CAR Inc.

神州租車有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0699)

2018 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of CAR Inc. (the "Company") is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 (the "Reporting Period") prepared pursuant to International Financial Reporting Standards ("IFRSs").

I. FINANCIAL HIGHLIGHTS

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

Notes:

(1) Adjusted EBITDA and adjusted net profit are non-IFRS measures. Please refer to "V. Non-IFRS financial reconciliation" for details.

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

(3) Free cash flow is a non-IFRS measure. Please refer to "V. Non-IFRS financial reconciliation" for details.

II. BUSINESS OVERVIEW

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

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

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

Number of Fleet

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

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

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

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

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

III. STRATEGIC HIGHLIGHTS

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

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

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

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenues and Profitability Analysis

Rental revenue

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

Car rental metrics

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

Notes:

(1) Average daily car rental fleet is calculated by dividing the aggregate days of our car rental vehicles in operation in a given period by the aggregate days of that period. "Car rental vehicles in operation" refers to our entire car rental fleet, including those temporarily unavailable for customer use due to repair or maintenance and those that are being transported.

(2) Average daily rental rate or ADRR is calculated by dividing our car rental revenue in a given period by the rental days in that period. Rental days are the total rental days for all vehicles in our car rental fleet in a given period.

(3) Car utilization rate is calculated by dividing the aggregate days that our vehicles are rented out for car rentals by the aggregate days that our car rental vehicles are in operation.

(4) RevPAC refers to average daily rental revenue per car rental vehicle, which is calculated by multiplying the average daily rental rate in a given period by the car utilization rate in that same period.

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

- ***Car rentals.*** Revenue from car rentals increased by 19% year-over-year to RMB2,073.3 million for the six months ended 30 June 2018, a mixed impact of 25% rental days growth and 5% ADRR decrease. The ADRR decrease was mainly driven by the year-over-year carry-over impact and the further increased incentive levels to drive new customer acquisitions and rental days growth. During the Reporting Period, the average daily fleet increased by 38% to 83,247. The utilization rate was 62.2%, lower than last year due to the enlarged fleet availability for the new car sharing business to stimulate growth. The Company also slowed down vehicle retirement for the aforementioned purpose.

- ***Fleet rentals.*** Revenue from fleet rentals decreased by 42% year-over-year to RMB409.1 million for the six months ended 30 June 2018, mainly due to the decrease in UCAR Ride-hailing fleet. The rental prices and terms for each car model under the collaboration with UCAR remained unchanged since the inception.

- ***Other revenue.*** Other revenue mainly consists of finance lease revenue, insurance claims and franchise royalty. Other revenue was RMB10.7 million for the six months ended 30 June 2018, compared with RMB12.4 million for the same period of 2017.

Depreciation of rental vehicles and direct operating expenses of rental services

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

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

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

Sales of used vehicles (revenue & cost)

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

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

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

Gross profit

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

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

Selling and distribution expenses

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

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

Administrative expenses

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

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

Other income and expenses, net

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

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

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

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

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

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

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

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

2. Financial Position

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

Note:

(1) Total cash is a non IFRS measure.

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

Total cash

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

Trade receivables and due from related parties

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

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

Capital expenditures

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

Borrowings

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

The Company has optimized funding structure to support sustainable business growth, while maintaining a prudent financial policy to ensure balanced leverage ratios and credit metrics. On 4 April 2018, the Company successfully issued RMB400 million 6.5% due 2021 Reg S offshore CNH bond. This was the Company's first offshore RMB bond and was well-received by the market amid volatile market conditions. The issuance was extended by RMB350 million on 2

May 2018. On 25 April 2018, the Company issued RMB730 million Panda bond, which further demonstrated the Company's healthy credit profile. The offerings set a benchmark for the Company's future transactions in the capital markets to further diversified its funding sources.

Foreign exchange risk management

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

Free cash flow

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

V. NON-IFRS FINANCIAL RECONCILIATION

	For the six months ended 30 June	
	2018	**2017**
	(RMB in thousands, except percentages)	
A. Adjusted net profit		
Net profit	135,480	379,012
Adjusted for:		
Share-based compensation	1,490	4,531
Fair value changes on derivative instrument-transaction not qualifying as hedges	92,189	38,972
Fair value loss from investment in equity shares and redeemable preference shares	6,732	32,426
Share of (profit)/loss of an associate	(2,636)	777
Foreign exchange loss/(gain)	102,559	(141,982)
Adjusted net profit	335,814	313,736
Adjusted net profit margin (as a percentage of rental revenue)	13.5%	12.8%

	For the six months ended 30 June	
	2018	**2017**
	(RMB in thousands, except percentages)	
B. Adjusted EBITDA		
Reported EBITDA calculation		
Profit before tax	263,790	521,364
Adjusted for:		
Finance costs	360,743	314,407
Interest income from bank deposit	(46,319)	(13,373)
Depreciation of rental vehicles	704,957	645,044
Depreciation of other property, plant and equipment	37,558	36,105
Amortization of other intangible assets	3,367	4,392
Amortization of prepaid land lease payment	807	807
Impairments on trade receivables	2,127	5,991
Reported EBITDA	1,327,030	1,514,737
Reported EBITDA margin (as a percentage of rental revenue)	53.2%	61.7%
Adjusted EBITDA calculation		
Reported EBITDA	1,327,030	1,514,737
Adjusted for:		
Share-based compensation	1,490	4,531
Fair value loss from investment in equity shares and redeemable preference shares	6,732	32,426
Fair value changes on derivative instrument-transaction not qualifying as hedges	92,189	38,972
Share of (profit)/loss of an associate	(2,636)	777
Foreign exchange loss/(gain)	102,559	(141,982)
Adjusted EBITDA	1,527,364	1,449,461
Adjusted EBITDA margin (as a percentage of rental revenue)	61.3%	59.0%

	For the six months ended 30 June	
	2018	**2017**
	(RMB in thousands)	
C. Free cash flow		
Net cash flows generated from operating activities	(1,327,405)	433,185
Purchases of other property, plant and equipment	(36,375)	(26,116)
Proceeds from disposal of other property, plant and equipment	1,068	31
Purchases of other intangible assets	(4,873)	(394)
Net investment activity	(40,180)	(26,479)
Free cash flow	(1,367,585)	406,706

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

Foreign exchange loss/(gain), fair value loss/(gain) from investment in equity shares and redeemable preference shares, gain on disposal of subsidiaries, and share of (profit)/loss of an associate had been added in the reconciliation in 2016 due to the change in economic situation and the Group's business strategies.

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

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

VI. FINANCIAL INFORMATION

Consolidated statement of profit or loss

	Notes	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Rental revenue		2,493,126	2,455,717
Sales of used vehicles		582,288	1,155,880
Total revenue	4	3,075,414	3,611,597
Depreciation of rental vehicles		(704,957)	(645,044)
Direct operating expenses of rental services		(795,682)	(783,819)
Cost of sales of used vehicles		(588,306)	(1,190,817)
Gross profit		986,469	991,917
Other income and expenses, net	4	(122,095)	106,375
Share of profit/(loss) of an associate		2,636	(777)
Selling and distribution expenses		(29,614)	(11,111)
Administrative expenses		(212,863)	(250,633)
Finance costs		(360,743)	(314,407)
Profit before tax	5	263,790	521,364
Income tax expenses	6	(128,310)	(142,352)
Profit for the period		135,480	379,012
Attributable to:			
Owners of the parent		135,480	379,012
Earnings per share attributable to ordinary equity holders of the parent			
Basic (RMB)	7	0.063	0.164
Diluted (RMB)	7	0.062	0.161
Profit for the period		135,480	379,012
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period, net of tax		135,480	379,012

Consolidated statement of financial position

		As at	
		30 June 2018	**31 December 2017**
		(Unaudited)	*(Audited)*
	Notes	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Rental vehicles	8	11,197,171	9,538,828
Other property, plant and equipment	9	468,321	470,794
Finance lease receivables — non-current	10	515,443	115,443
Prepayments		42,729	116,055
Prepaid land lease payments		57,984	58,791
Goodwill		6,728	6,728
Other intangible assets		148,408	146,902
Investment in equity shares	11	2,800,512	2,807,244
Investment in an associate	12	35,121	32,485
Rental deposits		182	19
Restricted cash — non-current		1,275	1,275
Deposits for sales-leaseback borrowing		30,000	—
Deferred tax assets		178,233	183,316
Other non-current assets		16,813	16,223
Total non-current assets		**15,498,920**	**13,494,103**
CURRENT ASSETS			
Inventories		192,008	159,914
Trade receivables	13	93,861	92,452
Due from related parties		367,151	758,952
Prepayments, deposits and other receivables	14	1,465,509	1,174,657
Finance lease receivables — current	10	164,035	85,611
Other current financial assets	15	481,000	—
Restricted cash — current		—	60,895
Cash and cash equivalents		4,553,534	4,813,311
Total current assets		**7,317,098**	**7,145,792**

Consolidated statement of financial position (continued)

		As at	
		30 June 2018	**31 December 2017**
		(Unaudited)	*(Audited)*
	Notes	*RMB'000*	*RMB'000*
CURRENT LIABILITIES			
Trade payables	16	67,468	81,989
Other payables and accruals		670,474	700,090
Advances from customers		443,081	385,119
Interest-bearing bank and other borrowings — current	17	3,500,125	2,505,286
Due to a related party		2,596	4,964
Derivative financial instruments — current	18	49,131	187,026
Income tax payable		70,445	129,826
Total current liabilities		**4,803,320**	**3,994,300**
NET CURRENT ASSETS		2,513,778	3,151,492
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,012,698**	**16,645,595**
NON-CURRENT LIABILITIES			
Senior notes	19	5,962,510	5,149,165
Corporate bonds	20	1,019,199	296,089
Interest-bearing bank and other borrowings — non-current	17	2,812,586	3,171,201
Derivative financial instruments — non-current	18	38,200	—
Deposits received for rental vehicles		674	568
Deferred tax liabilities		162,049	154,661
Total non-current liabilities		**9,995,218**	**8,771,684**
Net assets		**8,017,480**	**7,873,911**
EQUITY			
Equity attributable to owners of the parent			
Share capital		133	134
Treasury shares	21	—	(147,481)
Reserves		4,544,015	4,683,406
Retained profits		3,473,332	3,337,852
Total equity		8,017,480	7,873,911

Consolidated statement of cash flows

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

Consolidated statement of cash flows (continued)

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

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated as an investment holding company under the laws of the Cayman Islands on 25 April 2014 in the name of China Auto Rental Inc., and changed its name to CAR Inc. on 17 June 2014. The registered and correspondence address is 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 PRESENTATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of CAR Inc. and its subsidiaries (together, the "Group") as at 30 June 2018 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the period then ended, have been prepared in accordance with IAS 34 "Interim Financial Reporting" issued by the IASB and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

2.2 Changes in accounting policies and disclosures

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

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

IFRS 15	Revenue from Contracts with Customers
IFRS 9	Financial Instruments
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Considerations
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Amendments to IFRS 1	First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
Amendments to IAS 40	Transfers of Investment Property
Amendments to IAS 28	Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

- The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 11, IAS 18 and related Interpretations and;

- As required for the interim condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 4 for the disclosure on disaggregated revenue. Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of IAS 11, IAS 18 and related Interpretations. As a result, the disclosure of disaggregated revenue in note 4 would not include comparative information under IFRS 15.

***IFRS 9** Financial Instruments*

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

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

Changes to classification and measurement

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

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

- Debt instruments at amortised cost;

- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;

- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition; and

- Financial assets at fair value through profit or loss.

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

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

Changes to the impairment calculation

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

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

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

3. OPERATING SEGMENT INFORMATION

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

Information about geographical area

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

4. REVENUE, OTHER INCOME AND EXPENSES, NET

Revenue mainly represents the value of rental service rendered and the net invoiced value of rental vehicles sold, net of business tax and discounts allowed.

An analysis of revenue, other income and expenses, net is as follows:

	For the six months ended 30 June	
	2018	**2017**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Revenue		
Car rental revenue	2,073,302	1,738,692
Fleet rental revenue	409,104	704,674
Finance lease income	5,105	5,408
Sales of used rental vehicles	582,288	1,155,880
Franchise related income	1,230	1,658
Others	4,385	5,285
	3,075,414	3,611,597
Other income and expenses, net		
Interest income from bank deposit	46,319	13,373
Exchange (loss)/gain	(102,559)	141,982
Government grants	27,976	17,902
Loss on disposal of items of other property, plant and equipment	(1,025)	(504)
Fair value loss from investment in equity shares and redeemable preference shares	(6,732)	(32,426)
Fair value changes on derivative instrument-transaction not qualifying as hedges	(92,189)	(38,972)
Others	6,115	5,020
	(122,095)	106,375

5. PROFIT BEFORE TAX

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

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

* The amortization of other intangible assets for the six months ended 30 June 2017 and 2018 is included in "Administrative expenses" in the consolidated statements 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.

6. INCOME TAX EXPENSES

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

	For the six months ended 30 June 2018	2017
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Current income tax	115,839	156,734
Deferred tax	12,471	(14,382)
Total tax charge for the period	128,310	142,352

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 an encouraged industry company established in the comprehensive experimentation area in Pingtan, Fujian Province, and therefore is entitled to 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 enterprises derived from the operation in Mainland China. The withholding tax derived from inter-company charges of certain overseas subsidiaries to PRC subsidiaries amounted to RMB14,010,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB13,291,000).

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

	For the six months ended 30 June	
	2018	**2017**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Profit before tax	263,790	521,364
Tax at PRC statutory tax rate of 25%	65,948	130,341
Tax effect of tax rate difference between PRC and overseas entities	80,228	9,654
(Utilization)/impact of unrecognized deferred tax assets	(14,759)	6,308
PRC entities with preferential tax rate	(20,644)	(23,684)
Expenses not deductible for tax	3,527	6,678
Withholding tax on the deemed income	14,010	13,291
Gain not subject to tax	—	(236)
Total charge for the period	128,310	142,352

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

7. EARNINGS PER SHARE ATTRIBUTED TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,149,952,069 (for the six months ended 30 June 2017: 2,312,927,423) in issue during the period, as adjusted to reflect the rights issue during the period, if any.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the respective period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

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

8. RENTAL VEHICLES

	For the six months ended 30 June	
	2018	**2017**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
At 1 January:		
Cost	11,593,572	11,191,607
Accumulated depreciation	(2,054,744)	(2,014,869)
Net carrying amount	9,538,828	9,176,738
At 1 January, net of accumulated depreciation	9,538,828	9,176,738
Additions	3,488,003	2,000,898
Disposals and transfers to inventories	(618,292)	(1,223,431)
Transfers to finance leases	(506,411)	(2,255)
Depreciation provided during the period	(704,957)	(645,004)
At 30 June, net of accumulated depreciation	11,197,171	9,306,906
At 30 June:		
Cost	13,689,589	11,326,045
Accumulated depreciation	(2,492,418)	(2,019,139)
Net carrying amount	11,197,171	9,306,906

Vehicles with carrying values of RMB738,005,000 as at 30 June 2018 (31 December 2017: RMB178,844,000) had been pledged to secure the Group's certain interest-bearing loans (note 17).

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

9. OTHER PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

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

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

During the six months ended 30 June 2018, the Group was not in the acquisition of subsidiaries (for the six months ended 30 June 2017: Nil).

10. FINANCE LEASE RECEIVABLES

Certain rental vehicles have been leased out through finance leases entered into by the Group. Finance lease receivables are comprised of the following:

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

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

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

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

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

11. INVESTMENT IN EQUITY SHARES

		As at	
		30 June *2018*	**31 December** *2017*
		(Unaudited)	(Audited)
		RMB'000	*RMB'000*
Investments in equity shares of an unlisted Company			
— UCAR Technology Inc.	(a)	—	—
Investments in equity shares of a publicly held company			
— UCAR Inc. (formerly, Huaxia United Science & Technology Co., Ltd.)	(b)	2,800,512	2,807,244
		2,800,512	2,807,244

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

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

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

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

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

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

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

On 9 March, 2018, the Company, along with other shareholders of UCAR Cayman, transferred its entire equity in UCAR Cayman to UCAR Limited (a subsidiary of UCAR Inc.) at a consideration of USD1.

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

In December 2015, UCAR Cayman implemented a corporate restructuring (the "UCAR Cayman Restructuring"), whereby the existing 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 Cayman (i.e. 9.35%). In January 2016, UCAR Cayman transferred its chauffeured car services business to Huaxia United and the Business Transfer resulted in an accounting reclassification of RMB1,542,409,000 from the preference share investment in UCAR Cayman to the ordinary share investment in Huaxia United. Huaxia United subsequently changed its name to UCAR Inc. (神州優車股份有限公

司). The equity interest held by CAR HK in UCAR was diluted from 9.35% as at 31 December 2015 to 7.42% as at 31 December 2016 after a series of capital injections in UCAR from third parties before the completion of UCAR's listing on the National Equities Exchange and Quotations of the PRC ("NEEQ") in July 2016. The equity interest held by CAR HK in UCAR was further diluted to 6.27% as at 31 December 2017 after a series of new capital injections in UCAR from third parties in 2017.

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

The equity shares of UCAR were measured at fair value and were classified as Level 3 fair value measurement. The fair value of the ordinary share investment in UCAR was estimated with the assistance of an independent valuation company. The fair value of the ordinary share investment in UCAR as at 30 June 2018 was based on the market approach with reference to the market multiples from comparable companies with consideration of the size, profitability and development stage of the industry and those comparable companies. The associated fair value loss of RMB6,732,000 for the six months ended 30 June 2018 was recognised through profit or loss under "other income and expenses, net".

12. INVESTMENT IN AN ASSOCIATE

	As at	
	30 June 2018	**31 December 2017**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Share of net assets	35,121	32,485

Particulars of the associate are as follows:

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

The Group, through its wholly-owned subsidiary, namely Haike (Pingtan) Information Technology Co., Ltd., acquired 30% equity interests in QWOM in April 2016. The Group's interest in QWOM is accounted for using the equity method in the consolidated financial statements. QWOM had completed listing on the NEEQ in December 2016.

The following table illustrates the financial information of the Group's associate:

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

13. TRADE RECEIVABLES

	As at	
	30 June 2018	**31 December 2017**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Trade receivables	95,740	94,926
Impairment provision	(1,879)	(2,474)
	93,861	92,452

The Company generally does not provide credit term 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, the Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 30 June 2018 and 31 December 2017, based on the invoice date and net of provisions, is as follows:

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

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

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

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

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

15. OTHER CURRENT FINANCIAL ASSETS

	As at	
	30 June	**31 December**
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Debt instruments at amortised cost:		
Other current financial assets	481,000	—

As of 30 June 2018, other current financial assets of RMB481,000,000 (31 December 2017:Nill) had been pledged to secure the Group's certain interest-bearing loans (note 17).

16. TRADE PAYABLES

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

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

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

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at	
	30 June 2018	**31 December 2017**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Current:		
Short-term loans		
— guaranteed	595,501	—
— unsecured and unguaranteed	604,848	392,834
Current portion of Sale and leaseback obligations		
— secured	223,277	100,411
Current portion of long-term bank loans		
— guaranteed	765,486	1,321,196
— unsecured and unguaranteed	611,013	690,845
Current portion of long-term other loans		
— guaranteed	700,000	—
	3,500,125	2,505,286

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
Non-current:		
Bank loans		
— guaranteed	2,323,630	1,896,348
— unsecured and unguaranteed	373,465	548,788
Other loans		
— guaranteed	—	700,000
Sale and leaseback obligations		
— secured	115,491	26,065
	2,812,586	3,171,201
	6,312,711	5,676,487
Analyzed into:		
Bank loans repayable:		
Within one year or on demand	2,576,848	2,404,875
In the second year	2,180,309	2,385,136
In the third to fifth years, inclusive	516,786	60,000
	5,273,943	4,850,011
Other borrowings repayable:		
Within one year or on demand	700,000	—
In the second year	—	700,000
	700,000	700,000
Sale and leaseback obligations:		
Within one year or on demand	223,277	100,411
In the second year	115,491	26,065
	338,768	126,476
	6,312,711	5,676,487

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

Other borrowings of RMB495,501,000 at 30 June 2018 (31 December 2017: Nil) were secured by certain of the Group's other current financial assets and its interests set forth in note 14 and note 15 above, the total carrying amount of which at June 30, 2018 was RMB 487,250,000 (31 December 2017: Nil).

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

As at 30 June 2018, the Group has entered into derivative financial instruments of forward currency contracts, with an aggregate contractual amount of US$530.0 million, to manage its exchange rate exposures. Such currency forwards represent commitments to purchase nominal amount of United States Dollar ("US$") against RMB at the strike rate with undelivered spot transactions. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The aggregate changes in the fair value of non-hedging currency derivatives were charged to the statement of profit or loss (note 4).

19. SENIOR NOTES

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

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

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

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

Year	**Redemption Price**
2018	103.0625%
2019 and thereafter	101.53125%

(ii) At any time prior to 4 February 2018, the Company may at its option redeem the 2015 Notes (A), in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2015 Notes (A) redeemed plus the applicable premium as 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.

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

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

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption option was not significant on initial recognition or at the end of the Reporting Period.

(2) **The 2015 Notes (B)**

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

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

On or after 11 August 2018, the Company may on any one or more occasions redeem all or any part of the 2015 Notes (B), at the redemption prices (expressed as percentages of the principal amount) set forth below, plus accrued and unpaid interest, if any, on the 2015 Notes (B) redeemed, 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 statements of financial position were calculated as follows:

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

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

(3) **The 2018 Notes (A)**

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

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

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

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

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

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

(4) **The 2018 Notes (B)**

On 2 May 2018, the Company issued Additional Notes (the "2018 Notes (B)") in the aggregate principal amount of RMB350 million, to be consolidated and form a single series with the 2018 Notes (A). The Additional Notes will mature on April 4, 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 April 4, 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 April 4, 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus an applicable premium (as defined in the Indenture) as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

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

	Six months ended 30 June 2018 *RMB'000* *(Unaudited)*
Total carrying amount at 1 January	—
Addition, net of issuance costs	344,018
Interest expenses	5,876
Interest expense payment	—
Total carrying amount at 30 June	349,894
Less: Interest payables due within one year reclassified to other payables and accruals	5,440
	344,454

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

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

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

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

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

(2) **The 2018 Corporate Bonds (B)**

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

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

	For the six months ended 30 June 2018 *(Unaudited)* *RMB'000*
Total carrying amount at 1 January	—
Addition, net of issuance costs	722,268
Interest expenses	8,861
Interest expense payment	—
Total carrying amount at 30 June	731,129
Less: Interest payables due within one year reclassified to other payables and accruals	8,419
	722,710

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.

21. TREASURY SHARES

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

For the six months ended 30 June 2018, the Company has cancelled 26,185,000 shares which were repurchased through the Stock Exchange in 2017.

VII. EVENTS AFTER THE REPORTING PERIOD

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

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

VIII. CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for code provision E.1.2.

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 Chairman of the Board, was unable to attend the Company's annual general meeting held on 16 May 2018 due to other engagement. In view of his absence, Mr. Lu had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

IX. MODEL CODE FOR SECURITIES TRANSACTIONS

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

X. PURCHASE, SALE OR REDEMPTION OF 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.

XI. AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee has been set up under the Board in compliance with the requirements pursuant to Rule 3.21 of the Listing Rules and paragraphs C.3 and D.3 of the CG Code. The Audit and Compliance Committee currently consists of one non-executive Director, namely, Ms. Xiaogeng LI, and two independent non-executive Directors, namely, Mr. Sam Hanhui SUN, and Mr. Li ZHANG, with Mr. Sam Hanhui SUN acting as the chairman of the Committee. As required under Rules 3.10(2) and 3.21 of the Listing Rules, Mr. Sam Hanhui SUN, being the chairman of the Committee, holds the appropriate professional qualifications.

The Audit and Compliance Committee has considered and reviewed the unaudited 2018 interim consolidated results of the Group for the Reporting Period and the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management and the independent auditor. The Audit and Compliance Committee considers that the unaudited consolidated interim results of the Group for the Reporting Period are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

XII. REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2018 have been reviewed by Ernst & Young, certified public accountants, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The review report of Ernst & Young will be included in the interim report to be sent to the shareholders of the Company.

XIII. DIVIDEND PAYMENT

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2018.

XIV. PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website (www.zuche.com) and the website of The Stock Exchange of Hong Kong Limited. The 2018 interim report of the Company containing all relevant information required by Appendix 16 to the Listing Rules will be published on the aforementioned websites and despatched to shareholders of the Company in due course.

Any forward-looking statements contained herein are not guaranteed of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group and are difficult to predict, that will or may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Therefore, such information is provided to shareholders and potential investors as interim information for reference only. The data shown above do not constitute nor should they be construed as invitations or offers to buy or sell any securities or financial instruments of the Group. Nor are they intended as the offer of any investment services or advices. Shareholders of the Company and investors are cautioned not to unduly rely on such information and are advised to exercise caution when dealing in the securities of the Company. When in doubt, investors are advised to seek professional advice from professional or financial advisers.

The Group employs certain non-IFRS financial figures 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 the Company's shareholders and investors benefit from referring to these non-IFRS financial measures in assessing the Group's performance and when planning and forecasting future periods. The Group's management believes that adjusted EBITDA is a useful financial metrics to assess the Group's operating and financial performance.

This announcement has been issued in the English language with a separate Chinese language translation. If there is any discrepancy between the English language version and the Chinese language version of this announcement, the English language version shall prevail.

By Order of the Board
CAR Inc.
Charles Zhengyao LU
Chairman

Hong Kong, 14 August 2018

As at the date of this announcement, the Board of Directors of the Company comprises Ms. Yifan Song as Executive Director; Mr. Charles Zhengyao Lu, Mr. Linan Zhu, Ms. Xiaogeng Li and Mr. Zhen Wei as Non-executive Directors; and Mr. Sam Hanhui Sun, Mr. Wei Ding and Mr. Li Zhang as Independent Non-executive Directors.