧汽車(廊坊)有限公司 Lianhui Auto (Langfang) Co., Ltd. (formerly known as United Auto (Langfang) Co., Ltd.) ("Lianhui")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 5 million	—	100	Processing and manufacture of auto parts
上海泰暢汽車駕駛服務有限公司 Shanghai Taichang Auto Driving Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.2 million	—	100	Chauffeured services

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
北京卡爾汽車租賃有限公司 Beijing Carl Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Car rental
Main Star Global Limited	British Virgin Islands/limited liability company	US$2	—	100	Investment holding
Haike Leasing (China) Limited	Hong Kong/ company limited by shares	HK$1	—	100	Investment holding
海科融資租賃(北京)有限公司 Haike Leasing (Beijing) Limited	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 199 million	—	100	Car rental
海科融資租賃(福建)有限公司 Haike Leasing (Fujian) Limited	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 49 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
浩科融資租賃(上海)有限公司 Haoke Leasing (Shanghai) Limited	PRC/ Mainland China/ wholly foreign-owned enterprise	RMB 1,760 million	—	100	Car rental
神州准新車(中國)有限公司 Shenzhou Used Car (China) Limited ("Zhunxinche")	Hong Kong/ company limited by shares	HK$1	—	100	Investment holding
廣州神洲汽車租賃有限公司 Guangzhou Shenzhou Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 1 million	—	100	Car rental
廣州市安淼汽車維修有限公司 Guangzhou Anmiao Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
杭州國嘉名流汽車維修有限公司 Hangzhou Guojia Mingliu Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.3 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
廈門市駿洲汽車維修服務有限公司 Xiamen Junzhou Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 1 million	—	100	Auto repair service
南京兆和汽車服務有限公司 Nanjing Zhaohe Auto Service Co., Ltd. ("Nanjing ZH")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
深圳市富港汽車維修服務有限公司 Shenzhen Fugang Auto Repair Service Co., Ltd. ("Shenzhen Fugang")	PRC/ Mainland China/ limited liability company	RMB 0.58 million	—	100	Auto repair service
長沙神州汽車維修有限責任公司 Changsha China Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
濟南申源汽車維修有限公司 Jinan Shenyuan Auto Repair Co., Ltd. ("Jinan Shenyuan")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
武漢凱普汽車服務有限公司 Wuhan Kaipu Auto Service Co., Ltd. ("Wuhan Kaipu")	PRC/ Mainland China/ limited liability company	RMB 0.3 million	—	100	Auto repair service
Premium Auto Rental (China) Limited ("Premium")	Hong Kong/ company limited by shares	US$ 35.83 million	—	100	Investment holding
Rent A Car Holdings (HK) Limited ("Rent A Car")	Hong Kong/ company limited by shares	HK$ 148.64 million	—	100	Investment holding
赫茲汽車租賃(上海)有限公司 Hertz Rent A Car (Shanghai) Co., Ltd. ("RAC SH")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 31.14 million	—	100	Car rental
佑安汽車租賃(北京)有限公司 You An Auto Rental (Beijing) Co., Ltd. (formerly known as Hertz Rent A Car (Beijing) Co., Ltd.) ("RAC BJ")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 22 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
廣州卓越汽車租賃有限公司 Guangzhou Zhuoyue Auto Rental Co., Ltd. (formerly known as Hertz Rent A Car (Guangzhou) Co., Ltd.) ("RAC GZ")	PRC/ Mainland China/ wholly foreign-owned enterprise	RMB 19 million	—	100	Car rental
上海必茲國際租車諮詢有限責任公司 Shanghai Bizi International Car Rental Consulting Co., Ltd. ("Shanghai Hertz")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 0.14 million	—	100	Consultation service
海口神州暢行商旅服務有限公司 Haikou Shenzhou Changxing Travel Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Consultation service
成都雙新汽車維修有限公司 Chengdu Shuangxin Auto Repair Co., Ltd. ("Chengdu SX")	PRC/ Mainland China/ limited liability company	RMB 0.1 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
鄭州眾德立汽車維修服務有限公司 Zhengzhou Zhongdeli Auto Repair Service Co., Ltd. ("Zhengzhou ZD")	PRC/ Mainland China/ limited liability company	RMB 1 million	—	100	Auto repair service
三亞凱普汽車維修有限公司 Sanya Kaipu Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
重慶凱州汽車維修服務有限公司 Chongqing Kaizhou Auto Repair Service Co., Ltd. ("CQ Kaizhou")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
上海凱普汽車維修服務有限公司 Shanghai Kaipu Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
北京華威汽車修理有限責任公司 Beijing Huawei Auto Repair Co., Ltd. ("Beijing HW")	PRC/ Mainland China/ limited liability company	RMB 1 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
神州租車(天津)有限公司 China Auto Rental (Tianjin) Co., Ltd.	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 100 million	—	100	Car rental
北京神州暢達汽車服務有限公司 Beijing Shenzhou Changda Auto Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 3 million	—	100	Auto repair service
昆明萬眾汽車維修服務有限公司 Kunming Wanzhong Auto Repair Service Co., Ltd. ("Kunming WZ")	PRC/ Mainland China/ limited liability company	RMB 0.3 million	—	100	Auto repair service
天津神州汽車租賃有限公司 Tianjin China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 50 million	—	100	Car rental
天津優品汽車租賃有限公司 Tianjin Youpin Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 50 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
青島福聯華信諾汽車維修有限公司 Qingdao Fulianhua Xinruo Auto Repair Co., Ltd. ("Qingdao FLH")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
重慶州凱汽車銷售信息諮詢有限公司 Chongqing Zhoukai Auto Sales Consulting Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 3 million	—	100	Sale of used cars and consultation service
海科(平潭)信息技術有限公司 Haike (Pingtan) Information Technology Co., Ltd. ("Haike Pingtan")	PRC/ Mainland China/ limited liability company	RMB 100 million	—	100	Car rental information system service
拉薩神州租車有限公司 Lhasa China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 100 million	—	100	Car rental and consultation service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
東莞市鑫發汽車維修服務有限公司 Dongguan Xinfa Auto Repair Service Co., Ltd. ("Dongguan XF")	PRC/ Mainland China/ limited liability company	RMB 0.3 million	—	100	Sale of used cars and auto repair service
神州租車投資有限公司 China Auto Rental Investment Inc.	British Virgin Islands/limited liability company	US$1	100	—	Investment holding
西安眾德汽車維修服務有限公司 Xi'an Zhongde Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
陝西迪卡爾商務諮詢有限公司 Shanxi Dika'er Business Consulting Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 3 million	—	100	Car rental and sale of used cars
蘇州神州汽車租賃有限公司 Suzhou China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 1 million	—	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
海科融資租賃（天津）有限公司 Haike Leasing (Tianjin) Limited ("Haike Tianjin")	PRC/ Mainland China/ wholly foreign-owned enterprise	RMB 1,600 million	—	100	Car rental
上海凱栩汽車維修服務有限公司 Shanghai Kaixu Auto Repair Service Co., Ltd. ("Shanghai Kaixu")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
神州租車（廈門）有限公司 China Auto Rental (Xiamen) Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 30 million	—	100	Car rental
蘇州凱普商務諮詢有限公司 Suzhou Kaipu Business Consulting Co., Ltd. ("SZ Kaipu")	PRC/ Mainland China/ limited liability company	RMB 5 million	—	100	Consultation service
太原神州汽車信息諮詢有限公司 Taiyuan Shenzhou Auto Information Service Co., Ltd. ("Taiyuan SZ")	PRC/ Mainland China/ limited liability company	RMB 5 million	—	100	Consultation service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
神州租車(中國)有限公司 China Auto Rental Co., Ltd.	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 10 million	—	100	Car Rental
湖南神州暢元商務信息諮詢有限公司 Hunan Shenzhou Changyuan Business Information Service Co., Ltd. ("HN SZ Changyuan")	PRC/ Mainland China/ limited liability company	RMB 5 million	—	100	Management
北京翱翔嘉業科技有限公司 Beijing AoXiang Jiaye Technology Co., Ltd. ("Beijing AX")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	IT service
北京群視創維科技有限責任公司 Beijing Qunshi Chuang Wei Technology Co., Ltd. ("Beijing QS")	PRC/ Mainland China/ limited liability company	RMB 0.3 million	—	100	IT service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
神州租車電子商務(福建)有限公司* China Auto Rental E-Commerce (Fujian) Co., Ltd. ("CAR EC Fujian")	PRC/ Mainland China/ limited liability company	RMB 20 million	—	100	IT service
神州租車信息技術(福建)有限公司 China Auto Rental Information Technology (Fujian) Co., Ltd. ("CAR IT FJ")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 100 million	—	100	IT service
神州租車服務管理(福建)有限公司 China Auto Rental Service Management (Fujian) Co., Ltd. ("CAR FJ")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 50 million	—	100	Car rental
長沙神州新喆商務諮詢有限公司 Changsha Shenzhou Xin Zhe Business Consulting Co., Ltd. ("Changsha Xinzhe")	PRC/ Mainland China/ limited liability company	RMB 5 million	—	100	Consultation service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
廣東全程汽車租賃有限公司 Guangdong Quancheng Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 10 million	—	100	Car rental
海神（福建）信息技術有限公司 Haishen (Fujian) Information Technology Co., Ltd. ("Haishen FJ")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 100 million	—	100	IT service
天津海科信息技術有限公司 Tianjin Haike Information Technology Co., Ltd. ("Tianjin Haike")	PRC/ Mainland China/ limited liability company	RMB 10 million	—	100	IT service
天津凱普汽車維修有限公司 Tianjin Kaipu Auto Repair Co., Ltd. ("TJ Kaipu")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
深圳市凱普汽車維修服務有限公司 Shenzhen Kaipu Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
廣州市安鑫汽車維修有限公司 Guangzhou Anxin Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
武漢神州凱普機動車維修有限公司 Wuhan Shenzhou Kaipu Auto Repair Co., Ltd. ("Wuhan Shenzhou Kaipu")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
成都凱普汽車維修服務有限公司 Chengdu Kaipu Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
CAR Holdings Limited (HK)	Hong Kong/ company limited by shares	US$1	—	100	Investment holding
蘇州晉善晉美汽車服務有限公司 Suzhou Jin Shan Jin Mei Auto Service Co., Ltd. ("Jin Shan Jin Mei")	PRC/ Mainland China/ limited liability company	RMB 1 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
哈爾濱凱普汽車維修服務有限公司 Harbin Kaipu Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
佛山市堅信汽車維修有限公司 Foshan Jianxin Auto Repair Service Co.,Ltd. ("Foshan Jianxin")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
福州凱普汽車維修服務有限公司 Fuzhou Kaipu Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 1 million	—	100	Auto repair service
西寧凱普汽車維修服務有限公司 Xining Kaipu Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
西安凱普汽車維修服務有限公司 Xi'an Kaipu Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
上海凱申汽車維修服務有限公司 Shanghai Kaishen Auto Repair Service Co., Ltd. ("Shanghai Kaishen")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
福州市長樂區神州租車電子商務有限公司 Fuzhou Changle China Auto Rental E-Commerce Co., Ltd. (formerly known as China Auto Rental E-Commerce (Changle) Co., Ltd.) ("Changle E-Commerce")	PRC/ Mainland China/ limited liability company	RMB 200 million	—	100	IT service
合肥凱普汽車維修服務有限公司 Hefei Kaipu Auto Repair Service Co., Ltd. ("Hefei Kaipu")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	—	100	Auto repair service
海科(廈門)汽車服務有限公司 Haike (Xiamen) Auto Service Co., Ltd. ("Haike Xiamen")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 200 million	—	100	Car service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
海科(廈門)融資租賃有限公司 Haike (Xiamen) Leasing Co., Ltd.	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 300 million	—	100	Car rental
神州租車服務管理(廈門)有限公司 China Auto Rental Service Management (Xiamen) Co., Ltd.	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 30 million	—	100	Car rental
神州租車電子商務(廈門)有限公司 China Auto Rental E-Commerce (Xiamen) Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 30 million	—	100	IT service
神州租車信息技術(廈門)有限公司 China Auto Rental Information Technology (Xiamen) Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 30 million	—	100	IT service
神州智慧(福建)出行有限公司** China Wisdom (Fujian) Travel Co., Ltd. ("China Wise")	PRC/ Mainland China/ wholly foreign-owned enterprise	RMB 50 million	—	100	IT service

1. CORPORATE AND GROUP INFORMATION *(continued)*

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

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

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

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

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

** China Wisdom (Fujian) Travel Co., Ltd. was established on 23 January 2019 in Fujian, Mainland China, which is wholly owned by China Auto Rental Limited.

2.1 BASIS OF PRESENTATION

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

2.1 BASIS OF PRESENTATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3 and IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16
The Group has lease contracts for various items of leasehold land, rental vehicles, license plates, offices and stores, parking lots. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for one elective exemption for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities as finance costs.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	292,006
Decrease in prepayments, other receivables and other assets	(15,816)
Decrease in prepaid land lease payments	(57,177)
Increase in total assets	219,013
Liabilities	
Increase in interest-bearing bank and other borrowings	219,013
Increase in total liabilities	219,013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

Financial impact at 1 January 2019 *(continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments at 31 December 2018	**385,099**
Less: Commitments relating to short-term lease and those leases with a remaining lease term ended on or before 31 December 2019	(60,059)
Add: Payments for optional extension periods not recognised as at 31 December 2018	—
	325,040
Weighted average incremental borrowing rate as at 1 January 2019	6.30%
Discounted operating lease commitments as at 1 January 2019	219,013
Add: Finance lease liabilities recognised as at 31 December 2018	—
Lease liabilities as at 1 January 2019	**219,013**

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 clarify the criteria for determining whether to classify a liability as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists and clarify the situations that are considered settlement of a liability. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting year. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting year as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the year in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Rental vehicles

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

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

Rental vehicles acquired outside of repurchase programs are depreciated over the estimated holding year on a straight-line basis. The initial estimated number of holding years of such rental vehicles is generally about 3 years. The Group also estimates the residual value of the rental vehicles acquired outside of repurchase programs at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values are based on factors including model, usage, age, mileage and location. Quarterly adjustments are made the Group to the depreciation rates of such rental vehicles in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. Such adjustments are accounted for as changes in accounting estimates. During 2019, rental vehicles acquired outside of repurchase programs were depreciated at rates ranging from 3.0% to 22.5% per annum.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Rental vehicles *(continued)*

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

Other property, plant and equipment

Other property, plant and equipment primarily include buildings, office furniture and equipment, and certain in-car accessories that can be separated from rental vehicles and leasehold improvements.

Depreciation is calculated on the straight-line basis to write off the cost of each item of other property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

In-car accessories	15.83% to 33.33%
Leasehold improvements	20% to 100%
Office furniture and equipment	15.83% to 33.33%
Buildings	1.8% to 4.74%

Where parts of an item of other property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Vehicle rental business licences

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

Licence plates

Licence plates are estimated to have indefinite useful life.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessee *(continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Rental vehicles	3 years
Licence plates	1.2 to 3 years
Offices and stores	1.3 to 15 years
Parking lots	1.3 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessee *(continued)*

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of offices and stores and parking lots (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases (applicable before 1 January 2019)

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable before 1 January 2019) *(continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Treasury shares

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

(b) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Operating lease rental income

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

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

(b) Finance lease income

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

(c) Sales of used rental vehicles

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(d) Royalty and franchise income

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

(e) Interest income

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

(f) Other service income

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

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension scheme

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

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

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

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

Housing benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

Foreign currencies

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Lease accounting

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

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

Judgements *(continued)*

Lease accounting *(continued)*

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

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The renewal options for leases of offices and stores and parking lots are not included as part of the lease term as these are not reasonably certain to be exercised.

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

Estimation uncertainty

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

Useful lives and residual values of rental vehicles acquired outside of repurchase programs

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

The Group's management determines the estimated residual values at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values for rental vehicles are based on factors including model, age, mileage and location. Management will increase the depreciation charge where residual values are less than previously estimated values, or will write off or write down technically obsolete or damaged rental vehicles that have been abandoned or sold. Actual value at the time of disposal may differ from estimated residual values. Periodic review could result in a change in residual values and therefore depreciation charge in the future periods. The net carrying value of rental vehicles was RMB10,792,336,000 (2018: RMB10,788,372,000) as at 31 December 2019.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in used car market conditions. Management reassesses these estimates at each reporting date. The net carrying value of inventories was RMB227,634,000 (2018: RMB190,648,000) as at 31 December 2019.

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

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 24 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group determine the interest rate implicit for the leases of rental vehicles. The Group cannot readily determine the interest rate implicit for other leases of license plates, offices and stores, parking lots, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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

Estimation uncertainty *(continued)*

Contract liabilities related to credit award

The amount of revenue attributable to the credit award earned by the customers of the Group's loyalty program is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate is estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed. Before the adoption of IFRS 15, the Group recognised deferred revenue included in advance from customers. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals. The carrying value of contract liabilities related to credit award was RMB51,841,000 (2018: RMB49,138,000) as at 31 December 2019.

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

In determining the useful life and residual value of an item of other property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of other property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on the changes in circumstances. The net carrying value of other property, plant and equipment was RMB659,383,000 (2018: RMB573,644,000) as at 31 December 2019.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB240,595,000 (2018: RMB232,195,000) as at 31 December 2019.

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

Estimation uncertainty *(continued)*

Fair value of investments in equity shares

The fair value of the equity shares investment in UCAR Inc. ("UCAR") was based on the market approach, with reference to the market multiples from comparable companies with consideration of the size, profitability and development stage of the industry and those comparable companies. This valuation requires the Group to make estimates about expected future sales forecast, adjusted market multiple, volatility and dividend yield, and hence they are subject to uncertainty. The fair value loss on the equity share investment in UCAR was RMB9,000,000 for the year ended 31 December 2019 (2018 fair value gain: RMB2,397,000). Further details are included in note 22 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying value of goodwill was RMB6,728,000 (2018: RMB6,728,000) as at 31 December 2019.

4. OPERATING SEGMENT INFORMATION

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

Information about geographical area

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

Information about major customers

Revenue of approximately RMB469,769,000 (2018: RMB893,989,000), accounting for 6.1% (2018: 13.9%) of the Group's revenue, was derived from a single customer for the year ended 31 December 2019.

5. REVENUE

An analysis of revenue with the adoption of IFRS 15 and IAS 17 is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from other sources		
Car rental revenue	**4,916,440**	4,484,784
Fleet rental revenue	**434,391**	756,605
Sales of used rental vehicles under lease contracts	**307,270**	115,282
Finance lease income	**173,453**	84,597
	5,831,554	5,441,268
Revenue from contracts with customers		
Sales of used rental vehicles	**1,824,688**	988,284
Franchise related income	**1,186**	1,903
Other service income	**33,232**	12,243
	1,859,106	1,002,430
	7,690,660	6,443,698

5. REVENUE *(continued)*

Revenue from contracts with customers
Disaggregated revenue information

	2019	2018
	RMB'000	*RMB'000*
Type of goods or service		
Sales of used rental vehicles	**1,824,688**	988,284
Franchise related income	**1,186**	1,903
Other service income	**33,232**	12,243
Total revenue from contracts with customers	**1,859,106**	1,002,430
Timing of revenue recognition		
Goods transferred at a point in time	**1,824,688**	988,284
Services transferred over time	**34,418**	14,146
Total revenue from contracts with customers	**1,859,106**	1,002,430

6. OTHER INCOME AND EXPENSES, NET

	2019 RMB'000	2018 RMB'000
Interest income	**81,449**	89,888
Exchange loss	**(158,245)**	(374,137)
Fair value (loss)/gain on investment in equity shares	**(9,000)**	2,397
Fair value changes on derivative instrument transactions not qualifying as hedges (note 32)	**56,588**	(26,750)
Government grants*	**69,417**	114,246
Loss on disposal of items of other property, plant and equipment	**(275)**	(1,249)
Donations	**(193)**	(100)
Default income	**4,226**	12,029
Others	**3,947**	13,711
	47,914	(169,965)

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings	**309,936**	338,328
Interest on lease liabilities	**22,280**	—
Interest on senior notes (note 30)	**586,004**	393,354
Interest on corporate bonds (note 31)	**65,720**	50,503
	983,940	782,185

8. PROFIT BEFORE TAX

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

	2019 RMB'000	2018 RMB'000
Cost of sales of used vehicles	**2,188,531**	1,146,913
Depreciation of rental vehicles (note 13, note 18)	**1,835,717**	1,494,832
Depreciation of other property, plant and equipment	**64,728**	69,770
Depreciation of right-of-use assets (excluding depreciation of rental vehicles) (2018: amortisation of prepaid land lease payments) (note 18)	**158,840**	1,614
Amortisation of other intangible assets*	**3,118**	5,698
Minimum lease payments under operating leases in respect of offices and stores	—	102,133
Minimum lease payments under operating leases in respect of rental vehicles	—	20,039
Lease payments not included in the measurement of lease liabilities (note 18)	**60,059**	—
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):		
Wages and salaries	**676,360**	677,090
Equity-settled share option expenses (note 9, note 35)	**72,649**	1,655
Pension scheme contributions**	**170,143**	144,659
Insurance expenses	**272,502**	218,762
Repair and maintenance	**264,598**	263,011
Exchange loss (note 6)	**158,245**	374,137
Finance costs (note 7)	**983,940**	782,185
Auditors' remuneration	**4,500**	4,200
Impairment of trade receivables	**4,231**	5,146
Loss on disposal of items of other property, plant and equipment (note 6)	**275**	1,249
Advertising and promotion expenses	**2,341**	19,289
Share of profit of associates (note 21)	**(6,286)**	(9,426)
Fair value changes on derivative instrument transactions not qualifying as hedges (note 32)	**(56,588)**	26,750
Fair value loss/(gain) on investment in equity shares (note 22)	**9,000**	(2,397)

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

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

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Fees	**2,067**	1,879
Other emoluments		
– Salaries, allowances and benefits in kind	**1,968**	1,768
– Equity-settled share option expense	**14,957**	—
– Pension scheme contributions	**158**	155
	17,083	1,923
	19,150	3,802

(a) Independent non-executive directors

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

	2019	2018
	RMB'000	*RMB'000*
Sun Hanhui	**689**	662
Ding Wei	**689**	662
Zhang Li	**689**	555
	2,067	1,879

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

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

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

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2019						
Executive director and the chief executive:						
– Song Yifan	—	**927**	—	**14,957**	**126**	**16,010**
Non-executive directors:						
– Lu Zhengyao	—	**1,041**	—	—	**32**	**1,073**
– Li Xiaogeng	—	—	—	—	—	—
– Zhu Linan	—	—	—	—	—	—
– Wei Zhen	—	—	—	—	—	—
	—	**1,968**	—	**14,957**	**158**	**17,083**
2018						
Executive director and the chief executive:						
– Song Yifan	—	927	—	—	125	1,052
Non-executive directors:						
– Lu Zhengyao	—	841	—	—	30	871
– Li Xiaogeng	—	—	—	—	—	—
– Zhu Linan	—	—	—	—	—	—
– Wei Zhen	—	—	—	—	—	—
	—	1,768	—	—	155	1,923

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

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

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group during the year. There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(c) Five highest paid employees

The five highest paid employees during the year included the chief executive (2018: the chief executive), details of whose remuneration are set out in note 9(b) above. Details of the remuneration for the year of the remaining four (2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,072**	2,696
Equity-settled share option expense	**11,483**	—
Pension scheme contributions	**504**	463
	15,059	3,159

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

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

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

	2019 Number of Individuals	2018 Number of individuals
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	—	—
Over HK$2,000,000	**1**	—
	4	4

During the year and in prior years, share options were granted to some of the above non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosure.

10. INCOME TAX

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

	2019	2018
	RMB'000	*RMB'000*
Current income tax:		
Mainland China	**253,392**	294,970
Deferred tax (note 33)	**(12,125)**	9,740
Total tax charge for the year	**241,267**	304,710

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

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

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on earnings of non-resident enterprise derivatives from the operations in Mainland China. The withholding tax derives from inter-company charges from certain overseas subsidiaries to PRC subsidiaries amounted to RMB36,504,000 for the year ended 31 December 2019 (2018: RMB32,998,000).

10. INCOME TAX *(continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB334,958,000 at 31 December 2019 (2018: RMB368,180,000).

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:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**272,043**	594,555
Tax at the PRC statutory tax rate of 25%	**68,011**	148,639
Tax effect of tax rate differences between PRC entities and overseas entities	**155,887**	168,219
Tax losses not recognised	**3,640**	(336)
True up of income tax in respect of prior year	**17,649**	(13,244)
PRC entity with preferential tax rate	**(42,664)**	(33,511)
Income not subject to tax	**(1,603)**	—
Expenses not deductible for tax	**3,843**	1,945
Withholding tax on the deemed income	**36,504**	32,998
Total charge for the year	**241,267**	304,710

10. INCOME TAX *(continued)*

The effective tax rate of the Group was 88.7% (2018: 51.3%) for the year ended 31 December 2019.

The share of tax attributable to associates amounting to RMB390,000 (2018: RMB605,000), respectively, is included in "Share of profit of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

The board of the directors did not recommend the payment of any dividend to the ordinary equity holders of the Company for the year ended 31 December 2019 (2018: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,119,511,942 (2018: 2,142,067,772) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**30,776**	289,845
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,119,511,942**	2,142,067,772
Effect of dilution – weighted average number of ordinary shares:		
Share options	**9,047,485**	25,580,329
	2,128,559,427	2,167,648,101

13. RENTAL VEHICLES

	Total RMB'000
At 1 January 2019:	
Cost	**13,769,773**
Accumulated depreciation	**(2,981,401)**
Net carrying amount	**10,788,372**
At 1 January 2019, net of accumulated depreciation	**10,788,372**
Additions	**4,075,475**
Disposals and transfers to inventories	**(2,207,455)**
Transfers to finance leases	**(70,062)**
Depreciation provided during the year	**(1,793,994)**
At 31 December 2019, net of accumulated depreciation	**10,792,336**
At 31 December 2019:	
Cost	**14,266,149**
Accumulated depreciation	**(3,473,813)**
Net carrying amount	**10,792,336**
At 1 January 2018:	
Cost	11,593,572
Accumulated depreciation	(2,054,744)
Net carrying amount	9,538,828
At 1 January 2018, net of accumulated depreciation	9,538,828
Additions	5,236,639
Disposals and transfers to inventories	(1,174,673)
Transfers to finance leases	(1,317,590)
Depreciation provided during the year	(1,494,832)
At 31 December 2018, net of accumulated depreciation	10,788,372

Vehicles with a total carrying value of RMB1,570,536,000 as at 31 December 2019 (2018: RMB427,290,000) were pledged as securities for certain of the Group's interest-bearing loans (note 29).

13. RENTAL VEHICLES *(continued)*

Included in the Group's rental vehicles as at 31 December 2019 were rental vehicles with a net carrying amount of RMB2,644,424,000 (2018: RMB150,787,000) purchased from car dealers and the Group has the option to require the car dealers to repurchase vehicles at a specified price and date, subject to certain vehicle condition and mileage. The Group currently plans to execute the repurchase option and depreciates the vehicles with an amount equal to the difference of the initial purchase payment and the contractual repurchase price, thereby minimising any gain or loss.

14. OTHER PROPERTY, PLANT AND EQUIPMENT

	In-car accessories *RMB'000*	Leasehold improvements *RMB'000*	Office furniture and equipment *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2019:						
Cost	164,893	36,922	105,975	309,282	185,334	802,406
Accumulated depreciation	(103,600)	(12,033)	(74,805)	(38,324)	—	(228,762)
Net carrying amount	61,293	24,889	31,170	270,958	185,334	573,644
At 1 January 2019, net of accumulated depreciation	61,293	24,889	31,170	270,958	185,334	573,644
Additions	19,050	6,925	1,804	13,353	109,836	150,968
Depreciation provided during the year	(35,067)	(9,450)	(8,858)	(11,353)	—	(64,728)
Disposals	(249)	—	(252)	—	—	(501)
At 31 December 2019, net of accumulated depreciation	45,027	22,364	23,864	272,958	295,170	659,383
At 31 December 2019:						
Cost	177,233	43,847	106,333	322,635	295,170	945,218
Accumulated depreciation	(132,206)	(21,483)	(82,469)	(49,677)	—	(285,835)
Net carrying amount	45,027	22,364	23,864	272,958	295,170	659,383

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

	In-car accessories *RMB'000*	Leasehold improvements *RMB'000*	Office furniture and equipment *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2018:						
Cost	139,722	74,670	99,382	309,282	72,334	695,390
Accumulated depreciation	(79,253)	(51,370)	(66,771)	(27,202)	—	(224,596)
Net carrying amount	60,469	23,300	32,611	282,080	72,334	470,794
At 1 January 2018, net of accumulated depreciation	60,469	23,300	32,611	282,080	72,334	470,794
Additions	42,276	11,748	8,141	—	113,000	175,165
Depreciation provided during the year	(39,457)	(9,935)	(9,256)	(11,122)	—	(69,770)
Disposals	(1,995)	(224)	(326)	—	—	(2,545)
At 31 December 2018, net of accumulated depreciation	61,293	24,889	31,170	270,958	185,334	573,644
At 31 December 2018:						
Cost	164,893	36,922	105,975	309,282	185,334	802,406
Accumulated depreciation	(103,600)	(12,033)	(74,805)	(38,324)	—	(228,762)
Net carrying amount	61,293	24,889	31,170	270,958	185,334	573,644

15. 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 0 to 4 years. Finance lease receivables are comprised of the following:

	2019	2018
	RMB'000	*RMB'000*
Net minimum lease payments receivable	**1,639,128**	2,113,634
Unearned finance income	**(441,857)**	(765,865)
Total net finance lease receivables	**1,197,271**	1,347,769
Less: current portion	**341,319**	250,299
Non-current portion	**855,952**	1,097,470

Future minimum lease payments to be received under non-cancellable finance lease arrangements as at 31 December 2019 and 2018 are as follows:

	2019	2018
	RMB'000	*RMB'000*
Within one year	**485,816**	479,194
In the second to fifth years, inclusive	**1,153,312**	1,634,440
	1,639,128	2,113,634

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as at 31 December 2019 and 2018 are as follows:

	2019	2018
	RMB'000	*RMB'000*
Within one year	**341,319**	250,299
In the second to fifth years, inclusive	**855,952**	1,097,470
	1,197,271	1,347,769

16. PREPAYMENTS

	2019	2018
	RMB'000	*RMB'000*
Prepayments for rental vehicles	—	3,664

17. OTHER CURRENT FINANCIAL ASSETS

	2019	2018
	RMB'000	*RMB'000*
Debt instruments at amortised cost:		
Other current financial assets	—	522,510

As at 31 December 2019, no other current financial assets (31 December 2018: 522,510,000) had been pledged to secure the Group's bank loans (note 29).

18. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, rental vehicles, license plates, offices and stores, parking lots used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of rental vehicles generally have lease terms of 3 years, license plates generally have lease terms between 1.2 and 3 years, offices and stores generally have lease terms between 1.3 and 15 years and parking lots generally have lease terms between 1.3 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

18. LEASES *(continued)*

The Group as a lessee *(continued)*

(a) Prepaid land lease payments (before 1 January 2019)

	2018
	RMB'000
Carrying amount at beginning of the year	60,405
Additions	—
Recognised during the year	(1,614)
Carrying amount at end of the year	58,791
Current portion included in prepayments, other receivables and other assets	(1,614)
Non-current portion	57,177

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	Rental vehicle*	License plates	Offices and stores	Parking lots	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	**58,791**	—	**20,600**	**149,388**	**63,227**	**292,006**
Additions	—	**250,334**	**10,714**	**71,347**	**137,337**	**469,732**
Depreciation expense	**(1,614)**	**(41,723)**	**(16,268)**	**(58,135)**	**(82,823)**	**(200,563)**
As at 31 December 2019	**57,177**	**208,611**	**15,046**	**162,600**	**117,741**	**561,175**

* A total of 5,000 rental vehicles were leased from third-party finance lease companies, pursuant to which the Group has designated these companies to buy the rental vehicles from a related party.

18. LEASES *(continued)*

The Group as a lessee *(continued)*

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019
	RMB'000
Carrying amount at 1 January	**219,013**
New leases	**457,554**
Accretion of interest recognised during the year	**22,953**
Payments	**(217,479)**
Carrying amount at 31 December	**482,041**
Analysed into:	
Current portion	**203,615**
Non-current portion	**278,426**

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019
	RMB'000
Interest on lease liabilities	**22,953**
Depreciation charge of right-of-use assets	**200,563**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in direct operating expenses of rental services)	**60,059**
Total amount recognised in profit or loss	**283,575**

19. GOODWILL

	2019	2018
	RMB'000	*RMB'000*
Cost and net carrying amount at beginning and end of the year	**6,728**	6,728

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating unit for impairment testing to the balances of goodwill as at 31 December 2019 and 2018:

Vehicle rental cash-generating unit

The recoverable amount of the vehicle rental cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. A terminal growth rate of 3% (2018: 3%) has been projected beyond five years and the discount rate applied to the cash flow projections is 13.5% (2018: 13.5%).

Assumptions were used in the value in use calculation of the above cash-generating unit for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

20. OTHER INTANGIBLE ASSETS

	Software *RMB'000*	Customer relationship *RMB'000*	Vehicle rental business licences *RMB'000*	Auto repair service business licences *RMB'000*	Licence plates *RMB'000*	Trademark use right *RMB'000*	Total *RMB'000*
At 1 January 2019:							
Cost	**35,913**	**180**	**42,525**	**3,144**	**116,879**	**7,030**	**205,671**
Accumulated amortisation	**(34,085)**	**(180)**	**(12,526)**	**(3,022)**	—	**(7,030)**	**(56,843)**
Net carrying amount	**1,828**	-	**29,999**	**122**	**116,879**	—	**148,828**
At 1 January 2019, net of accumulated depreciation	**1,828**	—	**29,999**	**122**	**116,879**	—	**148,828**
Additions	—	—	—	—	**8,820**	—	**8,820**
Amortisation provided during the year	**(1,183)**	—	**(1,867)**	**(68)**	—	—	**(3,118)**
At 31 December 2019, net of accumulated depreciation	**645**	—	**28,132**	**54**	**125,699**	—	**154,530**
At 31 December 2019:							
Cost	**35,913**	**180**	**42,525**	**3,144**	**125,699**	**7,030**	**214,491**
Accumulated amortisation	**(35,268)**	**(180)**	**(14,393)**	**(3,090)**	—	**(7,030)**	**(59,961)**
Net carrying amount	**645**	—	**28,132**	**54**	**125,699**	—	**154,530**
At 1 January 2018:							
Cost	35,913	180	42,525	3,144	109,255	7,030	198,047
Accumulated amortisation	(30,907)	(180)	(10,657)	(2,840)	—	(6,561)	(51,145)
Net carrying amount	5,006	—	31,868	304	109,255	469	146,902
At 1 January 2018, net of accumulated depreciation	5,006	—	31,868	304	109,255	469	146,902
Additions	—	—	—	—	7,624	—	7,624
Amortisation provided during the year	(3,178)	—	(1,869)	(182)	—	(469)	(5,698)
At 31 December 2018, net of accumulated depreciation	1,828	—	29,999	122	116,879	—	148,828
At 31 December 2018:							
Cost	35,913	180	42,525	3,144	116,879	7,030	205,671
Accumulated amortisation	(34,085)	(180)	(12,526)	(3,022)	—	(7,030)	(56,843)
Net carrying amount	1,828	—	29,999	122	116,879	—	148,828

21. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Beijing QWOM Technology Co., Ltd. (北京氫動益維科技股份有限公司)(a)	**46,222**	41,911
Botpy Inc. (b)	**70,826**	—
	117,048	41,911

(a) Beijing QWOM Technology Co., Ltd. (北京氫動益維科技股份有限公司)

	2019 RMB'000	2018 RMB'000
Share of net assets	**37,916**	33,605
Goodwill on acquisition	**8,306**	8,306
	46,222	41,911

Particulars of the associate are as follows:

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

The Group, through its wholly-owned subsidiary Haike Pingtan, acquired a 30% equity interest 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.

21. INVESTMENTS IN ASSOCIATES *(continued)*

(a) Beijing QWOM Technology Co., Ltd. (北京氫動益維科技股份有限公司) *(continued)*

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

	2019	2018
	RMB'000	*RMB'000*
Share of the associate's profit for the year	**4,311**	9,426
Share of the associate's total comprehensive income	**4,311**	9,426
Carrying amount of the Group's investment in the associate	**46,222**	41,911

(b) Botpy Inc.

	2019
	RMB'000
Share of net assets	**4,576**
Goodwill on acquisition	**66,250**
	70,826

21. INVESTMENTS IN ASSOCIATES *(continued)*

(b) Botpy Inc. *(continued)*

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Botpy Inc.	Preference shares	Cayman	40	Providing automotive insurance business and solutions of the automotive aftermarket

The Group, through its wholly-owned subsidiary Premium Auto Rental (China) Limited, acquired a 40% equity interest in Botpy Inc. in February 2019. The Group's interest in Botpy Inc. is accounted for using the equity method in the consolidated financial statements.

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

	2019
	RMB'000
Share of the associate's profit for the year	**1,975**
Share of the associate's total comprehensive income	**1,975**
Carrying amount of the Group's investment in the associate	**70,826**

22. INVESTMENT IN EQUITY SHARES

	2019	2018
	RMB'000	*RMB'000*
Investment 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. "Huaxia United")	**2,800,641**	2,809,641

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 resulting in an accounting reclassification of RMB1,542,409,000 from the preference share investment in UCAR Cayman to the ordinary share investment in Huaxia United. Huaxia United subsequently changed its name to UCAR Inc. (神州優車股份有限公司). The equity interest held by CAR HK in UCAR was diluted from 9.35% as at 31 December 2015 to 7.42% as at 31 December 2016 after a series of capital injections in UCAR from third parties before the completion of UCAR's listing on the NEEQ in July 2016. The equity interest held by CAR HK in UCAR was further diluted to 6.27% as at 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.

22. INVESTMENT IN EQUITY SHARES *(continued)*

The equity shares of UCAR were measured at fair value and were classified as Level 3 fair value measurement. The fair value of the ordinary share investment in UCAR was estimated with the assistance of an independent valuation company. The fair value of the ordinary share investment in UCAR as at 31 December 2019 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 RMB9,000,000 for the year ended 31 December 2019 (2018 fair value gain: RMB2,397,000) was recognised through profit or loss under "other income and expenses, net".

23. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Used rental vehicles held for sale	**137,458**	120,248
Fuel	**55,102**	56,168
Others	**35,074**	14,232
	227,634	190,648

24. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**100,836**	100,475
Impairment provision	**(4,026)**	(4,095)
	96,810	96,380

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

24. TRADE RECEIVABLES *(continued)*

An ageing analysis of the trade receivables as at the end of 2019, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**54,488**	70,884
3 to 6 months	**12,161**	14,821
6 to 12 months	**18,130**	10,232
Over 1 year	**12,031**	443
	96,810	96,380

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of the year	**4,095**	3,752
Impairment losses, net	**(69)**	343
At end of the year	**4,026**	4,095

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

24. TRADE RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due			
	Current	**Less than 3 months**	**4 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**1.18%**	**1.18%**	**4.53%**	**14.50%**	**3.99%**
Gross carrying amount	**1,330**	**56,735**	**28,698**	**14,073**	**100,836**
Expected credit losses	**16**	**669**	**1,300**	**2,041**	**4,026**

As at 31 December 2018

		Past due			
	Current	Less than 3 months	4 to 12 months	Over 1 year	Total
Expected credit loss rate	2.63%	2.63%	7.38%	40.93%	4.08%
Gross carrying amount	12,817	62,383	24,525	750	100,475
Expected credit losses	337	1,641	1,810	307	4,095

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019	2018
	RMB'000	RMB'000
Deductible VAT input	**921,331**	944,840
Prepayments	**295,960**	388,329
Other receivables	**41,704**	146,294
Rental deposits	**53,653**	23,961
Others	**31,310**	44,255
	1,343,958	1,547,679

Included in other receivables, no interest receivables from other current financial assets as at 31 December 2019 (2018: RMB17,434,000) had been pledged to secure the Group's bank loans (note 29).

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

For the other receivables, rental deposits and others due from debtors without financial difficulties, impairment analysis is performed on collective basis. Such receivables relate to a large number of diversified debtors for whom there was no recent history of default. Under IAS 39, no provision for impairment is necessary. With the adoption of IFRS 9 from 1 January 2018, the Group applies the general approach in calculating ECLs. All these other receivables, rental deposits and others are classified as Stage 1. Stage 1 ECL rate for collective assessment is set at nil based on historical credit loss experience and forward-looking factor adjustment is insignificant. Therefore, there is still no collective provision for impairment under IFRS 9.

26. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2019	2018
	RMB'000	*RMB'000*
Cash and bank balances	**3,485,538**	2,506,401
Time deposits	**2,398,767**	931,275
	5,884,305	3,437,676
Less: Pledged time deposits:		
Pledged for bank loans*	**522,510**	250,000
Pledged for bank overdraft facilities	**1,275**	1,275
Cash and cash equivalents	**5,360,520**	3,186,401

* The Group pledged certain deposits of RMB522,510,000 and RMB250,000,000 to secure the Group's bank loans as at 31 December 2019 and 31 December 2018.

The cash and bank balances of the Group denominated in RMB amounted to RMB3,407,502,000 and RMB2,259,467,000 as at 31 December 2019 and 31 December 2018, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

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

27. TRADE PAYABLES

An ageing analysis of the outstanding trade payables as at 31 December 2019 and 31 December 2018, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	**55,049**	110,039
3 to 6 months	**10,329**	753
Over 6 months	**21,375**	1,467
	86,753	112,259

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

28. OTHER PAYABLES AND ACCRUALS

	Note	2019 RMB'000	2018 RMB'000
Interest payables		**205,735**	207,055
Deposits by customers		**202,241**	120,337
Contract liabilities	(a)	**212,287**	185,024
Payroll payable		**75,552**	89,120
Other tax payable		**184,108**	185,953
Payable for other property, plant and equipment		**13,838**	13,838
Others		**70,880**	68,381
		964,641	869,708

Other payables and accruals are non-interest-bearing.

28. OTHER PAYABLES AND ACCRUALS *(continued)*

Note:

(a) Details of contract liabilities as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Advance received from customers		
Sales of used vehicles	**160,381**	135,706
Contract liability related to credit award	**51,841**	49,138
Franchise related income	**65**	180
	212,287	185,024

Contract liabilities include advances received from sales of used vehicles, and from rendering credit award and franchise service. The increase in contract liabilities in 2019 and 2018 was mainly due to the increase in short-term advances received from customers in relation to sales of used vehicles at the end of each of the years.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current:						
Lease liabilities (note 18(c))	**6.30**	**2020**	**203,615**	—	—	—
Short-term bank loans						
– guaranteed	**4.43-5.53**	**2020**	**359,286**	3.15-5.00	2019	524,483
– unsecured and unguaranteed	**4.35-6.15**	**2020**	**1,330,040**	4.61-5.94	2019	672,588
– pledged	**3.10**	**2020**	**522,953**	0.31	2019	199,742
Current portion of long-term bank loans						
– guaranteed	**5.30-5.92**	**2020-2021**	**219,407**	4.75-6.00	2019	1,889,254
– unsecured and unguaranteed	**6.41**	**2021**	**150,000**	4.99-6.18	2019	616,292
Current portion of sale and leaseback obligations						
– secured	**3.09-7.38**	**2021-2022**	**669,122**	6.03-6.20	2019	97,306
Current portion of long-term other loans						
– guaranteed	**6.85**	**2022**	**100,000**	5.80	2019	700,000
			3,554,423			4,699,665
Non-current						
Lease liabilities (note 18(c))	**6.30**	**2021-2024**	**278,426**	—	—	—
Bank loans						
– guaranteed	**5.30**	**2021-2022**	**1,141,746**	4.91-6.23	2020-2021	736,374
– unsecured and unguaranteed	**6.41**	**2021**	**75,000**	—	—	—
Sale and leaseback obligations						
– secured	**3.09-7.38**	**2021-2022**	**294,097**	6.20	2020	18,472
Other loans						
– guaranteed	**6.85**	**2022**	**800,000**	—	—	—
			2,589,269			754,846
			6,143,692			5,454,511

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

	2019	2018
	RMB'000	*RMB'000*
Analysed into:		
Lease liabilities:		
within one year or on demand	**203,615**	—
In the second year	**154,583**	—
In the third to fifth years, inclusive	**111,388**	—
Above five years	**12,455**	—
	482,041	—
Bank loans repayable:		
Within one year or on demand	**2,581,686**	3,902,359
In the second year	**522,726**	223,404
In the third to fifth years, inclusive	**694,020**	512,970
	3,798,432	4,638,733
Sale and leaseback obligations:		
Within one year or on demand	**669,122**	97,306
In the second year	**283,832**	18,472
In the third to fifth years, inclusive	**10,265**	—
	963,219	115,778
Other loans repayable:		
Within one year or on demand	**100,000**	700,000
In the second year	**100,000**	—
In the third to fifth years, inclusive	**700,000**	—
	900,000	700,000
	6,143,692	5,454,511

As at 31 December 2019, the Group's overdraft bank facilities amounted to RMB6,032,384,000 (31 December 2018: RMB8,822,756,000), of which RMB5,083,574,000 (31 December 2018: RMB6,175,923,000) had been unutilized.

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

Bank and other loans with the following amounts outstanding as at 31 December 2019 and 2018 were secured/guaranteed by the following:

Security or guarantee	**2019** **RMB'000**	2018 RMB'000
Guaranteed by CAR Inc.	**1,177,653**	1,130,754
Guaranteed by CAR Inc. and Changle E-Commerce	**100,000**	—
Guaranteed by 7 offshore subsidiaries of the Group	**1,342,786**	2,204,874
Unsecured and unguaranteed	**2,037,081**	1,288,880
Pledged by restricted cash	**522,953**	199,742
Secured by certain other current financial assets and interests (a)	**—**	514,483
	5,180,473	5,338,733

(a) No bank loans at 31 December 2019 (31 December 2018: RMB514,483,000) were secured by the Group's other current financial assets and its interest set forth in note 17 and note 25 above.

Sales and leaseback obligations with the following amounts outstanding as at 31 December 2019 and 2018 were secured/guaranteed by the following:

Security or guarantee	**2019** **RMB'000**	2018 RMB'000
Guaranteed by Lianhui and Changle E-Commerce and secured by certain of rental vehicles and deposits	**177,730**	—
Guaranteed by CAR Inc. and secured by certain of rental vehicles	**148,657**	—
Guaranteed by CAR Inc. and Changle E-Commerce and secured by certain of rental vehicles and deposits	**19,700**	—
Guaranteed by CAR Inc. and secured by certain of rental vehicles and deposits	**454,211**	—
Secured by certain of rental vehicles and deposits	**162,921**	115,778
	963,219	115,778

Sales and leaseback obligations of RMB963,219,000 (2018: RMB115,778,000) as at 31 December 2019 were secured by certain of the Group's rental vehicles, the total carrying amount of which at 31 December 2019 was RMB1,570,536,000 (2018: RMB427,290,000) (note 13).

30. SENIOR NOTES

(1) The 2015 Notes (A)

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

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

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

Year	**Redemption price**
2018	103.0625%
2019 and thereafter	101.53125%

(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 defined in the Indenture of the 2015 Notes (A)) as at the redemption date, and the accrued and unpaid interest, if any, up 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, up to (but not including) the redemption date, subject to certain conditions.

On 10 May 2019, the Company completed an exchange offer up to approximately US$172,333,000 of the 2015 Notes (A), with interest at the rate of 8.875% per annum, payable semi-annually on 10 May and 10 November in arrears with the maturity date extended to 10 May 2022.

30. SENIOR NOTES *(continued)*

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

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

	2019	2018
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**3,493,988**	3,305,841
Impact of exchange offer	**36,901**	—
Exchange realignment	**56,514**	165,737
Interest expenses	**243,367**	223,682
Interest expense payment	**(245,862)**	(201,272)
Total carrying amount at 31 December	**3,584,908**	3,493,988
Less: Interest payables due within one year reclassified to other payables and accruals	**73,287**	87,577
	3,511,621	3,406,411

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered that the fair value of the above early redemption options was not significant on initial recognition and as at 31 December 2019 and 2018.

30. SENIOR NOTES *(continued)*

(2) The 2015 Notes (B)

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

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 the principal amount) set forth below, plus accrued and unpaid interest, if any, on the 2015 Notes (B) redeemed, up 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%

30. SENIOR NOTES *(continued)*

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

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

	2019	2018
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**2,082,414**	1,972,615
Exchange realignment	**33,076**	98,765
Interest expenses	**135,252**	129,290
Interest expense payment	**(122,675)**	(118,256)
Total carrying amount at 31 December	**2,128,067**	2,082,414
Less: Interest payables due within one year reclassified to other payables and accruals	**48,580**	48,008
	2,079,487	2,034,406

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

30. 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, up 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 of the 2018 Notes (A)) as at the redemption date, plus accrued and unpaid interest, if any, up to (but not including) the redemption date.

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

	2019 *RMB'000*	2018 *RMB'000*
Total carrying amount at 1 January	**396,586**	—
Addition, net of issuance costs	—	387,447
Interest expenses	**30,056**	22,139
Interest expense payment	**(26,000)**	(13,000)
Total carrying amount at 31 December	**400,642**	396,586
Less: Interest payables due within one year reclassified to other payables and accruals	**6,251**	6,286
	394,391	390,300

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

30. SENIOR NOTES *(continued)*

(4) The 2018 Notes (B)

On 2 May 2018, the Company issued the 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 2018 Notes (B) 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, up 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 of the 2018 Notes (B)) as at the redemption date, plus accrued and unpaid interest, if any, up to (but not including) the redemption date.

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

	2019	2018
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**350,819**	—
Addition, net of issuance costs	—	344,018
Interest expenses	**24,673**	18,243
Interest expense payment	**(22,750)**	(11,442)
Total carrying amount at 31 December	**352,742**	350,819
Less: Interest payables due within one year reclassified to other payables and accruals	**5,403**	5,433
	347,339	345,386

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

30. SENIOR NOTES *(continued)*

(5) The 2019 Notes

On 10 May 2019, the Company issued senior notes with an aggregate principal amount of US$200,000,000 due 2022 (the "2019 Notes"). The 2019 Notes were listed on the Stock Exchange of Hong Kong Limited. The 2019 Notes carries interest at the rate of 8.875% per annum, payable semi-annually on 10 May and 10 November in arrears, and will mature on 10 May 2022, unless redeemed earlier.

The 2019 Notes may be redeemed in the following circumstances:

At any time and from time to time prior to 10 May 2022, 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 carrying amount of 2019 Notes recognised in the statement of financial position was calculated as follows:

	2019
	RMB'000
Total carrying amount at 1 January	—
Addition, net of issuance costs	**1,338,656**
Exchange realignment	**36,812**
Interest expenses	**83,143**
Interest expense payment	**(62,464)**
Total carrying amount at 31 December	**1,396,147**
Less: Interest payables due within one year reclassified to other payables and accruals	**17,349**
	1,378,798

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

31. 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 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 carrying amount of 2017 Corporate Bonds (A) recognised in the statement of financial position was calculated as follows:

	2019	2018
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**308,169**	307,360
Addition, net of issuance costs	—	—
Interest expenses incurred	**17,340**	17,309
Interest expense payment	**(16,500)**	(16,500)
Total carrying amount at 31 December	**309,009**	308,169
Less: Interest payables due within one year reclassified to other payables and accruals	**11,225**	11,257
	297,784	296,912

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.

31. 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 the repurchase of the 2018 Corporate Bonds (B).

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

	2019	2018
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**755,462**	—
Addition, net of issuance costs	—	722,268
Interest expenses incurred	**48,380**	33,194
Interest expense payment	**(45,990)**	—
Total carrying amount at 31 December	**757,852**	755,462
Less: Interest payables due within one year reclassified to other payables and accruals	**31,415**	31,540
	726,437	723,922

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.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Derivative financial instruments– current assets	**42,693**	—
Derivative financial instruments– non-current liabilities	—	13,895

As at 31 December 2019, the Group has entered into derivative financial instruments of forward currency contracts, with an aggregate contractual amount of US$300,000,000 to manage its exchange rate exposures. Such currency forwards represent commitments to purchase nominal amount of United States Dollar ("US$") 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.

33. DEFERRED TAX

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

Deferred tax assets

	Right-of-use assets *RMB'000*	**Accumulated losses *RMB'000***	**Deductible temporary differences *RMB'000***	**Total *RMB'000***
At 31 December 2018	—	**8,627**	**223,568**	**232,195**
Credited to the statement of profit or loss during the year	**865**	**40,996**	**(33,461)**	**8,400**
At 31 December 2019	**865**	**49,623**	**190,107**	**240,595**
At 1 January 2018	—	1,392	181,924	183,316
Credited to the statement of profit or loss during the year	—	7,235	41,644	48,879
At 31 December 2018	—	8,627	223,568	232,195

33. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

The Group had unused tax losses of RMB58,697,000 (2018: RMB44,137,000) available for offsetting against future profits in respect of certain subsidiaries as at 31 December 2019, and the deferred tax assets have not been recognised. Such tax losses will expire between 2020 and 2024.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

	Lease liabilities *RMB'000*	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Depreciation allowance in excess of related depreciation *RMB'000*	Total *RMB'000*
At 31 December 2018	**—**	**11,854**	**201,426**	**213,280**
(Credited)/charged to the statement of profit or loss during the year	**3,485**	**(538)**	**(6,672)**	**(3,725)**
At 31 December 2019	**3,485**	**11,316**	**194,754**	**209,555**
At 1 January 2018	—	12,569	142,092	154,661
(Credited)/charged to the statement of profit or loss during the year	—	(715)	59,334	58,619
At 31 December 2018	—	11,854	201,426	213,280

There was no significant unrecognised deferred tax liability as at 31 December 2019 and 31 December 2018 for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

33. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. For the Group, the applicable rate is 10%.

As at 31 December 2019, no deferred tax (2018: Nil) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future.

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

34. SHARE CAPITAL

Shares

	2019	2018
	RMB'000	*RMB'000*
Authorised:		
26,000,000,000 ordinary shares of US$0.00001 each	**1,586**	1,586
Issued and fully paid:		
2,119,880,411 (2018: 2,118,717,220) ordinary shares of US$0.00001 each	**131**	131

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, one 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.

34. SHARE CAPITAL *(continued)*

Shares *(continued)*

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

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

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

A summary of movements in the Company's share capital for the year ended 31 December 2019 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	2,173,420,201	134	1,886,096	1,886,230
Issuance of shares pursuant to the option scheme (note 35)	7,311,019	1	31,890	31,891
Cancellation of shares	(62,014,000)	(4)	(345,917)	(345,921)
At 31 December 2018 and 1 January 2019	**2,118,717,220**	**131**	**1,572,069**	**1,572,200**
Issuance of shares pursuant to the option scheme (note 35) (a)	**1,163,191**	—	**5,246**	**5,246**
Cancellation of shares (b)	—	—	—	—
At 31 December 2019	**2,119,880,411**	**131**	**1,577,315**	**1,577,446**

34. SHARE CAPITAL *(continued)*

Shares *(continued)*

(a) The subscription rights attaching to 1,163,191 share options were exercised during the year ended 31 December 2019, at the average subscription price of US$0.17 per share (note 35), resulting in the issue of 1,163,191 ordinary shares for a total cash consideration of RMB1,270,000, of which RMB1,270,000 was charged to share premium. Meanwhile, an amount of RMB3,976,000 was transferred from the share option reserve to share premium upon exercise of the share options.

(b) On 14 May 2019, 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 211,954,326 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 year ended 31 December 2019, the Company has not repurchased any shares through the Stock Exchange (2018: 35,829,000). There is no share recorded as treasury shares as at 31 December 2019 and 31 December 2018.

35. SHARE OPTION SCHEME

China Auto Rental Holdings Inc. ("CARH") operated a share option scheme ("2013 CARH Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants within the Group who contributed to the success of the Group's operation. Eligible participants of the Scheme included 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 was 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 in four equal batches on 31 December 2014, 2015, 2016 and 2017, respectively.

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 in four equal batches on 1 May 2015, 2016, 2017 and 2018, respectively.

35. SHARE OPTION SCHEME *(continued)*

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

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

On 14 August 2014, 4,456,688 Tranche C options have been granted with an exercise price of US$0.87, of which 300,000 share options granted to certain management members were vested in three equal batches on each of 1 August 2015, 2016 and 2017. The remaining share options were 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, who then held 14,606,233 unvested share options. 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 ("2016 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 2016 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 2016 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 2016 Post-IPO Share Option Scheme.

35. SHARE OPTION SCHEME *(continued)*

The Board announced that on October 18 2019, a total of 119,747,379 share options were granted to certain eligible persons pursuant to the 2016 Post-IPO Share Option Scheme. The exercise price was HK$6.360 per share and the validity period of the share options was 10 years from date of grant, i.e. from October 18 2019 to October 17 2029 (both days inclusive). One-third of the share options granted have been vested on October 18, 2019, one-third of the share options granted will be vested on October 18 2020 and one-third of the share options granted will be vested on October 18 2021; and the share options granted will be exercisable until the expiry date of the validity period.

The following share options were outstanding under the Pre-IPO Share Option Scheme during the years ended 31 December 2019 and 2018:

	2019		2018	
	Weighted average exercise price ***US$ per share***	**Number of options**	Weighted average exercise price *US$ per share*	Number of options
At 1 January, after share split	**0.15**	**28,699,957**	0.15	36,034,099
Forfeited during the year	—	—	0.17	(23,123)
Exercised during the year	**0.17**	**(1,163,191)**	0.16	(7,311,019)
At 31 December		**27,536,766**	0.15	28,699,957

35. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Post-IPO Share Option Scheme during the year ended 31 December 2019:

	2019 Weighted average exercise price *HKD per share*	**2019** Number of options
At 1 January	—	—
Granted during the year	**6.36**	**119,747,379**
Forfeited during the year	—	—
Exercised during the year	—	—
At 31 December	**6.36**	**119,747,379**

The exercise prices and exercise years of the share options outstanding as at the reporting date are as follows:

Number of options	**Exercise price** *per share*	**Exercise year**
6,382,570	US$0.058	Till 31 December 2023
11,920,006	US$0.174	Till 31 December 2023
—	US$0.174	Till 1 May 2024
9,234,190	US$0.174	Till 31 August 2024
119,747,379	HK$6.360	Till 17 October 2029
147,284,145		

A total of 119,747,379 new share options were granted in year of 2019 (2018: Nil). The Group recognised a share option expense of RMB87,606,000 (2018: RMB1,655,000) during the year ended 31 December 2019.

35. SHARE OPTION SCHEME *(continued)*

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

2019

CARH share option scheme	**Tranche A**	**Tranche B**	**Tranche C**	**2014 CARH Pre-IPO Share option Scheme**	**2016 CARH Post-IPO Share option Scheme**
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Expected volatility	54.0%	54.0%	50.0%	53.0%	41.2%
Risk-free interest rate	2.54%	2.54%	2.58%	2.59%	2.19%
Expected life of options (year)	5.5	1.5-5.5	2 – 6	2 – 6	10
Weighted average exercise price, after share split	US$0.058	US$0.174	US$0.174	US$0.174	HK$2.072

2018

CARH share option scheme	Tranche A	Tranche B	Tranche C	2014 CARH Pre-IPO Share option Scheme	2016 CARH Post-IPO Share option Scheme
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	—
Expected volatility	54.0%	54.0%	50.0%	53.0%	—
Risk-free interest rate	2.54%	2.54%	2.58%	2.59%	—
Expected life of options (year)	5.5	1.5-5.5	2 – 6	2 – 6	—
Weighted average exercise price, after share split	US$0.058	US$0.174	US$0.174	US$0.174	—

36. RESERVES

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

Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

Statutory reserve

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

37. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by certain assets of the Group, are included in notes 13 and 26, respectively, to the financial statements.

38. COMMITMENTS

(a) The Group had the following capital commitments at the end of the year:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Rental vehicles	—	37,457
Buildings	**90,573**	201,858
	90,573	239,315

(b) Operating lease commitments as at 31 December 2018

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

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	RMB'000
Within one year	192,075
In the second to fifth years, inclusive	161,002
After five years	32,021
	385,098

39. RELATED PARTY TRANSACTIONS

a) Related party

Related party for the years ended 31 December 2019 and 2018 was as follows:

Name	Relationship
UCAR and its affiliates	Entities 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 years ended 31 December 2019 and 2018:

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

	2019	2018
	RMB'000	*RMB'000*
UCAR	**407,374**	677,895

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:

	2019	2018
	RMB'000	*RMB'000*
UCAR	—	214,977

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

39. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions *(continued)*

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

	2019	2018
	RMB'000	*RMB'000*
UCAR	—	1,117

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

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

	2019	2018
	RMB'000	*RMB'000*
UCAR	—	20,193

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

(v) Commission charged by a related party:

	2019	2018
	RMB'000	*RMB'000*
UCAR	**1,482**	45,759

The commission expense was charged at agreed unit prices multiplying the numbers of successful sales orders of vehicles via UCAR's sales platform.

39. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions *(continued)*

(vi) Office rental income from a related party:

	2019	2018
	RMB'000	*RMB'000*
UCAR	**3,171**	3,171

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

(vii) Office rental expense to a related party:

	2019	2018
	RMB'000	*RMB'000*
UCAR	**5,059**	5,010

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

39. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions *(continued)*

(viii) Purchase of rental vehicles and accessories from a related party:

	2019	2018
	RMB'000	*RMB'000*
UCAR	**781,888**	—

The prices on purchase of rental vehicles and accessories from a related party were determined in accordance with the prevailing market prices, which are stated excluding value-added tax. The Group has the right to request UCAR to repurchase the vehicles at a pre-determined annual depreciation rate.

(ix) Test drive service rendered to a related party:

	2019	2018
	RMB'000	*RMB'000*
UCAR	**59,224**	—

The prices on test drive service rendered to a related party were determined in accordance with the prevailing market prices, which are stated excluding value-added tax.

(x) A total of 5,000 rental vehicles were leased from third-party finance lease companies, pursuant to which the Group has designated these companies to buy the rental vehicles from a related party. Further details are included in note 18(b) to the financial statements.

39. RELATED PARTY TRANSACTIONS *(continued)*

c) Outstanding balances with related parties

	2019 RMB'000	2018 RMB'000
Current assets:		
Due from a related party:		
– UCAR	**443,861**	360,129
Current liabilities:		
Due to a related party:		
– UCAR	**101,831**	305

As at 31 December 2019 and 31 December 2018, balances with related parties were unsecured, non-interest-bearing and repayable on demand.

d) Compensation of key management personnel of the Group:

	2019 RMB'000	2018 RMB'000
Short term employee benefits	**4,629**	3,820
Equity-settled share option expenses	**26,440**	—
	31,069	3,820

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 December 2019

Financial assets

	Financial assets at fair value through profit and loss *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Finance lease receivables – non-current (note 15)	—	855,952	855,952
Investment in equity shares (note 22)	2,800,641	—	2,800,641
Rental deposits	—	—	—
Deposits for sale-leaseback borrowings – non-current	—	54,250	54,250
Restricted cash – current (note 26)	—	522,510	522,510
Restricted cash – non-current (note 26)	—	1,275	1,275
Other non-current assets	—	9,813	9,813
Trade receivables (note 24)	—	96,810	96,810
Amount due from a related party (note 39)	—	443,861	443,861
Financial assets included in prepayments, other receivables and other assets (note 25)	—	126,667	126,667
Finance lease receivables – current (note 15)	—	341,319	341,319
Other current financial assets (note 17)	—	—	—
Derivative financial instruments (note 32)	42,693	—	42,693
Cash and cash equivalents (note 26)	—	5,360,520	5,360,520
	2,843,334	7,812,977	10,656,311

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

As at 31 December 2019 *(continued)*

Financial liabilities

	Financial liabilities fair value through profit or loss *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables (note 27)	—	86,753	86,753
Financial liabilities included in other payables and accruals (note 28)	—	704,981	704,981
Interest-bearing bank loans and other borrowings – current (note 29)	—	3,554,423	3,554,423
Due to a related party (note 39)	—	101,831	101,831
Senior notes – non-current (note 30)	—	2,284,546	2,284,546
Senior notes -current (note 30)	—	5,427,090	5,427,090
Corporate bonds (note 31)	—	1,024,221	1,024,221
Interest-bearing bank loans and other borrowings – non-current (note 29)	—	2,589,269	2,589,269
Deposits received for rental vehicles	—	604	604
	—	15,773,718	15,773,718

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

As at 31 December 2018

Financial assets

	Financial assets at fair value through profit and loss *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Finance lease receivables – non-current (note 15)	—	1,097,470	1,097,470
Investment in equity shares (note 22)	2,809,641	—	2,809,641
Rental deposits	—	145	145
Deposits for sale-leaseback borrowings – non-current	—	30,000	30,000
Restricted cash – current (note 26)	—	250,000	250,000
Restricted cash – non-current (note 26)	—	1,275	1,275
Other non-current assets	—	9,813	9,813
Trade receivables (note 24)	—	96,380	96,380
Amount due from a related party (note 39)	—	360,129	360,129
Financial assets included in prepayments, other receivables and other assets (note 25)	—	214,510	214,510
Finance lease receivables – current (note 15)	—	250,299	250,299
Other current financial assets (note 17)	—	522,510	522,510
Cash and cash equivalents (note 26)	—	3,186,401	3,186,401
	2,809,641	6,018,932	8,828,573

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

As at 31 December 2018 *(continued)*

Financial liabilities

	Financial liabilities fair value through profit or loss *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables (note 27)	—	112,259	112,259
Financial liabilities included in other payables and accruals (note 28)	—	594,635	594,635
Interest-bearing bank loans and other borrowings – current (note 29)	—	4,699,665	4,699,665
Due to a related party (note 39)	—	305	305
Derivative financial instruments – non-current (note 32)	13,895	—	13,895
Senior notes (note 30)	—	6,176,503	6,176,503
Corporate bonds (note 31)	—	1,020,834	1,020,834
Interest-bearing bank loans and other borrowings – non-current (note 29)	—	754,846	754,846
Deposits received for rental vehicles	—	753	753
	13,895	13,359,800	13,373,695

41. 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**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Investment in equity shares (note 22)	**2,800,641**	2,809,641	**2,800,641**	2,809,641
Derivative financial instruments (note 32)	**42,693**	—	**42,693**	—
	2,843,334	2,809,641	**2,843,334**	2,809,641
Financial liabilities				
Derivative financial instruments(note 32)	**—**	13,895	**—**	13,895

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

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

The fair values of the non-current portion of deposits, finance lease receivables, other non-current assets, interest-bearing bank loans and other borrowings and senior notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts. The Group's own non-performance risk for interest-bearing bank loans and other borrowings and senior notes as at 31 December 2019 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.

41. 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:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Investment in equity shares (note 22)	—	—	**2,800,641**	**2,800,641**
Derivative financial instruments (note 32)	—	**42,693**	—	**42,693**
	—	**42,693**	**2,800,641**	**2,843,334**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment in equity shares (note 22)	—	—	2,809,641	2,809,641

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

Fair value hierarchy *(continued)*

The movement in fair value measurements within Level 2 during the year is as follows:

	2019	2018
	RMB'000	*RMB'000*
Derivative financial instruments:		
At 1 January	—	—
Total gain recognised in the statement of profit or loss included in other income	**42,693**	—
At 31 December	**42,693**	—

The movement in fair value measurements within Level 3 during the year is as follows:

	2019	2018
	RMB'000	*RMB'000*
Investment in financial assets at fair value through profit or loss		
At 1 January	**2,809,641**	2,807,244
Total (loss)/gain recognised in the statement of profit or loss included in other income	**(9,000)**	2,397
Disposal	—	—
At 31 December	**2,800,641**	2,809,641

The Group has changed the valuation method from income approach to market approach to better reflect the fair value of Investment in equity shares of UCAR since 2019, due to strategic change with significant business combination and the uncertainty of forecast used by income approach.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

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

Fair value hierarchy *(continued)*

As at 31 December 2019

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investment in equity shares of UCAR	Market approach	Concluded market multiples	1.56-7.04	5% increase/(decrease) in concluded market multiples would result in increase/(decrease) in fair value by RMB156,311,000/ (RMB156,311,000)
Investment in equity shares of UCAR	Income approach	Terminal growth rate	3%	20% increase/(decrease) in terminal growth rate would result in increase/(decrease) in fair value by RMB37,885,000/ (RMB35,858,000)
		Weighted average cost of capital (WACC)	24% to 26%	20% increase/(decrease) in weighted average cost of capital (WACC) would result in (decrease)/increase in fair value by (RMB525,622,000)/ RMB845,366,000
		Discount for lack of marketability	18%	20% increase/(decrease) in discount for lack of marketability would result in (decrease)/increase in fair value by (RMB123,350,000)/ RMB123,350,000

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

Fair value hierarchy *(continued)*

Liability measured at fair value:

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

The movement in fair value measurements within Level 2 during the year is as follows:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Derivative financial instruments		
At 1 January	**13,895**	187,026
Total (gain)/loss recognised in the statement of profit or loss included in other income	**(13,895)**	26,750
Settlement	**—**	(199,881)
At the end of the year	**—**	13,895

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank loans and loans from related parties with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	(Decrease)/ increase in basis points	Change in profit before tax *RMB'000*	Change in equity* *RMB'000*
31 December 2019			
RMB	**(100)**	**37,927**	—
RMB	**100**	**(37,927)**	—
31 December 2018			
RMB	(100)	39,006	—
RMB	100	(39,006)	—

* Excluding retained earnings

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

Foreign currency risk

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

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

	Fluctuation in foreign exchange rate %	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
31 December 2019			
If RMB weakens against US$	**(5)**	**260,519**	—
If RMB strengthens against US$	**5**	**(470,855)**	—
31 December 2018			
If RMB weakens against US$	(5)	303,929	—
If RMB strengthens against US$	5	(303,929)	—

* Excluding retained earnings

Credit risk

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

Maximum exposure and year-end staging as at 31 December 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019.

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

Credit risk *(continued)*

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage1	Stage2	Stage3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease receivables					
– non-current (note 15)	—	—	—	855,952	855,952
Trade receivables* (note 24)	—	—	—	96,810	96,810
Restricted cash					
– current (note 26)	522,510	—	—	—	522,510
Restricted cash					
– non-current (note 26)	1,275	—	—	—	1,275
Other non-current assets	9,813	—	—	—	9,813
Amount due from					
a related party (note 39)	443,861	—	—	—	443,861
Financial assets included in prepayments, other receivables and other assets (note 25)					
– Normal**	126,667	—	—	—	126,667
– Doubtful**	—	—	—	—	—
Finance lease receivables					
– current (note 15)	—	—	—	341,319	341,319
Cash and cash equivalents (note 26)					
– Not yet past due	5,360,520	—	—	—	5,360,520
	6,464,646	—	—	1,294,081	7,758,727

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

Credit risk *(continued)*

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage1	Stage2	Stage3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease receivables – non-current (note 15)	—	—	—	1,097,470	1,097,470
Rental deposits	145	—	—	—	145
Trade receivables* (note 24)	—	—	—	96,380	96,380
Restricted cash – current (note 26)	250,000	—	—	—	250,000
Restricted cash – non-current (note 26)	1,275	—	—	—	1,275
Other non-current assets	9,813	—	—	—	9,813
Amount due from a related party (note 39)	360,129	—	—	—	360,129
Financial assets included in prepayments, other receivables and other assets (note 25)					
– Normal**	214,510	—	—	—	214,510
– Doubtful**	—	—	—	—	—
Finance lease receivables – current (note 15)	—	—	—	250,299	250,299
Cash and cash equivalents (note 26) – Not yet past due	3,186,401	—	—	—	3,186,401
	4,022,273	—	—	1,444,149	5,466,422

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

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

Credit risk *(continued)*

Maximum exposure as at 31 December 2018

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24.

Liquidity risk

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

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

	31 December 2019			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	86,753	—	—	86,753
Financial liabilities included in other payables and accruals	704,981	—	—	704,981
Interest-bearing bank and other borrowings	3,817,269	2,771,421	—	6,588,690
Due to a related party	101,831	—	—	101,831
Senior notes	2,760,723	5,873,278	—	8,634,001
Corporate bonds	62,490	1,108,990	—	1,171,480
	7,534,047	9,753,689	—	17,287,736

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

Liquidity risk *(continued)*

	31 December 2018			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	112,259	—	—	112,259
Financial liabilities included in other payables and accruals	594,635	—	—	594,635
Interest-bearing bank and other borrowings	4,937,076	814,817	—	5,751,893
Due to a related party	305	—	—	305
Senior notes	382,474	6,604,084	—	6,986,558
Corporate bonds	62,490	854,980	316,500	1,233,970
Deposits received for vehicle rental	—	753	—	753
	6,089,239	8,274,634	316,500	14,680,373

Capital management

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

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

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

Capital management *(continued)*

The Group monitors capital using a net debt/asset ratio, which is net debt divided by total assets. Net debt includes bank loans and other borrowings, senior notes and corporate bonds less cash and cash equivalents and restricted cash. The gearing ratio as at the reporting date was as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings – current	**3,554,423**	4,699,665
Interest-bearing bank and other borrowings – non-current	**2,589,269**	754,846
Senior notes – current	**2,284,546**	–
Senior notes – non-current	**5,427,090**	6,176,503
Corporate bonds	**1,024,221**	1,020,834
Cash and cash equivalents	**(5,360,520)**	(3,186,401)
Restricted cash	**(523,785)**	(251,275)
Net debt	**8,995,244**	9,214,172
Total assets	**24,633,031**	22,204,909
Net debt/asset ratio	**37%**	41%

43. EVENTS AFTER THE REPORTING PERIOD

In February, the Company fully repaid the USD-denominated senior notes due 2020.

In early 2020, the outbreak of novel coronavirus (COVID-19) has certain impact on the car rental business of the Company due to travel restrictions and suppress on tourism. The degree of the impact depends on the epidemic preventive measures and the duration of the epidemic. Given the dynamic circumstances and high uncertainties, the financial impact could not be reasonably estimated at this stage and will be reflected in the Company's 2020 financial statements.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
NON-CURRENT ASSETS		
Investment in equity shares	—	—
Total non-current assets	—	—
CURRENT ASSETS		
Prepayments, other receivables and other assets	**86,447**	87,146
Restricted cash – current	—	—
Due from subsidiaries	**8,530,697**	10,289,881
Derivative financial instruments	**42,693**	—
Cash and cash equivalents	**2,041,100**	221,426
Total current assets	**10,700,937**	10,598,453
CURRENT LIABILITIES		
Other payables and accruals	**224,495**	225,984
Senior notes	**2,284,546**	—
Interest-bearing bank and other borrowings – current	**740,468**	2,210,637
Total current liabilities	**3,249,527**	2,436,621
NET CURRENT ASSETS	**7,451,410**	8,161,832
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,451,410**	8,161,832
NON-CURRENT LIABILITIES		
Senior notes	**5,427,090**	6,176,503
Corporate bonds	**1,024,221**	1,020,834
Derivative financial instruments – non-current	—	13,895
Interest-bearing bank and other borrowings – non-current	**1,125,254**	508,721
Total non-current liabilities	**7,576,565**	7,719,953
Net (liabilities)/assets	**(125,155)**	441,879
EQUITY		
Equity attributable to owners of the parent		
Share capital	**131**	131
Reserves	**1,683,733**	1,594,857
Treasury shares	—	—
Accumulated losses	**(1,809,019)**	(1,153,109)
Total equity	**(125,155)**	441,879

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Treasury shares RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total equity RMB'000
As at 1 January 2018	2,173,420,201	134	1,886,096	45,689	(147,481)	(447,302)	1,337,136
Loss for the year	—	—	—	—	—	(705,807)	(705,807)
Other comprehensive income for the year	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	(705,807)	(705,807)
Repurchase of shares	—	—	—	—	(198,440)	—	(198,440)
Cancellation of shares	(62,014,000)	(4)	(345,917)	—	345,921	—	—
Exercise of share options	7,311,019	1	7,334	—	—	—	7,335
Equity-settled share option arrangements (note 35)	—	—	—	1,655	—	—	1,655
As at 31 December 2018	2,118,717,220	131	1,547,513	47,344	—	(1,153,109)	441,879
Loss for the year	—	—	—	—	—	**(655,910)**	**(655,910)**
Other comprehensive income for the year	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	**(655,910)**	**(655,910)**
Repurchase of shares	—	—	—	—	—	—	—
Cancellation of shares	—	—	—	—	—	—	—
Exercise of share options	**1,163,191**	—	**1,270**	—	—	—	**1,270**
Equity-settled share option arrangements (note 35)	—	—	—	**87,606**	—	—	**87,606**
As at 31 December 2019	**2,119,880,411**	**131**	**1,548,783**	**134,950**	—	**(1,809,019)**	**(125,155)**

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

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

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 March 2020.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements for the years ended 31 December 2015, 2016, 2017, 2018 and 2019 is set out below:

	For the years ended 31 December				
	2015	2016	2017	2018	**2019**
	(in RMB thousands)				
Total revenue	5,002,719	6,453,958	7,717,338	6,443,698	**7,690,660**
Depreciation of rental vehicles	(939,364)	(1,257,679)	(1,373,645)	(1,494,832)	**(1,835,717)**
Direct operating expenses of rental services	(1,362,519)	(1,629,311)	(1,701,352)	(1,718,188)	**(1,829,445)**
Cost of sales of used vehicles	(609,966)	(1,480,922)	(2,697,472)	(1,146,913)	**(2,188,531)**
Gross profit	2,090,870	2,086,046	1,944,869	2,083,765	**1,836,967**
Other income and expenses, net	669,821	877,732	383,090	(169,965)	**47,914**
Selling and distribution expenses	(79,507)	(65,093)	(29,954)	(78,258)	**(27,755)**
Administrative expenses	(465,608)	(554,129)	(470,029)	(468,228)	**(607,429)**
Finance costs	(546,849)	(590,779)	(652,777)	(782,185)	**(983,940)**
Share of profit of an associate	–	5,968	107	9,426	**6,286**
Profit before tax	1,668,727	1,759,745	1,175,306	594,555	**272,043**
Income tax	(267,331)	(300,154)	(294,195)	(304,710)	**(241,267)**
Profit for the year attributable to equity holders of the Company	1,401,396	1,459,591	881,111	289,845	**30,776**
Earnings per share – Basic	RMB0.591	RMB0.617	RMB0.391	RMB0.135	**RMB0.015**
Earnings per share – Diluted	RMB0.575	RMB0.607	RMB0.386	RMB0.134	**RMB0.014**

	As at 31 December				
	2015	2016	2017	2018	**2019**
	(in RMB thousands)				
Total assets	16,342,415	21,189,219	20,639,895	22,204,909	**24,633,031**
Total liabilities	9,243,094	12,970,613	12,765,984	14,231,881	**16,540,351**
Net assets	7,099,321	8,218,606	7,873,911	7,973,028	**8,092,680**

CORPORATE INFORMATION

As at 17 March 2020

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

Mr. Guangyu CAO

COMPANY SECRETARY

Ms. Ka Man SO *(FCS, FCIS)*

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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INDEPENDENT AUDITORS

Ernst & Young
(Certified Public Accountants)

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As at 17 March 2020

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