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An abstract graphic consisting of numerous thin lines radiating from a central point. The lines are colored in a gradient from yellow at the bottom to blue at the top. The lines are arranged in a way that they appear to be part of a larger, curved structure, possibly representing a stylized letter 'C' or a similar shape. The lines are spaced out, creating a sense of depth and movement.

CAR Inc. Interim Report

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

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FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year-over- year change
	2020 <i>(Unaudited)</i>	2019 <i>(Unaudited)</i>	
	<i>(in RMB millions, except otherwise stated)</i>		
Total rental revenue	1,807	2,877	-37.2%
– Car rental	1,650	2,504	-34.1%
– Fleet rental & others	157	373	-57.9%
Adjusted net (loss)/profit ⁽¹⁾	-1,387	348	-498.1%
Adjusted net (loss)/profit margin ⁽²⁾	-76.8%	12.1%	-88.9pp
Adjusted EBITDA ⁽¹⁾	817	1,816	-55.0%
Adjusted EBITDA margin ⁽²⁾	45.2%	63.1%	-17.9pp
Free cash flow ⁽¹⁾	1,932	450	329.0%

Notes:

- (1) Adjusted EBITDA, adjusted net (loss)/profit and free cash flow are non-IFRS measures. Please refer to “Management Discussion and Analysis – 3. Non-IFRS Financial Reconciliation” for details.
- (2) These margins are presented as a percentage of total rental revenue.

BUSINESS OVERVIEW AND STRATEGIES

The Board of Directors (the “Board”) of CAR Inc. (the “Company”) presents the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 (the “Reporting Period”).

BUSINESS OVERVIEW

The first half of 2020 was very challenging for the Company. The Company recorded a very significant decline in rental demand during the outbreak of the novel coronavirus (“COVID-19”), followed by gradual recovery but interrupted by a regional second outbreak of COVID-19 in Beijing in June 2020. Strict restrictions on travel and domestic activities nationwide led to a sharp decline in car rental demand. At the same time, the Company also experienced uncertainty on the change of shareholding structure, which created panic among creditors. Despite the abovementioned adverse impact, the business operation of Company was on track and progressing steadily. The commitment on maintaining liquidity continued to be strong. During the Reporting Period, the Company recorded an adjusted EBITDA of RMB817 million and disposed of 15,451 used vehicles, brought in an used car sales revenue of RMB952 million. Although the business performance was slightly below the Company’s expectation due to the second outbreak in Beijing, recovery continued to be sighted.

During the Reporting Period, the Company recorded a net loss of RMB4,338 million, compared with a net profit of RMB279 million in the same period last year, mainly due to the impairment of (a) the equity investment in UCAR Inc. (“UCAR”) of approximately RMB2,801 million; (b) trade receivables from related parties and other customers, who were mostly customers leasing vehicles from the Company of approximately RMB526 million; (c) the prepayment of the subscription price of the shares and convertible bonds to be issued by FDG Electric Vehicles Limited (a company listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), stock code: 729, “FDG”) of approximately RMB86 million; and (d) adjustment of the residual values of vehicles manufactured by Beijing Borgward Auto Co., Ltd. (“Borgward”) with repurchase arrangements of approximately RMB210 million. During the Reporting Period, adjusted net loss was RMB1,387 million, compared with an adjusted net profit of RMB348 million in the same period last year, mainly due to the decline in car rental revenue as a result of the outbreak of COVID-19, the impairment of the trade receivables from related parties and other customers of approximately RMB526 million, the additional depreciation incurred as a result of the adjustment of the residual values of Borgward vehicles of approximately RMB210 million, and impairment of prepayment to FDG of approximately RMB86 million.

Various mitigations to cope with low rental demand have been continuously adopted to stimulate recovery. During the Reporting Period, car rental revenue decreased to RMB1,650 million, a year-over-year decrease of 34.1%. Fleet rental and other revenue was RMB157 million, compared with RMB373 million for the same period last year due to the further decline of fleet rental demand from UCAR. Total revenue, which includes rental revenue and revenue from sales of used vehicles, was RMB2,759 million, compared with RMB3,741 million for the same period last year, representing a year-over-year decrease of 26.3%.

BUSINESS OVERVIEW AND STRATEGIES

During the Reporting Period, the average daily rental fleet increased by 4.2% year-over-year to 110,736. ADRR decreased by 23.0% year-over-year to RMB167, as a result of the introduction of discounted rental packages with longer rental term and discount coupons to stimulate demand. Utilization rate was 49.2%, mainly because of the low utilization rate during the lockdown period in the first quarter of 2020 and the continued impact of COVID-19 through the second quarter of 2020. Excluding the unaffected strong business performance from Chinese New Year in January 2020, the overall rental demand improved in the second quarter of 2020.

In June 2020, self-served transactions represented 80% of the total reservations, compared with 88% in March 2020, due to entry control of certain areas allocated for self-served transactions. During the second quarter of this year, 97% of the car rental reservations were made through the Company's mobile APP.

As at 30 June 2020, the total fleet size was 132,221⁽¹⁾. During the Reporting Period, the Company disposed of 15,451 used vehicles, compared with 10,473 vehicles for the same period of 2019. The sales of vehicles generated a revenue of RMB952 million. The cost-to-sales ratio of used vehicles was 102.7%.

STRATEGIC HIGHLIGHTS

During the first half of this year, external adverse impact including COVID-19 pandemic and uncertain shareholding structure created massive pressure on the Company's business performance and liquidity. Despite the challenges, the Company was able to sustain the business steadily and maintain healthy cashflow through extra commitment to promote business in difficult times, close communication with creditors, pre-arrangement of payment schedule and increasing used car sales. The Company believed a strong and solid financial position built up over the past few years was critical for the sustainability of its business in the prolonged weakened economic cycle.

Looking into the rest of the year, the Company will continue to adopt various measures to stimulate business recovery, commit to maintaining used car sales momentum and cautiously manage cashflow. With regard to business operation, new customer acquisition and customer retention will be parallel goals of the Company. To achieve the goals, the Company's strong big data driven dynamic pricing system will be further optimized with finer differentiation. Different initiatives will be applied towards existing and new customers to expand the volume of business. On the technology end, automation will continue to be expanded and upgraded to enhance efficiency.

Note:

(1) The total fleet size was 132,221, including 5,000 vehicles leased from a financial institution.

MANAGEMENT DISCUSSION AND ANALYSIS

1. REVENUES AND PROFITABILITY ANALYSIS

Rental revenue

	For the six months ended 30 June		Year-over- year change
	2020 RMB	2019 RMB	
	<i>(in thousands, except percentages)</i>		
Car rental revenue	1,649,886	2,504,297	-34.1%
Fleet rental & other revenue	156,960	373,020	-57.9%
Total rental revenue	<u>1,806,846</u>	<u>2,877,317</u>	<u>-37.2%</u>

Car rental metrics

	1H' 19	1H' 20	1Q' 19	2Q' 19	3Q' 19	4Q' 19	1Q' 20	2Q' 20
Average daily fleet ⁽¹⁾	106,232	110,736	103,384	109,047	118,104	115,799	113,325	108,147
ADRR ⁽²⁾ (RMB)	217	167	226	208	213	193	176	157
Utilization rate ⁽³⁾ (%)	60.3%	49.2%	60.4%	60.2%	60.0%	50.1%	48.4%	50.0%
RevPAC ⁽⁴⁾ (RMB)	131	82	136	125	128	97	85	79

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's total rental revenue decreased by 37.2% year-over-year to RMB1,806.8 million for the six months ended 30 June 2020.

Car rentals. Revenue from car rentals decreased by 34.1% year-over-year to RMB1,649.9 million for the six months ended 30 June 2020, mainly due to the decrease in RevPAC as a result of the outbreak of COVID-19. During the Reporting Period, the average daily fleet increased by 4.2% year-over-year to 110,736.

Fleet rentals and others. Revenue from fleet rentals and others decreased by 57.9% year-over-year to RMB157.0 million for the six months ended 30 June 2020, mainly due to the decrease in fleet rented by UCAR.

Depreciation of rental vehicles and direct operating expenses of rental services

	For the six months ended 30 June			
	2020		2019	
	<i>RMB</i>	<i>% of rental revenue</i>	<i>RMB</i>	<i>% of rental revenue</i>
	<i>(in thousands, except percentages)</i>			
Depreciation of rental vehicles	1,053,220	58.3%	799,791	27.8%
Direct operating expenses				
– Payroll costs	198,082	11.0%	245,910	8.5%
– Store expenses	161,037	8.9%	162,494	5.6%
– Insurance fees	107,756	6.0%	138,819	4.8%
– Repair and maintenance fees	95,292	5.3%	114,820	4.0%
– Fuel and transportation expenses	65,961	3.6%	59,516	2.1%
– Others	129,140	7.1%	141,671	4.9%
Total direct operating expenses	757,268	41.9%	863,230	29.9%
Total costs of rental business	1,810,488	100.2%	1,663,021	57.7%

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation of rental vehicles. Depreciation expenses increased to RMB1,053.2 million, mainly due to the decrease in the residual values of Borgward and other certain vehicle models. The expenses as a percentage of rental revenue increased mainly as a result of decrease in car rental RevPAC due to the outbreak of COVID-19.

Direct operating expenses of rental services. Total direct operating expenses decreased by 12.3% year-over-year to RMB757.3 million for the six months ended 30 June 2020. The decrease was mainly due to the reduction of the social security contributions under the government's temporary COVID-19 relief policy, less repair and maintenance needs because of the weaker rental demand, and operating efficiency. Direct operating expenses as a percentage of rental revenue increased as a result of decrease in car rental RevPAC due to the outbreak of COVID-19.

Sales of used vehicles (revenue & cost)

	For the six months ended 30 June	
	2020	2019
	RMB	RMB
	<i>(in thousands, except percentages)</i>	
Revenue from sales of used vehicles	952,050	863,641
Cost of sales of used vehicles	977,829	901,105
Cost as a % of revenue (sales of used vehicles)	102.7%	104.3%
Total number of used vehicles disposed	15,451	10,473

The Company disposed of 15,451 used vehicles for the six months ended 30 June 2020, compared with 10,473 used vehicles for the six months ended 30 June 2019. The average price for disposed vehicle was lower as a result of (i) fewer higher priced ride hailing vehicles and (ii) the disposal of certain vehicle models with lower sales prices.

Cost of sales of used vehicles was 102.7% of revenue from the sales of used vehicles for the six months ended 30 June 2020, compared with 104.3% for the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross (loss)/profit

	For the six months ended 30 June	
	2020	2019
	RMB	RMB
	<i>(in thousands, except percentages)</i>	
Gross (loss)/profit of rental business	(3,642)	1,214,296
<i>Gross (loss)/profit margin of rental business</i>	(0.2)%	42.2%
Gross loss of sales of used vehicles	(25,779)	(37,464)
<i>Gross loss margin of sales of used vehicles</i>	(2.7)%	(4.3)%
Total gross (loss)/profit	<u>(29,421)</u>	<u>1,176,832</u>
Total gross (loss)/profit margin as a % of rental revenue	<u>(1.6)%</u>	<u>40.9%</u>

Total gross loss margin as a percentage of rental revenue was 1.6% for the six months ended 30 June 2020, compared with a total gross profit margin of 40.9% for the same period last year, mainly due to the decrease in rental revenue as a result of the outbreak of COVID-19 and the significant increase in depreciation after the adjustment of residual values of Borgward vehicles, offset by savings on direct operating expenses.

Selling and distribution expenses

	For the six months ended 30 June			
	2020		2019	
	RMB	% of rental revenue	RMB	% of rental revenue
	<i>(in thousands, except percentages)</i>			
Payroll costs	3,482	0.2%	640	0.0%
Advertising expenses	42,735	2.4%	1,343	0.1%
Share-based compensation	98	0.0%	—	—
Others	17,970	1.0%	14,635	0.5%
Total	<u>64,285</u>	<u>3.6%</u>	<u>16,618</u>	<u>0.6%</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses were RMB64.3 million. As a percentage of rental revenue, selling and distribution expenses were 3.6% for the six months ended 30 June 2020, due to increased advertising and promotion activities to stimulate demand, including marketing on short video sharing platform, search engine traffic optimization, etc.

Administrative expenses

	For the six months ended 30 June			
	2020		2019	
	% of rental		% of rental	
	RMB	revenue	RMB	revenue
	<i>(in thousands, except percentages)</i>			
Payroll costs	175,960	9.7%	192,027	6.7%
Office expenses	21,286	1.2%	22,565	0.8%
Rental expenses	13,925	0.8%	12,668	0.4%
Share-based compensation	56,472	3.1%	—	—
Others	720,489	39.9%	47,119	1.6%
Total	988,132	54.7%	274,379	9.5%

Administrative expenses increased by 260.1% year-over-year to RMB988.1 million for the six months ended 30 June 2020. As a percentage of rental revenue, administrative expenses increased by 45.2 percentage points year-over-year to 54.7%. It was mainly due to the increase in other expenses, which include a total impairments of approximately RMB612.3 million on the trade receivables from UCAR and other customers, finance lease receivables, prepayment of the subscription price of the shares and convertible bonds to be issued by FDG, and increased in share-based compensation to incentivize growth.

The Company recognized an impairment of RMB393.1 million trade receivables from UCAR as at 30 June 2020, which was the net of RMB519.6 million trade receivables from UCAR and RMB126.4 million trade payables to UCAR, in light of the uncertainty on UCAR's ability to pay the trade receivables. The uncertainty was resulted from the adverse impact of the outbreak of COVID-19, which caused difficulty in operation and refinancing schedule of UCAR.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company recognized an impairment of RMB132.9 million of trade receivables from other customers, which consists of RMB39.1 million short-term trade receivables and RMB93.8 million long-term trade receivables. The outbreak of COVID-19 since January 2020 has resulted in an increase of overdue balances of both short-term and long-term trade receivables. As a result, the Company has raised the expected rate of credit loss for trade receivables incurred as at 30 June 2020. The expected rate of credit loss was determined based on historical losses, as adjusted by the current or forward-looking information, such as the macroeconomic factors affecting the customers' ability to settle the trade receivables. The Company has also adopted the practice to assess the impairments of trade receivables by identifying customers with known financial difficulties and significant doubt on collection. For those that do not fall into the abovementioned categories, the Company would assess impairments based on the aging of such trade receivables. The Company has adopted provision matrix approach to calculate impairments of trade receivables from customer, which is determined by the actual loss rates and migration rates of trade receivables over the past two years, adjusted by current or forward-looking information, such as World Health Organization's forecast on duration of COVID-19.

The Company recognized an impairment of RMB86.3 million of prepayment to FDG for subscription of shares and convertible bonds in view of the small chance of recovering the prepayment in consideration of the sequence of liquidation events experienced by FDG during the first half of 2020, which resulted in the trading suspension of FDG shares on the Stock Exchange since 2 July 2020.

Other income and expenses, net

	For the six months ended 30 June	
	2020	2019
	<i>(RMB in thousands)</i>	
Interest income	31,038	32,164
Unrealized exchange loss related to USD-denominated liabilities	(68,438)	(23,520)
Realized exchange (loss)/gain	(2,875)	10
Government grants	37,468	19,623
Fair value changes on derivative instrument-transactions not qualifying as hedges	(3,666)	23,093
Fair value loss from investment in equity shares	(2,800,641)	—
Loss on disposal of items of other property, plant and equipment	(137)	(227)
Others	(1,428)	12,883
Default income	1,701	2,323
Total	<u>(2,806,978)</u>	<u>66,349</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Net loss was RMB2,807.0 million for the six months ended 30 June 2020, compared with a net gain of RMB66.3 million for the six months ended 30 June 2019. The change was mainly due to the fair value loss on equity investment in UCAR and increased unrealized exchange loss related to USD-denominated liabilities due to depreciation of RMB.

The fair value of the equity investment in UCAR amounting to RMB2,800.6 million as of 31 December 2019 was estimated with the assistance of an independent valuer based on market approach, with reference to market multiples from comparable companies taking into account the company size, profitability and development stage of the industry of those comparable companies.

As at 30 June 2020, the Company recognized approximately RMB2,800.6 million fair value loss on equity investment in UCAR in light of (i) the uncertainty of UCAR's operation due to the significant decrease in business and operations since the outbreak of COVID-19 and the change of operational environment since January 2020; (ii) the trading suspension of UCAR's shares on the National Equities Exchange and Quotations of the The People's Republic of China ("NEEQ") and the low trading volume and small chance of disposing UCAR's shares in the stock market in near future; and (iii) UCAR's potential delisting from NEEQ due to its failure to publish the annual report for the year ended 31 December 2019, according to UCAR's announcement published on 1 September 2020.

Finance costs. Finance costs decreased by 20.1% to RMB399.7 million for the six months ended 30 June 2020 mainly due to decreased debt.

Loss before tax. Loss before tax was RMB4,296.7 million for the six months ended 30 June 2020, compared with a profit before tax of RMB452.5 million for the six months ended 30 June 2019.

Income tax expenses. Income tax expenses was RMB41.0 million for the six months ended 30 June 2020, compared with RMB173.3 million for the six months ended 30 June 2019.

Net loss. As a result of the aforementioned factors, the net loss was RMB4,337.7 million for the six months ended 30 June 2020, compared with a net profit of RMB279.2 million for the same period last year.

Adjusted net loss. As a result of the aforementioned factors, adjusted net loss was RMB1,386.8 million for the six months ended 30 June 2020, compared with an adjusted net profit of RMB348.4 million for the same period last year.

Adjusted EBITDA. Adjusted EBITDA decreased by 55.0% year-over-year to RMB817.0 million for the six months ended 30 June 2020. Adjusted EBITDA margin decreased by 17.9 percentage points year-over-year to 45.2% for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

2. FINANCIAL POSITION

	As at	
	30 June	31 December
	2020	2019
	<i>(RMB in millions)</i>	
Total assets	13,884.5	24,633.0
Total liabilities	10,069.9	16,540.3
Total equity	3,814.6	8,092.7
Cash and cash equivalents	918.6	5,360.5
Restricted cash	9.9	523.8
Total cash	<u>928.5</u>	<u>5,884.3</u>
Interest bearing bank and other borrowings – current	2,311.8	3,554.4
Interest bearing bank and other borrowings – non-current	745.9	2,589.3
Senior notes – current	2,861.3	2,284.5
Senior notes – non-current	2,642.7	5,427.1
Corporate bonds	—	1,024.2
Total debt	<u>8,561.7</u>	<u>14,879.5</u>
Net debt (total debt less total cash)	<u>7,633.2</u>	<u>8,995.2</u>
Total debt/adjusted EBITDA (times)⁽¹⁾	3.5x	4.3x
Net debt/adjusted EBITDA (times)⁽¹⁾	3.1x	2.6x

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Cash

As at 30 June 2020, the Company's total cash balance was RMB928.5 million.

Trade receivables and due from related parties

Trade receivables were RMB81.4 million and RMB96.8 million as at 30 June 2020 and 31 December 2019, respectively.

Due from a related party, which relates to the trade receivables from UCAR and its affiliates, was RMB126.4 million and RMB443.9 million as at 30 June 2020 and 31 December 2019, respectively. The decrease was mainly due to the impairment of the trade receivables from UCAR and its affiliates.

Capital expenditures

The majority of the Company's capital expenditures was RMB46.2 million on purchases of other property, plant and equipment, and other intangible assets during the Reporting Period. For the six months ended 30 June 2020, the Company purchased rental vehicles valued at RMB14.2 million.

Borrowings

As at 30 June 2020, the Company had total debt of RMB8,561.7 million and net debt of RMB7,633.2 million, compared with RMB14,879.5 million and RMB8,995.2 million as at 31 December 2019, respectively. The Company continued to deleverage as planned to strengthen the financial position. As at 30 June 2020, the current debt portion was RMB5,173.1 million, representing 60.4% of total debt.

Capital management

The preliminary objective of the Group's capital management policies is to safeguard the Group's ability to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust its finance sources, dividend policies, return capital to shareholders or issue new shares.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at	
	30 June	31 December
	2020	2019
	<i>(RMB in thousands)</i>	
Interest-bearing bank and other borrowings		
– current	2,311,750	3,554,423
– non-current	745,884	2,589,269
Senior notes		
– current	2,861,347	2,284,546
– non-current	2,642,739	5,427,090
Corporate bonds	—	1,024,221
Total debt	<u>8,561,720</u>	<u>14,879,549</u>
Cash and cash equivalents	918,626	5,360,520
Restricted cash	9,927	523,785
Total cash	<u>928,553</u>	<u>5,884,305</u>
Net debt	<u>7,633,167</u>	<u>8,995,244</u>
Total assets	<u>13,884,519</u>	<u>24,633,031</u>
Net debt/total assets ratio	55%	37%

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

	As at	
	30 June	31 December
	2020	2019
	<i>(RMB in thousands)</i>	
RMB	2,735,206	6,043,904
Others	5,826,514	8,835,645
	<u>8,561,720</u>	<u>14,879,549</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at	
	30 June	31 December
	2020	2019
	<i>(RMB in thousands)</i>	
RMB	882,191	3,657,030
Others	36,435	1,703,490
	<u>918,626</u>	<u>5,360,520</u>

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

The Group pays close attention to its asset liability management, especially foreign exchange risk management. The forward currency contracts with an aggregate contractual amount of US\$300.0 million, which has offered us a level of protection against the foreign exchange risk, has been settled in January 2020. We will continue to closely evaluate market conditions and ensure appropriate measures are timely implemented to mitigate risks from RMB exchange rate fluctuations. For details, please refer to note 26 to the "Notes to Interim Condensed Consolidated Financial Information" of this interim report.

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

There were no significant investments held, material acquisitions or disposals of subsidiaries, associated companies and joint ventures for the six months ended 30 June 2020.

Contingent liabilities

As at 30 June 2020, the Group had no significant contingent liabilities.

Charges on the Group's assets

As at 30 June 2020, certain assets of the Group had been pledged. For details, please refer to notes 10, 20 and 23 to the "Notes to Interim Condensed Consolidated Financial Information" of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

Remuneration policy and Directors' remuneration

As at 30 June 2020, the Group had 5,733 employees. The Group's remuneration policies are based on the performance of individual employees, contribution to the Group, and benchmark 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. Due to COVID-19, the KPIs of the Group for the first half of this year focused more on cost control, service quality and demand generation. Cost control refers to costs controllable by the operation of the branch offices and stores, including fuel cost, store and branch operation related costs and vehicle dispatch cost, etc. 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 received. Demand generation refers to car rental revenue generated during a specific period of time. At the company-level, demand generation is the main KPI for the management and support departments, while at the city-level, 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 of the Company (the "Directors"), and the Directors' fees are subject to shareholders' approval at general meeting. The packages were set by benchmarking with companies in similar industries, companies with similar size in the market, volume and complexity of work. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

Foreign exchange risk management

The forward currency contracts with an aggregate contractual amount of US\$300.0 million has been settled in January 2020.

Free cash flow

The Company generated an inflow of RMB1,932.2 million free cash flow for the six months ended 30 June 2020, compared with an inflow of RMB450.4 million for the same period of 2019, which was mainly due to the significant decrease in vehicles purchase.

Share repurchase

At the Company's annual general meeting (the "AGM") on 12 May 2020, the shareholders granted a general mandate (the "Repurchase Mandate") to the Directors to repurchase shares of the Company. Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 212,022,435 shares, being 10% of the total number of issued shares of the Company as at the date of the AGM, on the Stock Exchange.

For the six months ended 30 June 2020, the Company has not repurchased any shares through the Stock Exchange. There is no share recorded as treasury shares as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

3. NON-IFRS FINANCIAL RECONCILIATION

For the six months

ended 30 June

2020

2019

(RMB in thousands,
except percentages)

A. Adjusted net (loss)/profit

Net (loss)/profit	(4,337,675)	279,212
Adjusted for:		
Share-based compensation	58,652	—
Fair value loss from investment in equity shares	2,800,641	—
Fair value changes on derivative instrument-transaction not qualifying as hedges	3,666	(23,093)
Share of loss/(profit) of associates	8,252	(785)
Impairment on investment in an associate	8,306	—
Foreign exchange loss	71,313	23,510
Finance costs (Senior notes exchange offer)	—	69,513
Adjusted net (loss)/profit	<u>(1,386,845)</u>	<u>348,357</u>
Adjusted net (loss)/profit margin (as a percentage of rental revenue)	(76.8%)	12.1%

MANAGEMENT DISCUSSION AND ANALYSIS

**For the six months
ended 30 June**

2020

2019

*(RMB in thousands,
except percentages)*

B. Adjusted EBITDA

Reported EBITDA calculation

(Loss)/profit before tax	(4,296,722)	452,466
Adjusted for:		
Finance costs	399,654	500,503
Interest income from bank deposit	(21,568)	(32,164)
Depreciation of rental vehicles	1,053,220	799,791
Depreciation of other property, plant and equipment	29,200	32,955
Depreciation of right-of-use assets/ amortization of prepaid land lease payment	88,822	60,052
Amortization of other intangible assets	1,242	1,729
Impairments of trade receivables	39,065	1,529
Impairment of amount due from related parties	393,145	—
Impairment of prepayments	86,280	—
Impairment of finance lease receivables	93,803	—
Reported EBITDA	<u>(2,133,859)</u>	<u>1,816,861</u>
Reported EBITDA margin (as a percentage of rental revenue)	-118.1%	63.1%

Adjusted EBITDA calculation

Reported EBITDA	(2,133,859)	1,816,861
Adjusted for:		
Share-based compensation	58,652	—
Fair value loss from investment in equity shares	2,800,641	—
Fair value changes on derivative instrument-transaction not qualifying as hedges	3,666	(23,093)
Share of loss/(profit) of associates	8,252	(785)
Impairment on investment in an associate	8,306	—
Foreign exchange loss	71,313	23,510
Adjusted EBITDA	<u>816,971</u>	<u>1,816,493</u>
Adjusted EBITDA margin (as a percentage of rental revenue)	45.2%	63.1%

MANAGEMENT DISCUSSION AND ANALYSIS

**For the six months
ended 30 June**
2020 2019
*(RMB in thousands,
except percentages)*

C. Free cash flow

Net cash flows generated from operating activities	1,977,830	528,739
Purchases of other property, plant and equipment	(44,154)	(73,661)
Proceeds from disposal of other property, plant and equipment	529	176
Purchases of other intangible assets	(2,024)	(4,875)
Net investment activity	(45,649)	(78,360)
Free cash flow	1,932,181	450,379

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 changes on derivative instrument-transaction not qualifying as hedges, share of loss/(profit) of associates, impairment on investment in an associate and fair value loss from investment in equity share. The adjusted EBITDA is defined as earnings before interest, income tax expenses, depreciation and amortization, impairment of trade receivables, impairments of amount due from related parties, impairment of prepayments, impairment of finance lease receivables, impairment on investment in an associate, fair value loss from investment in equity share, share-based compensation, foreign exchange loss, fair value changes on derivative instrument-transaction not qualifying as hedges and share of loss/(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 from investment in equity shares represents the non-cash fair value 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2020, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in the shares of the Company

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Mr. Sam Hanhui SUN (孫含暉)	Beneficial Owner	510,000	0.02%

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)	Beneficial Owner	23,322,548	1.10%

* The percentage represents the number of ordinary/underlying shares divided by the number of the Company's issued shares as at 30 June 2020.

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 30 June 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2020, 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, or as the Company was aware of, were as follows:

Long position in the shares of the Company

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Mr. Charles Zhengyao LU ⁽¹⁾	Interest in Controlled Corporations	442,656,855	20.87%
Ms. Lichun GUO ⁽¹⁾	Interest of Spouse	442,656,855	20.87%
Legend Holdings Corporation ⁽²⁾	Interest in Controlled Corporations	563,583,025	26.57%
Right Lane Limited ⁽²⁾	Interest in a Controlled Corporation	563,583,025	26.57%
Grand Union Investment Fund, L.P. ⁽²⁾	Beneficial Owner	562,668,025	26.53%
Infinity Wealth Limited ⁽²⁾	Interest in a Controlled Corporation	562,668,025	26.53%
Amber Gem Holdings Limited ⁽³⁾	Beneficial Owner	312,956,260	14.76%
Warburg Pincus & Co. ⁽³⁾	Interest in Controlled Corporations	312,956,260	14.76%
Warburg Pincus Private Equity XI, L.P. ⁽³⁾	Interest in a Controlled Corporation	312,956,260	14.76%
Warburg Pincus XI, L.P. ⁽³⁾	Interest in Controlled Corporations	312,956,260	14.76%
WP Global LLC ⁽³⁾	Interest in Controlled Corporations	312,956,260	14.76%
Warburg Pincus Partners II, L.P. ⁽³⁾	Interest in Controlled Corporations	312,956,260	14.76%
Warburg Pincus Partners GP LLC ⁽³⁾	Interest in Controlled Corporations	312,956,260	14.76%
UCAR Inc. ⁽⁴⁾	Interest in Controlled Corporations	442,656,855	20.87%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) Mr. Lu was deemed to be interested in 442,656,855 shares of the Company through various controlled corporations. Ms. Guo was deemed to be interested in 442,656,855 shares of the Company through the interests of her spouse, Mr. 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) Warburg Pincus Private Equity XI, L.P. owns 41.42% of the equity interest in Amber Gem Holdings Limited ("Amber Gem"); Warburg Pincus Private Equity XI, L.P. is a wholly-owned subsidiary of Warburg Pincus XI, L.P., which, in turn, is wholly-owned by WP Global LLC. WP Global LLC is wholly-owned by Warburg Pincus Partners II, L.P., which, in turn, is wholly-owned by Warburg Pincus Partners GP LLC. Warburg Pincus Partners GP LLC is wholly owned by Warburg Pincus & Co. Thus, 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 312,956,260 shares of the Company held by Amber Gem.
 - (4) UCAR Inc. was deemed to be interested in 442,656,855 shares of the Company held by its wholly-owned subsidiaries.
- * The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2020.

Save as disclosed above, the Company is not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 June 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2014 PRE-IPO SHARE OPTION SCHEME I

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

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

As at 30 June 2020, a total of 26,522,566 share options were outstanding under the 2014 Pre-IPO Share Option Scheme I. Set out below are details of the outstanding options granted to the grantees under the 2014 Pre-IPO Option Scheme I:

CORPORATE GOVERNANCE AND OTHER INFORMATION

Relevant Grantees	Number of Shares under the Options		Date of Grant	Vesting Period	Option Period	Exercise Price	Outstanding	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding
	Granted						as of 1 January 2020				as of 30 June 2020
Director											
Yifan SONG (宋一凡)	816,730		16 June 2014	100% on the date of grant	10 years from 20 December 2013	US\$0.058	730	—	—	—	730
	1,596,510		16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	US\$0.174	1,197,510	—	—	—	1,197,510
	2,250,000		31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	US\$0.174	1,691,000	—	—	—	1,691,000
	<u>4,663,240</u>						<u>2,889,240</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,889,240</u>
Employees	34,272,260		16 June 2014	100% on the date of grant	10 years from 20 December 2013	US\$0.058	6,381,840	(312,510)	—	—	6,069,330
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	10,722,496	(491,690)	—	—	10,230,806
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	7,543,190	(210,000)	—	—	7,333,190
Employee	1,500,000		31 July 2014	1/3 each on 31 July 2015, 2016 and 2017	10 years from 31 July 2014	US\$0.174	—	—	—	—	—
Total	<u>92,461,415</u>						<u>27,536,766</u>	<u>(1,014,200)</u>	<u>—</u>	<u>—</u>	<u>26,522,566</u>

For further details of the 2014 Pre-IPO Share Option Scheme I, please refer to the section headed “Report of the Directors – Summary of the Share Option Schemes” of the 2019 Annual Report of the Company and note 28 to the “Notes to Interim Condensed Consolidated Financial Information” of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2014 PRE-IPO SHARE OPTION SCHEME II

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

On 16 June 2014, pursuant to the 2014 Pre-IPO Share Option Scheme II, options to subscribe for an aggregate of 1,232,428 shares of the Company were conditionally granted to our 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 30 June 2020, 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" of the 2019 Annual Report of the Company and note 28 to the "Notes to Interim Condensed Consolidated Financial Information" of this interim report.

POST-IPO SHARE OPTION SCHEME

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

The Post-IPO Share Option Scheme has become effective for the period of 10 years commencing on the effective date. The maximum number of the Company's shares in respect of which options may be granted pursuant to the Post-IPO Share Option Scheme is 239,494,759 shares, being 10% of the total issued shares of the Company on the date of approval of the Post-IPO Share Option Scheme. The details of the Post-IPO Share Option Scheme are set out in the section headed "Report of the Directors – Summary of the Share Option Schemes" of the 2019 Annual Report of the Company and note 28 to the "Notes to Interim Condensed Consolidated Financial Information" of this interim report.

On 18 October 2019, pursuant to the Post-IPO Share Option Scheme, options to subscribe for an aggregate of 119,747,379 shares of the Company were conditionally granted to an executive Director and certain employees. As at 30 June 2020, the outstanding share options that can be granted under the Post-IPO Share Option Scheme was 119,747,380.

CORPORATE GOVERNANCE AND OTHER INFORMATION

As at 30 June 2020, a total of 119,747,379 share options were outstanding under the Post-IPO Share Option Scheme. Set out below are details of the outstanding options granted to the grantees under the Post-IPO Share Option Scheme:

Relevant Grantees	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Outstanding as of 1 January 2020	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as of 30 June 2020
Director										
Yifan SONG (宋一凡)	20,433,308	18 October 2019	One third of Options were 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	20,433,308	—	—	—	20,433,308
	<u>20,433,308</u>					<u>20,433,308</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,433,308</u>
Employees	99,314,071	18 October 2019	One third of Options were 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	99,314,071	—	—	—	99,314,071
Total	<u>119,747,379</u>					<u>119,747,379</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>119,747,379</u>

The fair value of the unexercised options granted under the Post-IPO Share Option Scheme was HK\$248,116,569.29 (i.e., the fair value was HK\$2.072 for each option granted).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES WRITTEN GUIDELINES

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

Specific enquiries have been made to all the Directors, and the Directors have confirmed that they have complied with the Model Code during the Reporting Period.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company had been in compliance with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Listing Rules, except for the following deviation:

Code provision E.1.2 of the CG Code stipulates that the chairman of the board of directors should attend the annual general meeting. Mr. Charles Zhengyao LU, the then Chairman of the Board, was unable to attend the Company's AGM held on 12 May 2020 due to other engagement. In view of his absence, Mr. Charles Zhengyao LU had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

DISCLOSURE PURSUANT TO RULE 13.19 OF THE LISTING RULES

As disclosed in the announcement of the Company dated 10 June 2020 in relation to the resignation of Mr. Charles Zhengyao LU as a Chairman of the Board and a non-executive director of the Company, pursuant to the terms of the facilities agreements entered into between the Group and certain financial institutions (the "Lenders"), if Mr. Charles Zhengyao LU ceases to be a director of the Company, the Lenders may declare the outstanding principal amount, accrued interest and other sums payable under the loans (the "Loans") immediately due and payable. As at the date of this interim report, the Company has not received any demand from the Lenders for immediate repayment of such Loans and obtained the waivers from the Lenders in respect of the aforesaid terms.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee consists of two independent non-executive Directors, namely, Mr. Sam Hanhui SUN and Mr. Li ZHANG, with Mr. Sam Hanhui SUN acting as the chairman of the Committee. As required under Rules 3.10(2) and 3.21 of the Listing Rules, Mr. Sam Hanhui SUN, being the chairman of the Committee, holds the appropriate professional qualifications.

As disclosed in the announcement of the Company dated 3 August 2020, subsequent to the resignation of Ms. Xiaogeng LI as a non-executive Director and a member of the Audit and Compliance Committee with effect from 1 August 2020, the Company fails to meet the requirement of the Audit and Compliance Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules. In order to comply with the Listing Rules, the Board is in the process of identifying suitable candidate(s) to fill the vacancy of the member of the Audit and Compliance Committee and will make further announcement(s) in respect of the composition of the Audit and Compliance Committee as soon as practicable.

The Audit and Compliance Committee has considered and reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2020 and the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit and Compliance Committee considers that the unaudited consolidated interim results of the Group for the six months ended 30 June 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

CHANGES IN THE INFORMATION OF THE DIRECTORS SINCE LAST ANNUAL REPORT

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

1. Mr. Charles Zhengyao LU has resigned from his offices as the Chairman of the Board, a non-executive director and a member of the Nomination Committee of the Company with effect from 9 June 2020.
2. Mr. Linan ZHU has been appointed as a member of Nomination Committee of the Company with effect from 12 June 2020. Mr. ZHU has ceased to be a director of Right Lane Limited, a substantial shareholder of the Company, with effect from April 2020.
3. Mr. Leping YAN has been appointed as a non-executive director of the Company with effect from 12 June 2020. For the biographical details of Mr. YAN, please refer to the announcement of the Company dated 12 June 2020.
4. Ms. Xiaogeng LI has resigned from her offices as a non-executive director, a member of the Audit and Compliance Committee and a member of the Remuneration Committee of the Company with effect from 1 August 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Rental revenue	4	1,806,846	2,877,317
Sales of used vehicles	4	952,050	863,641
Total revenue		2,758,896	3,740,958
Depreciation of rental vehicles	6	(1,053,220)	(799,791)
Direct operating expenses of rental services		(757,268)	(863,230)
Cost of sales of used vehicles	6	(977,829)	(901,105)
Gross (loss)/profit		(29,421)	1,176,832
Other income and expenses, net	5	(2,806,978)	66,349
Selling and distribution expenses		(64,285)	(16,618)
Administrative expenses		(988,132)	(274,379)
Finance costs		(399,654)	(500,503)
Share of (loss)/profit of associates		(8,252)	785
(Loss)/profit before tax	6	(4,296,722)	452,466
Income tax expenses	7	(40,953)	(173,254)
(Loss)/profit for the period		(4,337,675)	279,212
Attributable to:			
Owners of the parent		(4,337,675)	279,212
(Loss)/earnings per share attributable to ordinary equity holders of the parent			
Basic (RMB)	9	(2.046)	0.132
Diluted (RMB)	9	(2.156)	0.130

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	<u>(4,337,675)</u>	<u>279,212</u>
Other comprehensive income for the period, net of tax	—	—
Total comprehensive (loss)/income for the period, net of tax	<u>(4,337,675)</u>	<u>279,212</u>
Attributable to:		
Owners of the parent	<u>(4,337,675)</u>	<u>279,212</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Rental vehicles	10	9,009,640	10,792,336
Other property, plant and equipment	11	673,691	659,383
Finance lease receivables – non-current	12	524,825	855,952
Right-of-use assets	13	518,200	561,175
Goodwill		6,728	6,728
Other intangible assets	14	155,312	154,530
Investments in associates	15	100,490	117,048
Investment in equity shares	16	—	2,800,641
Deposits for sales-leaseback borrowing		53,250	54,250
Restricted cash – non-current	20	1,275	1,275
Deferred tax assets		368,462	240,595
Other non-current assets		9,813	9,813
Total non-current assets		11,421,686	16,253,726
CURRENT ASSETS			
Inventories	17	109,477	227,634
Trade receivables	18	81,352	96,810
Due from a related party	30	126,429	443,861
Prepayments, other receivables and other assets	19	1,012,575	1,343,958
Finance lease receivables – current	12	205,722	341,319
Derivative financial instruments – current	26	—	42,693
Restricted cash – current	20	8,652	522,510
Cash and cash equivalents	20	918,626	5,360,520
Total current assets		2,462,833	8,379,305
CURRENT LIABILITIES			
Trade payables	21	97,101	86,753
Other payables and accruals	22	719,385	964,641
Advances from customers		250,366	241,943
Interest-bearing bank and other borrowings – current	23	2,311,750	3,554,423
Senior notes-current	24	2,861,347	2,284,546
Due to a related party	30	126,429	101,831
Income tax payable		50,427	55,475
Total current liabilities		6,416,805	7,289,612

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NET CURRENT (LIABILITIES)/ASSETS		(3,953,972)	1,089,693
TOTAL ASSETS LESS CURRENT LIABILITIES		7,467,714	17,343,419
NON-CURRENT LIABILITIES			
Senior notes – non-current	24	2,642,739	5,427,090
Corporate bonds	25	—	1,024,221
Interest-bearing bank and other borrowings – non-current	23	745,884	2,589,269
Deposits received for rental vehicles		340	604
Deferred tax liabilities		264,099	209,555
Total non-current liabilities		3,653,062	9,250,739
Net assets		3,814,652	8,092,680
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	131	131
Reserves	27	4,613,998	4,554,351
(Accumulated deficits)/retained earnings		(799,477)	3,538,198
Total equity		3,814,652	8,092,680

Yifan SONG
Director

Sam Hanhui SUN
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

For the six months ended 30 June 2020

	Attributable to owners of the parent						Total equity RMB'000
	Share capital RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Retained earnings/ (Accumulated Deficits) RMB'000	
As at 1 January 2020 (Audited)	131	2,382,719	365,022	1,577,315	229,295	3,538,198	8,092,680
Loss for the period	—	—	—	—	—	(4,337,675)	(4,337,675)
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	(4,337,675)	(4,337,675)
Equity-settled share option arrangements (note 28)	—	—	—	—	58,652	—	58,652
Exercise of share options (note 28)	—	—	—	4,308	(3,313)	—	995
As at 30 June 2020 (Unaudited)	<u>131</u>	<u>2,382,719</u>	<u>365,022</u>	<u>1,581,623</u>	<u>284,634</u>	<u>(799,477)</u>	<u>3,814,652</u>

For the six months ended 30 June 2019

	Attributable to owners of the parent						Total equity RMB'000
	Share capital RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Retained earnings RMB'000	
As at 1 January 2019 (Audited)	131	2,382,719	313,597	1,572,069	145,665	3,558,847	7,973,028
Profit for the period	—	—	—	—	—	279,212	279,212
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	279,212	279,212
Exercise of share options (note 28)	—	—	—	4,427	(3,372)	—	1,055
As at 30 June 2019 (Unaudited)	<u>131</u>	<u>2,382,719</u>	<u>313,597</u>	<u>1,576,496</u>	<u>142,293</u>	<u>3,838,059</u>	<u>8,253,295</u>

* These reserve accounts comprise the consolidated reserves of RMB4,613,998,000 (30 June 2019: RMB4,415,105,000) in the interim condensed consolidated statement of financial position as at 30 June 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(4,296,722)	452,466
Adjustments for:			
Finance costs		399,654	500,503
Interest income	5	(31,038)	(32,164)
Loss on disposal of items of other property, plant and equipment	5	137	227
Fair value loss from investment in equity shares	5	2,800,641	—
Fair value changes on derivative instrument transaction not qualifying as hedges	5	3,666	(23,093)
Rental vehicles write-off	6	46,576	—
Share of loss/(profit) of associates	6	8,252	(785)
Depreciation of rental vehicles	10,13	1,053,220	799,791
Depreciation of right-of-use assets (excluding depreciation of rental vehicles under lease)	6,13	88,822	60,052
Depreciation of other property, plant and equipment	6,11	29,200	32,955
Amortisation of other intangible assets	6,14	1,242	1,729
Impairment of trade receivables	6	39,065	1,529
Impairment of amounts due from a related party	30	393,145	—
Impairment of prepayments		86,280	—
Impairment of finance lease receivables	12	93,803	—
Impairment of investment in associates	15	8,306	—
Exchange loss	5	71,313	23,510
Equity-settled share option expenses	28	58,652	—
		854,214	1,816,720
Decrease/(Increase) in rental vehicles		682,900	(1,390,550)
Increase in trade receivables		(23,607)	(56,649)
(Increase)/decrease in amounts due from a related party		(75,713)	27,686
Decrease/(increase) in inventories		118,157	(172,891)
Decrease/(increase) in prepayments, other receivables and other assets		290,458	(273,305)
Decrease in finance lease receivables		372,921	32,831
Increase in trade payables		10,348	783,790
Increase in amounts due to a related party		24,598	4,174
Increase/(decrease) in advances from customers		8,423	(73,614)
(Decrease)/increase in other payables and accruals		(135,371)	24,517
Tax paid		(149,498)	(193,970)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		1,977,830	528,739

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of other property, plant and equipment		(44,154)	(73,661)
Proceeds from disposal of other property, plant and equipment		529	176
Purchases of other intangible assets		(2,024)	(4,875)
Decrease in other current financial assets		—	522,510
Investment in an associate		—	(68,852)
Proceeds from settlement of derivative financial instruments		39,027	—
Interest received		30,769	64,090
		24,147	439,388
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease/(Increase) in deposits for borrowings		1,000	(43,110)
Decrease/(increase) in restricted cash		513,858	(322,510)
Proceeds from bank and other borrowings		435,328	2,401,734
Repayments of bank and other borrowings		(3,503,405)	(3,912,398)
Proceeds from issuance of senior notes	24	—	1,338,656
Compensation of senior notes exchange offer		—	(17,918)
Proceeds from exercise of share options		995	1,055
Principal portion of lease payments		(144,767)	(64,070)
Repayment of corporate bonds		(1,030,000)	—
Repayment of senior notes		(2,256,086)	—
Interest paid		(455,551)	(405,904)
		(6,438,628)	(1,024,465)
		(4,436,651)	(56,338)
Cash and cash equivalents at beginning of period		5,360,520	3,186,401
Effect of foreign exchange rate changes, net		(5,243)	16,570
CASH AND CASH EQUIVALENTS AT END OF PERIOD		918,626	3,146,633

1. CORPORATE INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 28 August 2020.

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

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

Going concern

As at 30 June 2020, the Group's current liabilities exceeded its current assets by RMB3,953,972,000. In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

When preparing the consolidated interim financial information as of 30 June 2020, the directors of the Company concluded that a going concern basis of preparation was appropriate after analyzing the forecasted cash flows for the twelve months from 30 June 2020 which indicates that the Group will have sufficient liquidity during the next twelve months from cash flows generated by operations and current available fund. In preparing the forecasted cash flows analysis, the directors assessed that 1) it will sell a portion of its car fleet at market prices in the next twelve months from 30 June 2020, 2) it can successfully carry out the Group's business plan notwithstanding with the significant decrease in the fleet size so as to generate sufficient operating cash flow. The analysis indicates that the Group will have the financial resources to settle borrowings and payables that will be due in the next twelve months.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

(continued)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the revised IFRSs are described below:

- (a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

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

(continued)

2.2 Changes in accounting policies and disclosures (continued)

- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office and stores, parking lots have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has elected to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. At the effective date of modification, lessee remeasured lease liabilities. The difference of RMB29,128 between the carrying amount of the modified liabilities and the lease liabilities immediately before the modification was an adjustment to the right-of-use asset.

- (d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

Information about geographical area

Since all of the Group's revenue was generated from the car rental and 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*.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

4. REVENUE

An analysis of revenue with the adoption of IFRS 15 and IFRS 16 is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from other sources</i>		
Car rental revenue	1,649,886	2,504,297
Fleet rental revenue	86,474	264,745
Sales of used rental vehicles under lease contracts	4,316	220,158
Finance lease income	67,349	90,434
	1,808,025	3,079,634
<i>Revenue from contracts with customers</i>		
Sales of used rental vehicles	947,734	643,483
Franchise related income	612	600
Other service income	2,525	17,241
	950,871	661,324
	2,758,896	3,740,958

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or service		
Sales of used rental vehicles	947,734	643,483
Franchise related income	612	600
Other service income	2,525	17,241
Total revenue from contracts with customers	950,871	661,324
Types of revenue recognition		
Goods transferred at a point in time	947,734	643,483
Services transferred over time	3,137	17,841
Total revenue from contracts with customers	950,871	661,324

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

5. OTHER INCOME AND EXPENSES, NET

	Six months ended 30 June	
	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2019 <i>RMB'000</i> <i>(Unaudited)</i>
Interest income	31,038	32,164
Exchange loss	(71,313)	(23,510)
Government grants*	37,468	19,623
Loss on disposal of items of other property, plant and equipment	(137)	(227)
Fair value loss on investment in equity shares	(2,800,641)	—
Fair value changes on derivative instrument transaction not qualifying as hedges	(3,666)	23,093
Default income	1,701	2,323
Others	(1,428)	12,883
	(2,806,978)	66,349

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

6. (LOSS)/PROFIT BEFORE TAX

In addition to the items detailed elsewhere in the interim condensed consolidated financial information, the Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Cost of sales of used vehicles	977,829	901,105
Depreciation of rental vehicles (note 10)	1,053,220	799,791
Depreciation of other property, plant and equipment	29,200	32,955
Depreciation of right-of-use assets (excluding depreciation of rental vehicles under lease)	88,822	60,052
Amortisation of other intangible assets*	1,242	1,729
Rental vehicles write-off (note 10)	46,576	—
Lease payments not included in the measurement of lease liabilities (note 13)	21,381	33,033
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	330,019	357,473
Equity-settled share option expenses	48,644	—
Pension scheme contributions**	46,665	80,577
Insurance expenses	107,756	138,819
Repair and maintenance	95,292	114,820
Exchange loss	71,313	23,510
Auditors' remuneration	2,600	2,000
Impairment of trade receivables	39,065	1,529
Impairment of amounts due from a related party	393,145	—
Impairment of prepayments	86,280	—
Impairment of finance lease receivables	93,803	—
Loss on disposal of items of other property, plant and equipment	137	227
Advertising and promotion expenses	42,735	1,343
Fair value changes on derivative instrument-transactions not qualifying as hedges	3,666	(23,093)
Fair value loss from investment in equity shares	2,800,641	—
Share of loss/(profit) of associates	8,252	(785)
Impairment of investment in associates	8,306	—
Finance costs	399,654	500,503

* The amortisation of other intangible assets for the six months ended 30 June 2020 and 2019 is included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss.

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

7. INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	114,276	161,162
Deferred tax	(73,323)	12,092
Total tax charge for the period	40,953	173,254

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

The provision for current income tax in Mainland China is based on a statutory rate of 25% of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 except for Haike (Pingtan) 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 subsidiary has been provided at the rate of 16.5% as there is no assessable profit arising in Hong Kong during the period.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on earnings of non-resident enterprise derivatives from the operations in Mainland China. The withholding tax derived from inter-company charges from certain overseas subsidiaries to PRC subsidiaries amounted to RMB12,307,000 for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB18,015,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

7. INCOME TAX EXPENSES *(continued)*

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit before tax	(4,296,722)	452,466
Tax at the PRC statutory tax rate of 25%	(1,074,181)	113,117
Tax effect of tax rate differences between PRC entities and overseas entities	336,743	62,847
Tax losses and temporary differences not recognised	54,299	1,436
True up of income tax in respect of prior year	(3,731)	(19,816)
PRC entities with preferential tax rate	5,335	(27,697)
Income not subject to tax	(258)	(1,187)
Expenses not deductible for tax	599,718	770
Utilisation of unrecognised tax losses and temporary differences	110,721	25,769
Withholding tax on the deemed income	12,307	18,015
Total charge for the period	40,953	173,254

The effective tax rate of the Group was -0.95% for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 38.29%).

8. DIVIDENDS

The board of the directors did not recommend payment of any dividend in respect of the period (for the six months ended 30 June 2019: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,120,149,722 (for the six months ended 30 June 2019: 2,119,251,070) in issue during the period, as adjusted to reflect the rights issue during the period, if any.

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:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	(4,337,675)	279,212
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,120,149,722	2,119,251,070
Effect of dilution on the weighted average number of ordinary shares:		
Share options	(107,793,219)	23,047,693
	<u>2,012,356,503</u>	<u>2,142,298,763</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

10. RENTAL VEHICLES

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At 1 January:		
Cost	14,266,149	13,769,773
Accumulated depreciation	(3,473,813)	(2,981,401)
Net carrying amount	<u>10,792,336</u>	<u>10,788,372</u>
At 1 January, net of accumulated depreciation	10,792,336	10,788,372
Additions	191,200	2,470,369
Disposals and transfers to inventories	(915,822)	(1,069,017)
Transfers to finance leases	—	(10,802)
Depreciation provided during the period	(1,011,498)	(799,791)
Rental vehicles write-off	(46,576)	—
At 30 June, net of accumulated depreciation	<u>9,009,640</u>	<u>11,379,131</u>
At 30 June:		
Cost	12,744,562	14,628,153
Accumulated depreciation	(3,734,922)	(3,249,022)
Net carrying amount	<u>9,009,640</u>	<u>11,379,131</u>

Vehicles with a carrying value of RMB1,102,412,000 as at 30 June 2020 (31 December 2019: RMB1,570,536,000) were pledged to secure certain of the Group's interest-bearing loans (note 23).

As at 30 June 2020, rental vehicles with a net carrying amount of RMB2,263,268,000 were acquired under repurchase programs, among which RMB125,285,000 were purchased from third party car dealers and RMB2,137,983,000 were purchased from Borgward, pursuant to which 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 plans to execute the repurchase option for the vehicles purchased from third party car dealers and depreciates them 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 or loss. Considering the uncertainty of Borgward's ability to repurchase the vehicles, the Group made adjustments to residual value of the vehicles based on latest market conditions.

11. OTHER PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2020, the Group acquired items of other property, plant and equipment with a cost of RMB44,174,000 (for the six months ended 30 June 2019: RMB73,649,000). Depreciation for items of other property, plant and equipment was RMB29,200,000 during the period (for the six months ended 30 June 2019: RMB32,955,000).

During the six months ended 30 June 2020, assets with a net book value of RMB666,000 were disposed of by the Group (for the six months ended 30 June 2019: RMB403,000).

During the six months ended 30 June 2020, the Group was not in the acquisition of subsidiaries (for the six months ended 30 June 2019: Nil).

12. FINANCE LEASE RECEIVABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Net minimum lease payments receivable	1,078,710	1,639,128
Unearned finance income	(254,360)	(441,857)
	824,350	1,197,271
Less: Impairment of finance lease receivables	93,803	—
Total net finance lease receivables	730,547	1,197,271
Less: current portion	205,722	341,319
Non-current portion	524,825	855,952

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

12. FINANCE LEASE RECEIVABLES *(continued)*

Future minimum lease payments to be received under non-cancellable finance lease arrangements as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
Within one year	236,261	485,816
In the second to fifth years, inclusive	842,449	1,153,312
	<u>1,078,710</u>	<u>1,639,128</u>

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
Within one year	205,722	341,319
In the second to fifth years, inclusive	524,825	855,952
	<u>730,547</u>	<u>1,197,271</u>

13. LEASE

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

13. LEASE (continued)

The Group as a lessee (continued)

(a) 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 <i>RMB'000</i>	Rental vehicle* <i>RMB'000</i>	License plates <i>RMB'000</i>	Offices and stores <i>RMB'000</i>	Parking lots <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020 (Audited)	57,177	208,611	15,046	162,600	117,741	561,175
Additions	—	—	—	26,938	60,631	87,569
Depreciation expense	(807)	(41,722)	(7,613)	(29,442)	(50,960)	(130,544)
As at 30 June 2020 (Unaudited)	<u>56,370</u>	<u>166,889</u>	<u>7,433</u>	<u>160,096</u>	<u>127,412</u>	<u>518,200</u>

* 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.

	Leasehold land <i>RMB'000</i>	Rental vehicle <i>RMB'000</i>	License plates <i>RMB'000</i>	Offices and stores <i>RMB'000</i>	Parking lots <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2019 (Audited)	58,791	—	20,600	149,388	63,227	292,006
Additions	—	—	5,565	27,345	80,669	113,579
Depreciation expense	(807)	—	(7,504)	(25,529)	(26,212)	(60,052)
As at 30 June 2019 (Unaudited)	<u>57,984</u>	<u>—</u>	<u>18,661</u>	<u>151,204</u>	<u>117,684</u>	<u>345,533</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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13. LEASE (continued)

The Group as a lessee (continued)

(b) Lease liabilities

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Carrying amount at 1 January	482,041	219,013
New leases	90,953	114,555
Accretion of interest recognised during the period	15,703	6,025
Payments	<u>(160,470)</u>	<u>(70,095)</u>
Carrying amount at 30 June	<u>428,227</u>	<u>269,498</u>
Analysed into:		
Current portion	172,343	136,309
Non-current portion	<u>255,884</u>	<u>133,189</u>

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on lease liabilities	15,703	6,025
Depreciation charge of right-of-use assets	130,544	60,052
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 30 June (included in direct operating expenses of rental services)	<u>21,381</u>	<u>33,033</u>
Total amount recognised in profit or loss	<u>167,628</u>	<u>99,110</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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14. OTHER INTANGIBLE ASSETS

During the six months period ended 30 June 2020, the Group acquired other intangible assets with amounts of RMB2,024,000 (for the six months ended 30 June 2019: RMB4,875,000). Amortisation of other intangible assets was RMB1,242,000 during the period (for the six months ended 30 June 2019: RMB1,729,000). The Group did not dispose of other intangible assets during the six months period ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

15. INVESTMENTS IN ASSOCIATES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Beijing QWOM Technology Co., Ltd. (北京氫動益維科技股份有限公司) (a)	28,099	46,222
Botpy Inc. (b)	72,391	70,826
	100,490	117,048

(a) Beijing QWOM Technology Co.,Ltd. (北京氫動益維科技股份有限公司)

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Share of net assets	28,099	37,916
Goodwill on acquisition	8,306	8,306
Impairment of goodwill	(8,306)	—
	28,099	46,222

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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15. 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)*

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Beijing QWOM Technology Co.,Ltd. (北京氫動益維科技股份有限公司) ("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.

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

	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Share of the associate's (loss)/profit for the period	(9,817)	2,015
Share of the associate's total comprehensive income	(9,817)	2,015
Carrying amount of the Group's investment in the associate	<u>28,099</u>	<u>43,926</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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15. INVESTMENTS IN ASSOCIATES (continued)

(b) Botpy Inc.

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Share of net assets	6,141	4,576
Goodwill on acquisition	66,250	66,250
	72,391	70,826

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
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 interests 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

15. INVESTMENTS IN ASSOCIATES *(continued)*

(b) Botpy Inc. *(continued)*

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

	30 June 2020 RMB'000 (Unaudited)	30 June 2019 RMB'000 (Unaudited)
Share of the associate's profit/(loss) for the period	1,565	(1,230)
Share of the associate's total comprehensive income	1,565	(1,230)
Carrying amount of the Group's investment in the associate	72,391	67,622

16. INVESTMENT IN EQUITY SHARES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
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

16. INVESTMENT IN EQUITY SHARES *(continued)*

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

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

The equity shares of UCAR were measured at fair value and were classified as Level 3 fair value measurement. As of 30 June 2020, management of the Company has recognized fair value loss on the equity shares of UCAR amounting to RMB2,800,641,000 for the six months ended 30 June 2020 (fair value loss for the six months ended 30 June 2019: Nil) due to the fact that significant uncertainty and sharp decrease in market value have been noted in UCAR's business.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

17. INVENTORIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Used rental vehicles held for sale	69,202	137,458
Fuel	18,811	55,102
Others	21,464	35,074
	109,477	227,634

18. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	121,742	100,836
Less: Impairment provision	40,390	4,026
	81,352	96,810

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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18. TRADE RECEIVABLES *(continued)*

An aging analysis of the trade receivables as at 30 June 2020 and 31 December 2019, based on the invoice date and net of provisions, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	56,570	54,488
3 to 6 months	10,065	12,161
6 to 12 months	11,189	18,130
Over 1 year	3,528	12,031
	81,352	96,810

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Deductible VAT input	748,646	921,331
Prepayments	175,720	295,960
Other receivables	21,744	41,704
Rental deposits	52,285	53,653
Others	14,180	31,310
	1,012,575	1,343,958

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	898,626	3,485,538
Time deposits	29,927	2,398,767
	928,553	5,884,305
Less: Pledged time deposits:		
Pledged for bank loans*	7,308	522,510
Pledged for bank overdraft facilities	1,275	1,275
Pledged for construction in progress	1,344	—
Cash and cash equivalents	918,626	5,360,520

* The Group pledged certain deposits of RMB7,308,000 to secure the Group's certain interest-bearing bank loans as at 30 June 2020 (note 23).

The cash and bank balances of the Group denominated in RMB amounted to RMB862,191,000 as at 30 June 2020 (31 December 2019: RMB3,407,502,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

21. TRADE PAYABLES

An aging analysis of the outstanding trade payables as at 30 June 2020 and 31 December 2019, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	52,227	55,049
3 to 6 months	5,522	10,329
Over 6 months	39,352	21,375
	97,101	86,753

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

22. OTHER PAYABLES AND ACCRUALS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Interest payables	101,002	205,735
Deposits by customers	177,198	202,241
Contract liabilities	135,758	212,287
Payroll payable	92,346	75,552
Other tax payable	116,788	184,108
Payable for other property, plant and equipment	13,838	13,838
Others	82,455	70,880
	719,385	964,641

Other payables and accruals are non-interest-bearing.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:						
Lease liabilities	6.30	2020-2021	172,343	6.30	2020	203,615
Short-term bank loans						
– guaranteed			—	4.43-5.53	2020	359,286
– unsecured and unguaranteed	4.35-5.66	2020	266,850	4.35-6.15	2020	1,330,040
– pledged			—	3.10	2020	522,953
Current portion of long-term bank loans						
– guaranteed	3.86-4.67	2021-2023	1,067,325	5.30-5.92	2020-2021	219,407
– unsecured and unguaranteed	6.41	2021	80,000	6.41	2021	150,000
Current portion of sale and leaseback obligations						
– secured	3.09-7.38	2021-2022	485,232	3.09-7.38	2021-2022	669,122
Current portion of long-term other loans						
– guaranteed	6.85	2022	240,000	6.85	2022	100,000
			<u>2,311,750</u>			<u>3,554,423</u>
Non-current						
Lease liabilities	6.30	2021-2025	255,884	6.30	2021-2024	278,426
Bank loans						
– guaranteed			—	5.30	2021-2022	1,141,746
– unsecured and unguaranteed			—	6.41	2021	75,000
Sale and leaseback obligations						
– secured			—	3.09-7.38	2021-2022	294,097
Other loans						
– guaranteed	6.85	2022	490,000	6.85	2022	800,000
			<u>745,884</u>			<u>2,589,269</u>
			<u>3,057,634</u>			<u>6,143,692</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:		
Lease liabilities:		
Within one year or on demand	172,343	203,615
In the second year	163,051	154,583
In the third to fifth years, inclusive	69,868	111,388
Above five years	22,965	12,455
	428,227	482,041
Bank loans repayable:		
Within one year or on demand	1,414,175	2,581,686
In the second year	—	522,726
In the third to fifth years, inclusive	—	694,020
	1,414,175	3,798,432
Sale and leaseback obligations:		
Within one year or on demand	485,232	669,122
In the second year	—	283,832
In the third to fifth years, inclusive	—	10,265
	485,232	963,219
Other loans repayable:		
Within one year or on demand	240,000	100,000
In the second year	200,000	100,000
In the third to fifth years, inclusive	290,000	700,000
	730,000	900,000
	3,057,634	6,143,692

As at 30 June 2020, the Group's overdraft bank facilities amounted to RMB3,535,434,000 (31 December 2019: RMB6,032,384,000), of which RMB2,652,434,000 (31 December 2019: RMB5,083,574,000) was utilised.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

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

Security or guarantee	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guaranteed by CAR Inc.	730,000	1,177,653
Guaranteed by CAR Inc. and Changle E-Commerce	—	100,000
Guaranteed by 7 offshore subsidiaries of the Group	1,067,337	1,342,786
Unsecured and unguaranteed	775,065	2,037,081
Pledged by restricted cash	—	522,953
	<u>2,572,402</u>	<u>5,180,473</u>

Sales and leaseback obligations with the following amounts outstanding as at the period/year were secured/guaranteed by the following:

Security or guarantee	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
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	145,202	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	340,030	162,921
	<u>485,232</u>	<u>963,219</u>

Sales and leaseback obligations of RMB485,232,000 (2019: RMB963,219,000) as at 30 June 2020 were secured by certain of the Group's rental vehicles, the total carrying amount of which at 30 June 2020 was RMB1,102,412,000 (2019: RMB1,570,536,000) (note 10).

24. 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 principal amount) set forth below, plus accrued and unpaid interest, if any, on the 2015 Notes (A) redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on 4 February of the years indicated below, subject to the rights of holders of the 2015 Notes (A) on the relevant record date to receive interest on the relevant interest payment date:

Year	Redemption price
2018	103.0625%
2019 and thereafter	101.53125%

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

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 and maturity date extended to 10 May 2022.

On February 2020, the Company has fully paid the principal of US\$327,667,000 which due in 2020 of the 2015 Notes (A).

The remaining amount of US\$172,333,000 of 2015 Notes (A) 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

24. SENIOR NOTES *(continued)*

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	<i>(Unaudited)</i>
Total carrying amount at 1 January	3,584,908	3,493,988
Impact of exchange offer	—	36,901
Exchange realignment	(11,969)	6,394
Interest expenses	61,598	116,076
Interest expense payment	(123,161)	(122,937)
Principal repayment	(2,256,086)	—
	1,255,290	3,530,422
Total carrying amount at 30 June	1,255,290	3,530,422
Less: Interest payables due within one year reclassified to other payables and accruals	15,006	72,064
	1,240,284	3,458,358

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

24. SENIOR NOTES *(continued)*
(2) The 2015 Notes (B)

On 11 August 2015, the Company issued senior notes with an aggregated nominal value of US\$300,000,000 due 2021 (the "2015 Notes (B)"). The 2015 Notes (B) were listed on the Stock Exchange of Hong Kong Limited. The 2015 Notes (B) carries interest at the rate of 6.00% per annum, payable semi-annually on 11 February and 11 August in arrears, and will mature on 11 February 2021, unless redeemed earlier.

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

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

Year	Redemption price
2018	103.0%
2019 and thereafter	101.5%

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total carrying amount at 1 January	2,128,067	2,082,414
Exchange realignment	30,578	2,999
Interest expenses	69,140	66,121
Interest expense payment	(62,324)	(60,373)
	2,165,461	2,091,161
Less: Interest payables due within one year reclassified to other payables and accruals	49,014	47,473
	2,116,447	2,043,688

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

24. SENIOR NOTES *(continued)*

(3) The 2018 Notes (A)

On 4 April 2018, the Company issued senior notes with an aggregated nominal value of RMB400,000,000 due 2021 (the "2018 Notes (A)"). The 2018 Notes (A) were listed on the Stock Exchange of Hong Kong Limited. The 2018 Notes (A) carries interest at the rate of 6.50% per annum, payable semi-annually on 4 April and 4 October in arrears, and will mature on 4 April 2021, unless redeemed earlier.

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

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total carrying amount at 1 January	400,642	396,586
Interest expenses	15,155	14,887
Interest expense payment	(13,071)	(13,000)
	<hr/>	<hr/>
Total carrying amount at 30 June	402,726	398,473
	<hr/>	<hr/>
Less: Interest payables due within one year reclassified to other payables and accruals	6,180	6,180
	<hr/>	<hr/>
	396,546	392,293
	<hr/>	<hr/>

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

24. 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 RMB350,000,000, to be consolidated and form a single series with the 2018 Notes (A). The Additional Notes will mature on 4 April, 2021, unless earlier redeemed pursuant to the terms thereof. The 2018 Notes (B) were listed on the Stock Exchange of Hong Kong Limited. The 2018 Notes (B) carries interest at the rate of 6.50% per annum, payable semi-annually on 4 April and 4 October in arrears, and will mature on 4 April 2021, unless redeemed earlier.

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

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total carrying amount at 1 January	352,742	350,819
Interest expenses	12,400	12,235
Interest expense payment	(11,371)	(11,308)
	<hr/> 353,771 <hr/>	<hr/> 351,746 <hr/>
Total carrying amount at 30 June		
Less: Interest payables due within one year reclassified to other payables and accruals	5,408	5,408
	<hr/> 348,363 <hr/>	<hr/> 346,338 <hr/>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

24. 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 2019 Notes recognised in the statement of financial position were calculated as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	<i>(Unaudited)</i>
Total carrying amount at 1 January	1,396,147	—
Addition, net of issuance costs	—	1,338,656
Exchange realignment	21,347	16,508
Interest expenses	65,116	17,926
Interest expense payment	(62,749)	—
	<hr/>	<hr/>
Total carrying amount at 30 June	1,419,861	1,373,090
	<hr/>	<hr/>
Less: Interest payables due within one year reclassified to other payables and accruals	17,415	17,150
	<hr/>	<hr/>
	1,402,446	1,355,940
	<hr/>	<hr/>

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

25. CORPORATE BONDS

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

(1) The 2017 Corporate Bonds (A)

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

In April 2020, holders of the RMB300 million corporate bonds due 2022 of the Company have fully exercised the redemption option with a total principal amount of RMB300 million. The Company has paid the redemption funds and the interest incurred from April 2019 to April 2020 on 27 April 2020. The Company did not resell these bonds.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total carrying amount at 1 January	309,009	308,169
Interest expenses	7,491	8,598
Interest expense payment	(16,500)	(16,500)
Principal repayment	(300,000)	—
	<hr/>	<hr/>
Total carrying amount at 30 June	—	300,267
	<hr/>	<hr/>
Less: Interest payables due within one year reclassified to other payables and accruals	—	2,930
	<hr/>	<hr/>
	—	297,337
	<hr/>	<hr/>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

25. 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 RMB730,000,000, at a coupon rate of 6.3% per annum, with a term of three years with the Company’s option to adjust the coupon rate after the end of the second year upon issuance and the investors’ entitlement to require repurchase of the 2018 Corporate Bonds (B).

In April 2020, holders of the RMB730 million corporate bonds due 2021 of the Company have fully exercised the redemption option with a total principal amount of RMB730 million. The Company has paid the redemption funds and the interest incurred from April 2019 to April 2020 on 27 April 2020. The Company did not resell these bonds.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total carrying amount at 1 January	757,852	755,462
Interest expenses	18,138	23,966
Interest expense payment	(45,990)	(45,990)
Principal repayment	(730,000)	—
	<hr/>	<hr/>
Total carrying amount at 30 June	—	733,438
	<hr/>	<hr/>
Less: Interest payables due within one year reclassified to other payables and accruals	—	8,295
	<hr/>	<hr/>
	—	725,143
	<hr/>	<hr/>

The options of the 2018 Corporate Bonds (B) entitled to the Company and the investors are regarded as embedded derivatives closely related to the host contract.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

26. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Assets		
Forward currency contracts – Current	<u>—</u>	<u>42,693</u>

27. SHARE CAPITAL

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Authorised:		
26,000,000,000 ordinary shares of US\$0.00001 each	1,586	1,586
Issued and fully paid:		
2,120,894,611 (31 December 2019: 2,119,880,411) 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, 1 ordinary share at par value of US\$0.00005 was allotted and issued as fully paid by CARH. On 12 June 2014, the Company further issued and allotted 373,444,013 shares to CARH at par value.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

27. SHARE CAPITAL (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 the issued share capital became 1,867,220,070 shares of par value of US\$0.00001 each.

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

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

A summary of movements in the Company's share capital for the six months ended 30 June 2020 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 2020 (audited)	2,119,880,411	131	1,577,315	1,577,446
Issuance of shares pursuant to the option scheme (note 28)*	1,014,200	—	4,308	4,308
As at 30 June 2020 (unaudited)	<u>2,120,894,611</u>	<u>131</u>	<u>1,581,623</u>	<u>1,581,754</u>

* During the six months ended 30 June 2020, the subscription rights attaching to 1,014,200 share options were exercised at the average subscription price of US\$0.14 per share (note 28), resulting in the issue of 1,014,200 ordinary shares for a total cash consideration of RMB 995,000, of which RMB995,000 was charged to share premium. During the six months ended 30 June 2020, an amount of RMB3,313,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

28. SHARE OPTION SCHEME

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

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

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

28. SHARE OPTION SCHEME *(continued)*

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

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

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

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

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

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 will be 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

28. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Pre-IPO Share Option Scheme during the period:

	Weighted average exercise price US\$ per share	Number of options
At 1 January 2020, after share split	0.15	<u>27,536,766</u>
Exercised during the period	0.14	<u>(1,014,200)</u>
At 30 June 2020	0.15	<u><u>26,522,566</u></u>

The following share options were outstanding under the Post-IPO Share Option Scheme during the period:

	Weighted average exercise price HK\$ per share	Number of options
At 1 January 2020	6.36	<u>119,747,379</u>
Exercised during the period	—	<u>—</u>
At 30 June 2020	6.36	<u><u>119,747,379</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

28. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at 30 June 2020 are as follows:

Number of options	Exercise price per share	Exercise year
6,070,060	US\$0.058	Till 31 December 2023
11,428,316	US\$0.174	Till 31 December 2023
—	US\$0.174	Till 1 May 2024
9,024,190	US\$0.174	Till 31 August 2024
<u>119,747,379</u>	HK\$6.360	Till 17 October 2029
<u><u>146,269,945</u></u>		

The Group recognised share option expenses of RMB58,652,000 during the six months ended 30 June 2020 (30 June 2019: Nil).

29. COMMITMENTS

The Group had the following capital commitments as at 30 June 2020 and 31 December 2019:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for		
Rental vehicles	—	—
Buildings	<u>69,615</u>	<u>90,573</u>
	<u>69,615</u>	<u>90,573</u>

30. RELATED PARTY TRANSACTIONS

a) Related party

Related party for the six months ended 30 June 2020 and 2019 was as follows:

Name	Relationship
UCAR and its affiliates	A shareholder of the Group

b) Related party transactions

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

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
UCAR	<u>70,229</u>	<u>247,487</u>

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) Commission charged by a related party:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
UCAR	<u>—</u>	<u>1,471</u>

The commission expense was charged at agreed unit prices multiplying the numbers of successful sales orders of vehicles via UCAR's sales platform.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

30. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions *(continued)*

(iii) Office rental income from a related party:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
UCAR	793	1,586

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.

(iv) Office rental expense to a related party:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
UCAR	2,535	2,512

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.

c) Outstanding balances with a related party

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Due from a related party	519,574	443,861
Less: Impairment provision	393,145	—
	126,429	443,861
Due to a related party	126,429	101,831

As at 30 June 2020 and 31 December 2019, balances with a related party were unsecured, non-interest-bearing and repayable on demand.

30. RELATED PARTY TRANSACTIONS *(continued)*
d) Transactions with Borgward

Borgward became a subsidiary of UCAR since 29 July 2019 and thus constitutes a related person of the Company. The Company learned from UCAR's announcement dated 31 July 2020 that Borgward might be adjudicated as a related party of the Company since 17 January 2019. Therefore, the Company would like to disclose the transactions with Borgward during the six months ended 30 June 2019 for prudence. The transactions between Borgward and the Group for the period are as follow:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Purchase of rental vehicles and accessories from Borgward	—	1,678,577
Test drive service rendered to Borgward	—	40,159
Technology consulting service rendered to Borgward	—	11,149

e) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	3,258	2,221
Equity-settled share option expenses	17,692	—
	20,950	2,221

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets				
Investments in equity shares (note 16)	—	2,800,641	—	2,800,641
Derivative financial instruments (note 26)	—	42,693	—	42,693
	<u>—</u>	<u>2,843,334</u>	<u>—</u>	<u>2,843,334</u>

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 related parties, finance lease receivables, financial liabilities included in other payables and accruals, 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, senior notes and corporate bonds 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, senior notes and corporate bonds as at 30 June 2020 was assessed to be insignificant.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2019:

As at 30 June 2019

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investments in equity shares of UCAR	Market approach	Concluded market multiples	2.5-6.7	5% increase/(decrease) in concluded market multiples would result in increase/(decrease) in fair value by RMB130,742,000/ (RMB130,742,000)

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 2)	Significant observable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Investment in equity shares (note 16)	—	—	—	—

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

Fair value hierarchy *(continued)*

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Investments in financial assets at fair value through profit or loss:		
At 1 January	2,800,641	2,809,641
Total loss recognised in the statement of profit or loss included in other income	(2,800,641)	(9,000)
At the end of the period/year	—	2,800,641

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Investments in financial assets at fair value through profit or loss:		
At 1 January	42,693	19,600
Total (losses)/profits recognised in the statement of profit or loss included in other income	(3,666)	23,093
Purchase	—	—
Disposal	(39,027)	—
At the end of the period/year	—	42,693

32. EVENTS AFTER THE REPORTING PERIOD

On 20 July 2020, UCAR Limited, UCAR Service Limited and UCAR Technology Inc. (collectively, the “UCAR Sellers”, all of which are wholly-owned subsidiaries of UCAR, a substantial shareholder of the Company), have entered into a sale and purchase agreement with Jiangxi Province Jinggangshan Beiqi Investment Management Co., Ltd. (江西井岡山北汽投資管理有限公司) (“Jinggangshan BAIC”) in connection with the acquisition of 442,656,855 shares of the Company by Jinggangshan BAIC from the UCAR Sellers at a price of HK\$3.10 per share for a total consideration of HK\$1,372,236,250.50 (the “UCAR Share Sale”). The closing of the UCAR Share Sale is subject to satisfaction or waiver of a number of conditions precedents. For details, please refer to the announcement of the Company dated 20 July 2020.

On 24 July 2020, Amber Gem Holdings Limited (“Amber Gem”), a substantial shareholder of the Company, has entered into a sale and purchase agreement with Jinggangshan BAIC in connection with the acquisition of no less than 170,720,569 shares of the Company by Jinggangshan BAIC from Amber Gem at a price of HK\$3.10 per share for a total consideration of HK\$529,233,763.9 (assuming 170,720,569 shares of the Company will be acquired) (the “Amber Gem Share Sale”). The closing of the Amber Gem Share Sale is intended to occur simultaneously as the closing of the UCAR Share Sale and is subject to a number of conditions precedent. For details, please refer to the announcement of the Company dated 26 July 2020.

On 1 August 2020, Ms. Xiaogeng LI (“Ms. Li”) has resigned from her offices as a non-executive director, a member of the Audit and Compliance Committee and a member of the Remuneration Committee of the Company. Following the resignation of Ms. Li, the Company fails to meet the requirement of (i) the Audit and Compliance Committee comprising only non-executive directors with a minimum of three members under rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the terms of reference for the Audit and Compliance Committee; and (ii) the Remuneration Committee comprising of not less than three members under the terms of reference for the Remuneration Committee. The Board is in the process of identifying suitable candidate(s) to fill the vacancy of the abovementioned positions. For details, please refer to the announcement of the Company dated 3 August 2020.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Ms. Yifan SONG (*Chief Executive Officer*)

Non-executive Directors

Mr. Linan ZHU
Mr. Zhen WEI
Mr. Leping YAN

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*)
Mr. Li ZHANG

NOMINATION COMMITTEE

Mr. Li ZHANG (*Chairman*)
Mr. Sam Hanhui SUN
Mr. Linan ZHU

REMUNERATION COMMITTEE

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

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INDEPENDENT AUDITORS

Ernst & Young
(*Certified Public Accountants*)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

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