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**CAR Inc.**

**神州租車有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 0699)**

## **2019 FIRST QUARTER RESULTS ANNOUNCEMENT**

The Board of Directors (the “Board”) of CAR Inc. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2019 (the “Reporting Period”) prepared pursuant to International Financial Reporting Standards (“IFRSs”).

### **2019 FIRST QUARTER RESULTS HIGHLIGHTS**

- Adjusted net profit increased by 15% year-over-year to RMB241 million. Adjusted net profit margin was 17%.
- Net profit increased by 70% year-over-year to RMB390 million.
- Adjusted EBITDA increased by 19% year-over-year to RMB958 million.
- Adjusted EBITDA margin increased by 2 percentage points year-over-year to 66%.
- Gross profit increased by 20% year-over-year to RMB637 million. Gross profit margin was 44%.
- Adjusted EPS increased by 16% year-over-year to RMB0.114.
- Car rental revenue increased by 22% year-over-year to RMB1,266 million.
- Free cash flow turned into an inflow of RMB85 million.
- In March 2019, self-served transactions accounted for 70% of the total transactions, compared with 62% in December 2018.

## I. BUSINESS OVERVIEW

The Company has entered 2019 with a solid financial performance and prosperous business growth. During the Reporting Period, adjusted net profit increased by 15% year-over-year to RMB241.4 million, driven by the growth in fleet size. Adjusted net profit margin was 16.6%, similar with the same period last year. Adjusted EBITDA increased by 19% year-over-year to RMB957.6 million, and adjusted EBITDA margin increased by 2.1 percentage points to 65.8%. Net profit increased by 70% year-over-year to RMB390.0 million, mainly due to the increase of gross profit.

During the Reporting Period, total rental revenue increased by 15% year-over-year to RMB1,456.2 million. Car rental revenue increased by 22% year-over-year to RMB1,265.6 million, driven by 23% rental days growth. Fleet rental and other revenue decreased by 15% year-over-year to RMB190.5 million, mainly due to the decrease of UCAR Inc.'s ("UCAR") ride-hailing fleet ("UCAR Ride-hailing"). As at 31 March 2019, the total fleet was 137,943 vehicles, compared with 106,955 vehicles as at 31 March 2018.

During the Reporting Period, average daily fleet of car rental business increased by 29% year-over-year to 103,384. ADRR was RMB226, which remained stable as compared with RMB229 for the same period last year. Utilization rate was 60.4%, when ADRR remained constant with an enlarged fleet size. As a result, RevPAC was RMB136. Adjusted net profit margin remains stable, as a result of the expansion of economies of scale and a decrease of RevPAC to maintain growth.

During the Reporting Period, the Company disposed 4,462 used vehicles compared with 3,830 vehicles for the same period last year. The Company intends to gradually recover used vehicles disposal volume in 2019 to maintain a healthy fleet mix. The cost-to-sales ratio of used vehicles was 103.7%, which remained within the +/-5% tolerance in the weak used vehicles sales market. This has consistently reflected the Company's long-term commitment to adopt a rigorous residual estimation approach.

## II. MANAGEMENT DISCUSSION AND ANALYSIS

	For the three months ended 31 March		Year-over-year change
	2019 <i>(Unaudited)</i>	2018 <i>(Unaudited)</i>	
	<i>(in RMB millions, except otherwise stated)</i>		
Total rental revenue	1,456	1,263	15%
- Car rental	1,266	1,038	22%
- Fleet rental & others	190	225	-15%
Net profit	390	229	70%
Adjusted net profit <sup>(1)</sup>	241	210	15%
Adjusted net profit margin <sup>(2)</sup>	16.6%	16.7%	-0.1pp
Adjusted EBITDA <sup>(1)</sup>	958	805	19%
Adjusted EBITDA margin <sup>(2)</sup>	65.8%	63.7%	2.1pp
Basic EPS (RMB)	0.184	0.107	72%
Adjusted EPS (RMB) <sup>(3)</sup>	0.114	0.098	16%

*Notes:*

- (1) Adjusted EBITDA and adjusted net profit are non-IFRS measures. Please refer to “III. Non-IFRS Financial Reconciliation” for details.
- (2) These margins are presented as a percentage of rental revenue.
- (3) Adjusted EPS is equal to adjusted net profit divided by weighted average number of ordinary shares in issue during the Reporting Period used in the basic earnings per share calculation.

## 1. Revenues and Profitability Analysis

### *Rental revenue*

	For the three months ended 31 March		Year-over-year change
	2019 RMB	2018 RMB	
	<i>(in thousands, except percentages)</i>		
Car rental revenue	1,265,643	1,038,167	21.9%
Fleet rental & other revenue	<u>190,546</u>	<u>224,358</u>	-15.1%
<b>Total rental revenue</b>	<b><u>1,456,189</u></b>	<b><u>1,262,525</u></b>	15.3%

### *Car rental metrics*

	1Q'18	2Q'18	3Q'18	4Q'18	FY'18	1Q'19
Average daily fleet <sup>(1)</sup>	80,303	86,160	100,112	100,321	91,802	103,384
ADRR <sup>(2)</sup> (RMB)	229	216	222	208	218	226
Utilization rate <sup>(3)</sup>	63.0%	61.4%	64.3%	57.7%	61.5%	60.4%
RevPAC <sup>(4)</sup> (RMB)	144	132	143	120	134	136

#### *Notes:*

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

The Company's total rental revenue increased by 15.3% year-over-year to RMB1,456.2 million for the three months ended 31 March 2019.

- **Car rentals.** Revenue from car rentals increased by 21.9% year-over-year to RMB1,265.6 million for the three months ended 31 March 2019, a mixed impact of 23.0% rental days growth and decrease in RevPAC. The decrease in RevPAC was due to the decrease of utilization rate. The utilization rate was 60.4%, which was lower than last year due to the intention to maintain ADRR level. During the Reporting Period, the average daily fleet increased by 28.7% year-over-year to 103,384.
- **Fleet rentals and others.** Revenue from fleet rentals and others decreased by 15.1% year-over-year to RMB190.5 million for the three months ended 31 March 2019, mainly due to the decrease in UCAR Ride-hailing.

***Depreciation of rental vehicles and direct operating expenses of rental services***

	<b>For the three months ended</b>			
	<b>2019</b>		<b>2018</b>	
	<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	396,709	27.2%	351,067	27.8%
Direct operating expenses				
- Payroll costs	119,073	8.2%	105,449	8.4%
- Store expenses	76,855	5.3%	56,590	4.5%
- Insurance fees	66,675	4.6%	48,414	3.8%
- Repair and maintenance fees	60,025	4.1%	58,697	4.6%
- Fuel expenses	13,425	0.9%	11,114	0.9%
- Others	<u>71,291</u>	<u>4.9%</u>	<u>100,517</u>	<u>8.0%</u>
<b>Total direct operating expenses</b>	<u>407,344</u>	<u>28.0%</u>	<u>380,781</u>	<u>30.2%</u>
<b>Total costs of rental business</b>	<u>804,053</u>	<u>55.2%</u>	<u>731,848</u>	<u>58.0%</u>

***Depreciation of rental vehicles.*** As a percentage of rental revenue, depreciation expenses decreased slightly to 27.2% for the three months ended 31 March 2019 from 27.8% for the three months ended 31 March 2018.

**Direct operating expenses of rental services.** As a percentage of rental revenue, direct operating expenses decreased to 28.0% for the three months ended 31 March 2019 from 30.2% for the three months ended 31 March 2018, mainly due to the decrease in repair and maintenance fees as a percentage of rental revenue as a result of increased repair and maintenance capabilities, and the decrease in fleet redeployment expense.

**Sales of used vehicles (revenue & cost)**

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands, except percentages)</i>	
Revenue from sales of used vehicles	393,452	333,952
Cost of sales of used vehicles	<u>408,136</u>	<u>332,765</u>
<b>Cost as a % of revenue (sales of used vehicles)</b>	<u>103.7%</u>	<u>99.6%</u>
<b>Total number of used vehicles disposed</b>	<u><u>4,462</u></u>	<u><u>3,830</u></u>

The Company disposed 4,462 used vehicles for the three months ended 31 March 2019, compared with 3,830 for the three months ended 31 March 2018.

Cost of sales of used vehicles was 103.7% of revenue from the sales of used vehicles for the three months ended 31 March 2019, compared with 99.6% for the three months ended 31 March 2018. The cost-to-sales ratio remained within the +/- 5% tolerance and this has consistently reflected the Company's long-term commitment on a rigorous residual estimation approach.

## *Gross profit*

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands, except percentages)</i>	
Gross profit of rental business	652,136	530,677
<i>Gross profit margin of rental business</i>	44.8%	42.0%
Gross (loss) / profit of sales of used vehicles	(14,684)	1,187
<i>Gross (loss) / profit margin of sales of used vehicles</i>	<u>(3.7)%</u>	<u>0.4%</u>
<b>Total gross profit</b>	<b><u>637,452</u></b>	<b><u>531,864</u></b>
<b>Total gross profit margin as a % of rental revenue</b>	<b><u>43.8%</u></b>	<b><u>42.1%</u></b>

Total gross profit increased by 19.9% year-over-year to RMB637.5 million for the three months ended 31 March 2019. Total gross profit margin as a percentage of rental revenue increased to 43.8% for the three months ended 31 March 2019.

## *Selling and distribution expenses*

	<b>For the three months ended 31 March</b>			
	<b>2019</b>		<b>2018</b>	
	<i>RMB</i>	<i>% of rental revenue</i>	<i>RMB</i>	<i>% of rental revenue</i>
	<i>(in thousands, except percentages)</i>			
Payroll costs	252	0.0%	500	0.0%
Advertising expenses	650	0.1%	6,767	0.5%
Others	<u>6,534</u>	<u>0.4%</u>	<u>1,946</u>	<u>0.2%</u>
<b>Total</b>	<b><u>7,436</u></b>	<b><u>0.5%</u></b>	<b><u>9,213</u></b>	<b><u>0.7%</u></b>

Selling and distribution expenses were RMB7.4 million for the three months ended 31 March 2019, compared with RMB9.2 million for the three months ended 31 March 2018. The decrease was mainly due to the decrease in advertising activities, offset by an increase in commission paid for used vehicles disposal.

### *Administrative expenses*

	For the three months ended 31 March			
	2019	% of rental revenue	2018	% of rental revenue
	RMB		RMB	
	<i>(in thousands, except percentages)</i>			
Payroll costs	92,582	6.4%	75,967	6.0%
Office expenses	11,907	0.8%	12,202	1.0%
Rental expenses	5,479	0.4%	5,866	0.5%
Share-based compensation	—	—	882	0.1%
Others	<u>25,433</u>	<u>1.7%</u>	<u>20,190</u>	<u>1.5%</u>
<b>Total</b>	<u><u>135,401</u></u>	<u><u>9.3%</u></u>	<u><u>115,107</u></u>	<u><u>9.1%</u></u>

Administrative expenses increased from RMB115.1 million for the three months ended 31 March 2018 to RMB135.4 million for the three months ended 31 March 2019. As a percentage of rental revenue, administrative expenses increased by 0.2 percentage point year-over-year to 9.3% for the three months ended 31 March 2019. The increase was primarily due to increased payroll costs.

### *Other income and expenses, net*

	For the three months ended 31 March	
	2019	2018
	<i>(RMB in thousands)</i>	
Interest income from bank deposits	24,394	17,152
Unrealized exchange gain related to USD-denominated liabilities	148,036	245,906
Realized exchange gain	3,695	6,662
Government grants	17,706	18,200
Fair value changes on derivative instrument-transactions not qualifying as hedges	(5,270)	(233,307)
Loss on disposal of items of other property, plant and equipment	(87)	(1,942)
Others	<u>5,273</u>	<u>4,623</u>
<b>Total</b>	<u><u>193,747</u></u>	<u><u>57,294</u></u>



Net gain was RMB193.7 million for the three months ended 31 March 2019, compared with a net gain of RMB57.3 million for the three months ended 31 March 2018. This was mainly due to the difference in fair value losses on derivative instrument-transactions not qualifying as hedges due to RMB appreciation.

**Finance costs.** Finance costs increased by 25.3% year-over-year to RMB202.1 million for the three months ended 31 March 2019, primarily due to increased interest costs and the Company's higher debt position.

**Profit before tax.** Profit before tax increased by 60.7% year-over-year to RMB488.4 million for the three months ended 31 March 2019.

**Income tax expenses.** Income tax expenses increased by 31.6% year-over-year to RMB98.4 million for the three months ended 31 March 2019 due to increase of profit before tax.

**Net profit.** As a result of the aforementioned factors, net profit increased by 70.3% year-over-year to RMB390.0 million for the three months ended 31 March 2019.

**Adjusted net profit.** Adjusted net profit increased by 14.8% year-over-year to RMB241.4 million for the three months ended 31 March 2019. Adjusted net profit margin slightly decreased to 16.6% for the three months ended 31 March 2019.

**Adjusted EBITDA.** Adjusted EBITDA increased by 19.0% year-over-year to RMB957.6 million for the three months ended 31 March 2019. Adjusted EBITDA margin increased by 2.1 percentage points year-over-year to 65.8% for the three months ended 31 March 2019.

## 2. Financial Position

	As at	
	31 March 2019	31 December 2018
	<i>(RMB in millions)</i>	
Total assets	23,033.5	22,204.9
Total liabilities	14,699.5	14,231.9
Total equity	8,364.0	7,973.0
Cash and cash equivalents	3,444.5	3,186.4
Restricted cash	<u>251.3</u>	<u>251.3</u>
<b>Total cash</b>	<b><u>3,695.8</u></b>	<b><u>3,437.7</u></b>
Interest bearing bank and other borrowings — current	4,768.6	4,699.7
Interest bearing bank and other borrowings — non-current	1,022.5	754.8
Senior notes — current	3,347.6	—
Senior notes — non-current	2,735.6	6,176.5
Corporate bonds	1,021.6	1,020.8
<b>Total debt</b>	<b><u>12,895.9</u></b>	<b><u>12,651.8</u></b>
<b>Net debt (total debt less total cash)</b>	<b><u>9,200.1</u></b>	<b><u>9,214.1</u></b>
<b>Total debt/adjusted EBITDA (times) <sup>(1)</sup></b>	<b>3.8x</b>	<b>3.9x</b>
<b>Net debt/adjusted EBITDA (times) <sup>(1)</sup></b>	<b>2.7x</b>	<b>2.8x</b>

*Note:*

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

### ***Cash***

As at 31 March 2019, the Company's total cash balance was RMB3,695.8 million.

### ***Trade receivables and due from related parties***

Trade receivables were RMB109.8 million and RMB96.4 million as at 31 March 2019 and 31 December 2018, respectively.

Due from related parties, which relates to the trade receivables from UCAR and its subsidiaries (“UCAR Group”) decreased to RMB293.0 million as at 31 March 2019 from RMB360.1 million as at 31 December 2018. The decrease was due to the decrease in the fleet size of UCAR Ride-hailing.

### ***Capital expenditures***

The majority of the Company’s capital expenditures was for vehicle acquisitions. For the three months ended 31 March 2019, the Company purchased approximately RMB1,194.4 million worth of rental vehicles, which was inclusive of payments for rental vehicles that have not commenced service. The Company also spent approximately RMB40.5 million on purchases of other property, plant and equipment, and other intangible assets during the Reporting Period.

### ***Borrowings***

As at 31 March 2019, the Company had total debt of RMB12,895.9 million and net debt of RMB9,200.1 million, compared with RMB12,651.8 million and RMB9,214.1 million as at 31 December 2018, respectively. As at 31 March 2019, the current debt portion was RMB8,116.2 million, representing 62.9% of total debt.

### ***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\$300.0 million.

### III. NON-IFRS FINANCIAL RECONCILIATION

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>(RMB in thousands, except percentages)</i>	
<b>A. Adjusted net profit</b>		
<b>Net profit</b>	390,049	229,098
Adjusted for:		
Share-based compensation	—	882
Fair value changes on derivative instrument-transactions not qualifying as hedges	5,270	233,307
Share of profit of an associate	(2,208)	(367)
Foreign exchange gain	<u>(151,731)</u>	<u>(252,568)</u>
<b>Adjusted net profit</b>	<u><u>241,380</u></u>	<u><u>210,352</u></u>
<b>Adjusted net profit margin (as a percentage of rental revenue)</b>	16.6%	16.7%
<b>B. Adjusted EBITDA</b>		
<b>Reported EBITDA calculation</b>		
Profit before tax	488,448	303,897
Adjusted for:		
Finance costs	202,122	161,308
Interest income from bank deposits	(24,394)	(17,152)
Depreciation of rental vehicles	396,709	351,067
Depreciation of other property, plant and equipment	16,411	21,489
Depreciation of right-of-use assets	24,354	—
Amortization of other intangible assets	950	1,997
Amortization of prepaid land lease payment	403	403
Impairment of trade receivables	<u>1,251</u>	<u>489</u>
<b>Reported EBITDA</b>	<u><u>1,106,254</u></u>	<u><u>823,498</u></u>

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>(RMB in thousands, except percentages)</i>	
Reported EBITDA margin (as a percentage of rental revenue)	76.0%	65.2%
<b>Adjusted EBITDA calculation</b>		
Reported EBITDA	1,106,254	823,498
Adjusted for:		
Share-based compensation	—	882
Fair value changes on derivative instrument-transaction not qualifying as hedges	5,270	233,307
Share of profit of an associate	(2,208)	(367)
Foreign exchange gain	<u>(151,731)</u>	<u>(252,568)</u>
<b>Adjusted EBITDA</b>	<u>957,585</u>	<u>804,752</u>
<b>Adjusted EBITDA margin (as a percentage of rental revenue)</b>	<u>65.8%</u>	<u>63.7%</u>
 <i>C. Free cash flow</i>		
 <i>Net cash flows generated from operating activities</i>	<u>125,414</u>	<u>1,038,462</u>
Purchases of other property, plant and equipment	(36,850)	(18,206)
Proceeds from disposal of items of other property, plant and equipment	110	1,044
Purchases of other intangible assets	<u>(3,695)</u>	<u>(3,000)</u>
 <b>Net investment activity</b>	<u>(40,435)</u>	<u>(20,162)</u>
 <b>Free cash flow</b>	<u>84,979</u>	<u>1,018,300</u>

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 of trade receivables, share-based compensation, foreign exchange gain, fair value (gain)/loss from investment in equity shares and redeemable preference shares, fair value changes on derivative instrument-transaction not qualifying as hedges and share of profit of an associate, is a useful financial metric to assess the Group's operating and financial performance.

Foreign exchange gain, fair value (gain)/loss 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. 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 gain mainly results from its USD-denominated senior notes. Fair value (gain)/loss 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-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 an associate relates to the share of profit from an associate that the Group acquired during the second quarter of 2016.

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

## IV. FINANCIAL INFORMATION

### Consolidated statement of profit or loss

		For the three months ended 31 March	
		2019 RMB'000 <i>(Unaudited)</i>	2018 RMB'000 <i>(Unaudited)</i>
Rental revenue		1,456,189	1,262,525
Sales of used vehicles		<u>393,452</u>	<u>333,952</u>
<b>Total revenue</b>	4	1,849,641	1,596,477
Depreciation of rental vehicles		(396,709)	(351,067)
Direct operating expenses of rental services		(407,344)	(380,781)
Cost of sales of used vehicles		<u>(408,136)</u>	<u>(332,765)</u>
<b>Gross profit</b>		637,452	531,864
Other income and expenses, net	4	193,747	57,294
Selling and distribution expenses		(7,436)	(9,213)
Administrative expenses		(135,401)	(115,107)
Finance costs		(202,122)	(161,308)
Share of profit of an associate		<u>2,208</u>	<u>367</u>
<b>Profit before tax</b>	5	488,448	303,897
Income tax expenses	6	<u>(98,399)</u>	<u>(74,799)</u>
<b>Profit for the period</b>		<u>390,049</u>	<u>229,098</u>
<b>Attributable to:</b>			
<b>Owners of the parent</b>		<u>390,049</u>	<u>229,098</u>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic (RMB)	7	<u>0.184</u>	<u>0.107</u>
Diluted (RMB)	7	<u>0.182</u>	<u>0.105</u>
<b>Profit for the period</b>		<u>390,049</u>	<u>229,098</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>—</u>	<u>—</u>
<b>Total comprehensive income for the period, net of tax</b>		<u>390,049</u>	<u>229,098</u>

## Consolidated statement of financial position

		As at	
		31 March 2019	31 December 2018
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>			
Rental vehicles	8	11,095,720	10,788,372
Other property, plant and equipment	9	593,853	573,644
Finance lease receivables — non-current	10	1,086,685	1,097,470
Prepayments		—	3,664
Prepaid land lease payments		56,774	57,177
Goodwill		6,728	6,728
Other intangible assets		151,573	148,828
Investment in equity shares	11	2,809,641	2,809,641
Investment in an associate	12	44,119	41,911
Rental deposits		—	145
Restricted cash — non-current		1,275	1,275
Deposits for sale-leaseback borrowing		14,250	30,000
Deferred tax assets		259,311	232,195
Right-of-use assets		217,690	—
Other non-current assets		<u>9,813</u>	<u>9,813</u>
<b>Total non-current assets</b>		<u><u>16,347,432</u></u>	<u><u>15,800,863</u></u>
<b>CURRENT ASSETS</b>			
Inventories		251,432	190,648
Trade receivables	13	109,814	96,380
Due from related parties		292,995	360,129
Prepayments, other receivables and other assets	14	1,543,804	1,547,679
Finance lease receivables — current	10	271,059	250,299
Other current financial assets	15	522,510	522,510
Restricted cash — current		250,000	250,000
Cash and cash equivalents		<u>3,444,467</u>	<u>3,186,401</u>
<b>Total current assets</b>		<u><u>6,686,081</u></u>	<u><u>6,404,046</u></u>
<b>CURRENT LIABILITIES</b>			
Trade payables	16	80,829	112,259
Other payables and accruals		848,275	869,708
Advances from customers		208,495	250,148



**Consolidated statement of financial position (continued)**

		<b>As at</b>	
		<b>31 March 2019</b>	<b>31 December 2018</b>
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Interest-bearing bank and other borrowings			
— current	17	4,768,606	4,699,665
Senior notes — current	19	3,347,602	—
Due to a related party		1,453	305
Derivative financial instruments — current	18	19,165	—
Income tax payable		<u>154,617</u>	<u>119,685</u>
<b>Total current liabilities</b>		<u><b>9,429,042</b></u>	<u><b>6,051,770</b></u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u><b>(2,742,961)</b></u>	<u><b>352,276</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>13,604,471</b></u>	<u><b>16,153,139</b></u>
<b>NON-CURRENT LIABILITIES</b>			
Senior notes — non-current	19	2,735,621	6,176,503
Corporate bonds	20	1,021,634	1,020,834
Interest-bearing bank and other borrowings — non-current	17	1,022,521	754,846
Derivative financial instruments — non-current	18	—	13,895
Deposits received for rental vehicles		727	753
Lease liabilities		224,467	—
Deferred tax liabilities		<u>235,484</u>	<u>213,280</u>
<b>Total non-current liabilities</b>		<u><b>5,240,454</b></u>	<u><b>8,180,111</b></u>
<b>Net assets</b>		<u><b>8,364,017</b></u>	<u><b>7,973,028</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		131	131
Reserves		4,414,990	4,414,050
Retained earnings		<u>3,948,896</u>	<u>3,558,847</u>
<b>Total equity</b>		<u><b>8,364,017</b></u>	<u><b>7,973,028</b></u>

## Consolidated statement of cash flows

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax:	488,448	303,897
Adjustments for operating activities:		
Finance costs	202,122	161,308
Share of profit of an associate	(2,208)	(367)
Interest income	(24,394)	(17,152)
Loss on disposal of items of other property, and equipment plant	87	1,942
Fair value changes on derivative instrument-transactions not qualifying as hedges	5,270	233,307
Depreciation of rental vehicles	396,709	351,067
Depreciation of other property, plant and equipment	16,411	21,489
Depreciation of right-of-use assets	24,354	—
Amortisation of prepaid land lease payments	403	403
Amortisation of other intangible assets	950	1,997
Impairment of trade receivables	1,251	489
Exchange gain	(151,731)	(252,568)
Equity-settled share option expenses	<u>—</u>	<u>882</u>
	<u>957,672</u>	<u>806,694</u>
(Increase)/decrease in rental vehicles	(704,056)	128,587
(Increase)/decrease in trade receivables	(14,685)	6,667
Decrease in amounts due from related parties	67,134	174,927
Increase in inventories	(60,784)	(22,975)
(Increase)/decrease in prepayments and other receivables	(27,395)	39,281
(Increase)/decrease in finance lease receivables	(9,975)	12,858
Decrease in trade payables	(31,430)	(18,404)
Increase/(decrease) in amounts due to a related party	1,148	(1,476)
(Decrease)/increase in advances from customers	(41,653)	48,569
Increase/(decrease) in other payables and accruals	48,774	(62,239)
Tax paid	<u>(59,336)</u>	<u>(74,027)</u>
<b>Net cash flows generated from operating activities</b>	<u>125,414</u>	<u>1,038,462</u>

**Consolidated statement of cash flows (continued)**

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of other property, plant and equipment	(36,850)	(18,206)
Proceeds from disposal of items of other property, plant and equipment	110	1,044
Purchase of other intangible assets	(3,695)	(3,000)
Settlement of derivative financial instruments	—	(191,884)
Interest received	<u>57,884</u>	<u>8,520</u>
<b>Net cash flows generated from/(used in) investing activities</b>	<u>17,449</u>	<u>(203,526)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Release/(addition) of deposits for borrowings	15,750	(30,000)
Increase in restricted cash	—	60,895
Proceeds from bank and other borrowings	1,041,251	958,314
Repayments of bank and other borrowings	(667,797)	(154,741)
Proceeds from exercise of share options	940	2,061
Payment of lease liabilities	(17,841)	—
Interest paid	<u>(250,930)</u>	<u>(232,582)</u>
<b>Net cash flows generated from financing activities</b>	<u>121,373</u>	<u>603,947</u>
Net increase in cash and cash equivalents	264,236	1,438,883
Cash and cash equivalents at beginning of the period	3,186,401	4,813,311
Effect of foreign exchange rate changes, net	<u>(6,170)</u>	<u>(32,926)</u>
<b>Cash and cash equivalents at end of the period</b>	<u>3,444,467</u>	<u>6,219,268</u>

## 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 office 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

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

#### 2.2 Issued But Not Yet Effective International Financial Reporting Standards

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

Amendments to IFRS 3	<i>Definition of a Business<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
IFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to IAS 1 And IAS 8	<i>Definition of Material<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> No mandatory effective date yet determined but available for adoption

### 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 three months ended 31 March	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Car rental revenue	1,265,643	1,038,167
Fleet rental & other revenue	190,546	224,358
Sales of used rental vehicles	<u>393,452</u>	<u>333,952</u>
	<u>1,849,641</u>	<u>1,596,477</u>
<b>Other income and expenses, net</b>		
Interest income from bank deposits	24,394	17,152
Exchange gain	151,731	252,568
Donations	—	(100)
Government grants	17,706	18,200
Loss on disposal of items of other property, plant and equipment	(87)	(1,942)
Fair value changes on derivative instrument-transactions not qualifying as hedges	(5,270)	(233,307)
Others	<u>5,273</u>	<u>4,723</u>
	<u>193,747</u>	<u>57,294</u>

## 5. PROFIT BEFORE TAX

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

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cost of sales of used vehicles	408,136	332,765
Depreciation of rental vehicles	396,709	351,067
Depreciation of other property, plant, and equipment	16,411	21,489
Depreciation of right-of-use assets	24,354	—
Recognition of prepaid land lease payments	403	403
Amortisation of other intangible assets*	950	1,997
Minimum lease payments under operating leases in respect of		
- offices and stores	15,198	22,933
- rental vehicles	2,553	51
Wages and salaries	171,191	146,512
Equity-settled share option expenses	—	882
Pension scheme contributions**	40,716	35,143
Insurance expenses	66,675	48,414
Repair and maintenance	60,025	58,697
Exchange gain	(151,731)	(252,568)
Auditors' remuneration	1,000	1,000
Impairment of trade receivables	1,251	489
Loss on disposal of items of other property, plant and equipment	87	1,942
Advertising and promotion expenses	650	6,767
Share of profit of an associate	(2,208)	(367)
Finance costs	202,122	161,308
Fair value changes on derivative instrument-transactions not qualifying as hedges	<u>5,270</u>	<u>233,307</u>

\* The amortisation of other intangible assets for the three months ended 31 March 2018 and 2019 is included in "administrative expenses" in the consolidated statement of profit or loss.

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

## 6. INCOME TAX EXPENSES

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

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax	103,311	96,099
Deferred tax	<u>(4,912)</u>	<u>(21,300)</u>
Total tax charge for the period	<u>98,399</u>	<u>74,799</u>

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

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding 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 RMB9,045,000 for the period ended 31 March 2019 (for the three months ended 31 March 2018: RMB6,737,000).

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:

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit before tax	<u>488,448</u>	<u>303,897</u>
Tax at PRC statutory tax rate of 25%	122,112	75,974
Tax effect of tax rate difference between PRC entities and overseas entities	(16,459)	7,455
Utilization of unrecognized deferred tax assets	500	(2,138)
PRC entity with preferential tax rate	(17,495)	(15,204)
Expenses not deductible for tax	696	1,975
Withholding tax on the deemed income	<u>9,045</u>	<u>6,737</u>
Total charge for the period	<u><u>98,399</u></u>	<u><u>74,799</u></u>

#### **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 2,118,906,428 (for the three months ended 31 March 2018: 2,148,216,861) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the 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 or conversion of all dilutive potential ordinary shares into ordinary shares.



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

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>390,049</u>	<u>229,098</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,118,906,428	2,148,216,861
Effect of dilution — weighted average number of ordinary shares:		
Share options	<u>23,429,492</u>	<u>27,727,008</u>
	<u>2,142,335,920</u>	<u>2,175,943,869</u>

## 8. RENTAL VEHICLES

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At 1 January:		
Cost	13,769,773	11,593,572
Accumulated depreciation	<u>(2,981,401)</u>	<u>(2,054,744)</u>
Net carrying amount	<u>10,788,372</u>	<u>9,538,828</u>
At 1 January, net of accumulated depreciation	10,788,372	9,538,828
Additions	1,179,615	225,168
Disposals and transfers to inventories	(464,757)	(353,755)
Transfers to finance leases	(10,802)	—
Depreciation provided during the period	<u>(396,708)</u>	<u>(351,067)</u>
At 31 March, net of accumulated depreciation	<u>11,095,720</u>	<u>9,059,174</u>
At 31 March:		
Cost	14,231,313	11,284,759
Accumulated depreciation	<u>(3,135,593)</u>	<u>(2,225,585)</u>
Net carrying amount	<u>11,095,720</u>	<u>9,059,174</u>

Vehicles with carrying values of RMB305,118,000 as at 31 March 2019 (31 March 2018: RMB468,767,000) were pledged as securities for certain of the Group's interest-bearing loan.

Included in the Group's rental vehicles as at 31 March 2019 were rental vehicles with a net carrying amount of RMB141,728,000 (31 March 2018: RMB116,764,000) 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 expects to execute the repurchase option and depreciates the vehicles with an amount equal to the difference of the initial purchase payment and the contractual the repurchase price, thereby minimising any gain or loss.

## 9. OTHER PROPERTY, PLANT AND EQUIPMENT

### Acquisitions and disposals

During the three months ended 31 March 2019, the Group acquired items of other property, plant and equipment with a cost of RMB36,817,000 (for the three months ended 31 March 2018: RMB17,041,000); and depreciation for items of other property, plant and equipment of RMB16,411,000 (for the three months ended 31 March 2018: RMB21,489,000).

During the three months ended 31 March 2019, assets with a net book value of RMB197,000 were disposed by the Group (for the three months ended 31 March 2018: RMB2,986,000).

During the three months ended 31 March 2019, the Group was not in the acquisition of subsidiaries (for the three months ended 31 March 2018: 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	
	31 March 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Net minimum lease payments receivable	2,025,865	2,113,634
Unearned finance income	(668,121)	(765,865)
Total net finance lease receivables	<u>1,357,744</u>	<u>1,347,769</u>
Less: current portion	<u>271,059</u>	<u>250,299</u>
Non-current portion	<u>1,086,685</u>	<u>1,097,470</u>

Future minimum lease payments to be received under non-cancellable finance lease arrangements as at 31 March 2019 and 31 December 2018 are as follows:

	<b>As at</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within one year	422,196	479,194
In the second to fifth years, inclusive	<u>1,603,669</u>	<u>1,634,440</u>
	<u><u>2,025,865</u></u>	<u><u>2,113,634</u></u>

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as at 31 March 2019 and 31 December 2018 are as follows:

	<b>As at</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within one year	271,059	250,299
In the second to fifth years, inclusive	<u>1,086,685</u>	<u>1,097,470</u>
	<u><u>1,357,744</u></u>	<u><u>1,347,769</u></u>

## 11. INVESTMENT IN EQUITY SHARES

	<b>As at</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Investments in equity shares of a publicly held company		
— UCAR Inc. (formerly, Huaxia United Science & Technology Co., Ltd.)	<u>2,809,641</u>	<u>2,809,641</u>
	<u><u>2,809,641</u></u>	<u><u>2,809,641</u></u>

**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 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 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.

**12. INVESTMENT IN AN ASSOCIATE**

	<b>As at</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Share of net assets	<u>44,119</u>	<u>41,911</u>

Particulars of the Group's 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. (北京氩動益維科技份有限公司) ("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, 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	
	31 March 2019	31 March 2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Share of the associate's profit for the period	2,208	367
Share of the associate's total comprehensive income	2,208	367
Carrying amount of the Group's investment in the associate	<u>44,119</u>	<u>32,852</u>

### 13. TRADE RECEIVABLES

	As at	
	31 March 2019	31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	113,087	100,475
Impairment provision	<u>(3,273)</u>	<u>(4,095)</u>
	<u>109,814</u>	<u>96,380</u>

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

An ageing analysis of the trade receivables as at 31 March 2019 and 31 December 2018, based on the invoice date and net of loss allowance, is as follows:

	<b>As at</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 3 months	72,882	70,884
3 to 6 months	30,940	14,821
6 to 12 months	5,992	10,232
Over 1 year	<u>—</u>	<u>443</u>
	<u>109,814</u>	<u>96,380</u>

#### 14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>As at</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Deductible VAT input	913,389	944,840
Prepayments	449,356	388,329
Other receivables	143,579	146,294
Rental deposits	24,056	23,961
Others	<u>13,424</u>	<u>44,255</u>
	<u>1,543,804</u>	<u>1,547,679</u>

## 15. OTHER CURRENT FINANCIAL ASSETS

	As at	
	31 March 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Debt instruments at amortised cost:</b>		
Other current financial assets	<u>522,510</u>	<u>522,510</u>

As at 31 March 2019, other current financial assets of RMB522,510,000 (31 December 2018: RMB522,510,000) 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 31 March 2019 and 31 December 2018, based on the invoice date, is as follows:

	As at	
	31 March 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 3 months	72,936	110,039
3 to 6 months	5,937	753
Over 6 month	<u>1,956</u>	<u>1,467</u>
	<u>80,829</u>	<u>112,259</u>

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

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at	
	31 March 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
<b>Current:</b>		
Short-term loans		
— guaranteed	716,007	524,483
— unsecured and unguaranteed	656,947	672,588
— pledged	199,742	199,742
Current portion of sale and leaseback obligations		
— secured	142,818	97,306
Current portion of long-term bank loans		
— guaranteed	1,825,365	1,889,254
— unsecured and unguaranteed	527,727	616,292
Current portion of long-term other loans		
— guaranteed	<u>700,000</u>	<u>700,000</u>
	<u>4,768,606</u>	<u>4,699,665</u>
<b>Non-current:</b>		
Bank loans		
— guaranteed	896,140	736,374
Sale and leaseback obligations		
— secured	<u>126,381</u>	<u>18,472</u>
	<u>1,022,521</u>	<u>754,846</u>
	<u>5,791,127</u>	<u>5,454,511</u>
Analyzed into:		
Bank loans repayable:		
Within one year or on demand	3,925,788	3,902,359
In the second year	223,485	223,404
In the third to fifth years, inclusive	<u>672,655</u>	<u>512,970</u>
	<u>4,821,928</u>	<u>4,638,733</u>
Other borrowings repayable:		
Within one year or on demand	700,000	700,000
In the second year	<u>—</u>	<u>—</u>
	<u>700,000</u>	<u>700,000</u>
Sale and leaseback obligations:		
Within one year or on demand	142,818	97,306
In the second year	<u>126,381</u>	<u>18,472</u>
	<u>269,199</u>	<u>115,778</u>
	<u>5,791,127</u>	<u>5,454,511</u>

As at 31 March 2019, the Group's overdraft bank facilities amounted to RMB8,763,743,000 (31 December 2018: RMB8,822,756,000), of which RMB6,493,385,000 (31 December 2018: RMB6,175,923,000) had been utilized.



## 18. DERIVATIVE FINANCIAL INSTRUMENTS

	As at	
	31 March 2019	31 December 2018
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
Liabilities		
Derivative financial instruments — Current	19,165	—
Derivative financial instruments — Non-current	<u>—</u>	<u>13,895</u>
	<u>19,165</u>	<u>13,895</u>

As at 31 March 2019, the Group has entered into derivative financial instruments of forward currency contracts, with an aggregate contractual amount of US\$300.0 million, to manage its exchange rate exposures. Such currency forwards represent commitments to purchase nominal amount of United States Dollar 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 of the Hong Kong Limited (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 defined in the indenture of the 2015 Notes (A)) as at, and the accrued and unpaid interest, if any, up to (but not including) the redemption date.
- (iii) At any time and from time to time prior to 4 February 2018, the Company may redeem up to 35% of the aggregate principal amount of the 2015 Notes (A) with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.125% of the principal amount of the 2015 Notes (A) redeemed, plus accrued and unpaid interest, if any, up to (but not including) the redemption date, subject to certain conditions.

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

	<b>For the three months ended 31 March</b>	
	<b>2019</b> <i>RMB'000</i> <i>(Unaudited)</i>	<b>2018</b> <i>RMB'000</i> <i>(Unaudited)</i>
Total carrying amount at 1 January	3,493,988	3,305,841
Exchange realignment	(65,287)	(124,440)
Interest expenses	57,092	53,592
Interest expense payment	<u>(103,822)</u>	<u>(96,947)</u>
Total carrying amount at 31 March	<u><u>3,381,971</u></u>	<u><u>3,138,046</u></u>
Less: Interest payable due within one year reclassified to other payables and accruals	<u>34,369</u>	<u>32,094</u>
	<u><u>3,347,602</u></u>	<u><u>3,105,952</u></u>

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors consider that the fair value of the above early redemption option was not significant on initial recognition and as at 31 March 2019 and 2018.

**(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) were 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, up to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on 11 August of the years indicated below, subject to the rights of holders of the 2015 Notes (B) on the relevant record date to receive interest on the relevant interest payment date:

<b>Year</b>	<b>Redemption Price</b>
2018	103.0%
2019 and thereafter	101.5%

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

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Total carrying amount at 1 January	2,082,414	1,972,615
Exchange realignment	(39,573)	(74,636)
Interest expenses	32,357	30,412
Interest expense payment	<u>(60,373)</u>	<u>(56,594)</u>
Total carrying amount at 31 March	<u>2,014,825</u>	<u>1,871,797</u>
Less: Interest payable due within one year reclassified to other payables and accruals	<u>16,333</u>	<u>15,450</u>
	<u>1,998,492</u>	<u>1,856,347</u>

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. The 2018 Notes (A) carries interest at the rate of 6.50% per annum, payable semi-annually on 4 April and 4 October in arrears, and will mature on 4 April 2021, unless redeemed earlier.

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

- (i) At any time on or after 4 April 2020, the Company may at its option redeem the Notes, in whole or in part, at 103.25% of the principal amount of Notes redeemed plus accrued and unpaid interest, if any, up to (but not including) the redemption date.

- (ii) At any time and from time to time prior to 4 April 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus an applicable premium (as defined in the indenture of the 2018 Notes (A)) as, plus accrued and unpaid interest, if any, up to (but not including) the redemption date.

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

	<b>For the three months ended 31 March 2019</b>
	<i>RMB'000</i>
	<i>(Unaudited)</i>
Total carrying amount at 1 January	396,586
Interest expenses	7,404
Interest expense payment	<u>(13,000)</u>
Total carrying amount at 31 March	<u><u>390,990</u></u>
Less: Interest payables due within one year reclassified to other payables and accruals*	<u>(286)</u>
	<u><u>391,276</u></u>

\*The second semiannual interest payment was due on 4 April 2019. The negative balance of the interest payable is due to a 4-day prepayment made in March 2019 in order to avoid delay in payment during China's Qing Ming Festival.

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 2018 Notes (B) will mature on 4 April 2021, unless earlier redeemed pursuant to the terms thereof. The 2018 Notes (B) were listed on the Stock Exchange. 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 of the 2018 Notes (B)) as, plus accrued and unpaid interest, if any, up to (but not including) the redemption date.

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

	<b>For the three months ended 31 March 2019</b>
	<i>RMB'000</i>
	<i>(Unaudited)</i>
Total carrying amount at 1 January	350,819
Interest expenses	6,092
Interest expense payment	<u>(11,308)</u>
Total carrying amount at 31 March	<u>345,603</u>
Less: Interest payables due within one year reclassified to other payables and accruals*	<u>(250)</u>
	<u><u>345,853</u></u>

\*The second semiannual interest payment was due on 4 April 2019. The negative balance of the interest payable is due to a 4-day prepayment made in March 2019 in order to avoid delay in payment during China's Qing Ming Festival.

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 (the "2017 Corporate Bonds (A)") 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:

	<b>For the three months ended 31 March</b>	
	<b>2019</b> <i>RMB'000</i> <i>(Unaudited)</i>	<b>2018</b> <i>RMB'000</i> <i>(Unaudited)</i>
Total carrying amount at 1 January	308,169	307,360
Interest expenses	4,275	4,252
Interest expense payment	<u>—</u>	<u>—</u>
Total carrying amount at 31 March	<u>312,444</u>	<u>311,612</u>
Less: Interest payables due within one year reclassified to other payables and accruals	<u>15,325</u>	<u>15,328</u>
	<u>297,119</u>	<u>296,284</u>

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

**(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:

	<b>For the three months ended 31 March 2019</b>
	<i>RMB'000</i>
	<i>(Unaudited)</i>
Total carrying amount at 1 January	755,462
Interest expenses	11,902
Interest expense payment	<u>—</u>
Total carrying amount at 31 March	<u>767,364</u>
Less: Interest payables due within one year reclassified to other payables and accruals	<u>42,849</u>
	<u><u>724,515</u></u>

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 15 May 2018, the Company's shareholders granted a general mandate (the "Repurchase Mandate") to the Directors to repurchase shares of the Company at the AGM. Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 215,038,430 shares, being 10% of the total number of issued shares of the Company as at the date of the AGM, on the Stock Exchange.

For the three months ended 31 March 2019, the Company has not repurchased any shares through the Stock Exchange. There is no share recorded as treasury shares as at 31 March 2019 (2018: Nil).

## **V. EVENTS AFTER THE REPORTING PERIOD**

On 23 April 2019, the Company commenced an exchange offer with respect to its outstanding US\$500,000,000 6.125% senior notes due 2020 (the “Existing Notes”) held by non-U.S. persons outside the United States of America (the “Exchange Offer”). On the same date, the Company also announced a potential concurrent offering of new notes (the “Concurrent New Money Issuance”).

On 6 May 2019, the Company announced that US\$172,333,000 aggregate principal amount of the Existing Notes has been validly tendered for exchange pursuant to the Exchange Offer. Pursuant to the Exchange Offer, the Company is expected to issue US\$172,333,000 aggregate principal amount of new notes with a minimum yield of 8.5% due in 2022 (the “New Notes”).

On 7 May 2019, as part of the Concurrent New Money Issuance, the Company announced that the Company will issue US\$200 million 8.875% senior notes due in 2022, which will form a single series with the New Notes. The estimated net proceeds of the Concurrent New Money Issuance, after deduction of expenses, will amount to approximately US\$195.0 million, which the Company intends to use for repayment of existing indebtedness and general corporate purposes.

For further details relating to the Exchange Offer and the Concurrent New Money Issuance, please refer to the announcements of the Company dated 23 April 2019, 29 April 2019, 6 May 2019, 8 May 2019 and 10 May 2019.

## **VI. 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 (the “Listing Rules”), except for code provision E.1.2 of the CG Code:

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



## **VII. 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 as its code of conduct regarding Directors’ dealing 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 and up to the date of this announcement.

## **VIII. 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.

## **IX. AUDIT AND COMPLIANCE COMMITTEE**

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

The Audit and Compliance Committee has considered and reviewed the unaudited consolidated results for the three months ended 31 March 2019 of the Group 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 auditors. The Audit and Compliance Committee considers that the unaudited consolidated results for the three months ended 31 March 2019 of the Group are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **X. PUBLICATION OF THE FIRST QUARTER RESULTS**

This results announcement is published on the Company's website ([www.zuche.com](http://www.zuche.com)) and the website of the Stock Exchange.

*The Company's shareholders and potential investors should note that the information in this announcement is based on the management accounts of the Group which have not been audited or reviewed by the Group's auditors, Ernst & Young. The accounting policies applied in the preparation of the management accounts are consistent with those used for the Group's annual financial statements for the year ended 31 December 2018.*

*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 May 2019

*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.*