CAR Inc.
神州租車有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 0699)

2016 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 2016 (the "Reporting Period") prepared pursuant to International Financial Reporting Standards ("IFRS").

I. FINANCIAL HIGHLIGHTS

	For the three months ended 31 March		Year-over-year change
	2016	**2015**	
	(in RMB millions, except otherwise stated)		%
Rental revenue	1,255	926	36%
Total revenue	1,614	1,035	56%
Gross profit	608	458	33%
Gross profit margin(2)	48.5%	49.5%	-1.0pp
Net profit	274	177	55%
Adjusted EBITDA(1)	798	577	38%
Adjusted EBITDA margin(2)	63.6%	62.3%	+1.3pp
Adjusted net profit(1)	251	209	20%
Adjusted net profit margin(2)	20.0%	22.6%	-2.6pp
Basic EPS (RMB)	0.114	0.075	52%

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.

II. BUSINESS OVERVIEW

For the first quarter of 2016, the Company continued to deliver steady growth and strong profitability, supported by the solid performance in short-term rental business and increasing efficiency through collaboration with UCAR Inc. (神州優車股份有限公司) ("UCAR"). As a leading auto mobility provider in China, the Company continued to enhance customer experience and enjoy economies of scale. During the first quarter, rental revenue increased 36% to RMB1,255.2 million. Adjusted EBITDA margin and adjusted net profit margin were 64% and 20%, respectively. With a dominant leading position in China's car rental industry, the Company has sustained robust profit margins through its best-in-class cost structure and clear pricing power.

The Company continues to deliver higher fleet efficiency and gradually improved utilization rate through optimized supply and demand match and fleet sharing to manage seasonalities. The Company's total fleet comprised of 88,853 vehicles as at 31 March 2016, compared with 91,179 vehicles as at 31 December 2015. Operating fleet was 82,227 vehicles as at 31 March 2016, compared with 83,168 vehicles as at 31 December 2015. Retired vehicles awaiting sale were 5,800 as at 31 March 2016, as part of the Company's new initiative of used car B2C pilot program. By leveraging on the Company's unique advantage of managing both self-drive and on-demand chauffeured fleet, the Company is committed to developing more advanced and efficient on-demand fleet management through technology and operational innovations. During the past Chinese New Year holidays, over 10,000 vehicles were re-deployed from UCAR to support the extensive self-drive demand while increasing the efficiency of UCAR's fleet during non-peak period. It also largely helped to moderate the peak-season pricing to enhance customer experience and added pressure on competitors.

Number of Fleet	**1Q'15**	**2Q'15**	**3Q'15**	**4Q'15**	**1Q'16**
Fleet size as at period end					
Short-term rentals	49,346	54,797	58,789	56,759	56,141
Long-term rentals	14,562	20,960	22,879	22,252	22,031
Finance leasing	5,159	4,889	4,755	4,157	4,055
Total operating fleet	69,067	80,646	86,423	83,168	82,227
Retired vehicles awaiting sale	2,352	2,685	5,565	6,837	5,800
Vehicles held for sale	1,575	1,388	1,216	1,174	826
Total fleet	72,994	84,719	93,204	91,179	88,853

Short-term rental self-drive business remains the Company's core focus. In 2016, the Company is pushing through multiple organizational and operational changes to drive growth in response to ongoing changes in the market environment and consumer behavior. The management team is committed to implementing new growth initiatives in order to stimulate demand growth and improve customer experience. During the first quarter of 2016, new customers contributed 39% of total transactions. Reservations via mobile application as a percentage of total reservations further increased to 68% from 55% in the first quarter of 2015.

The Company's short-term rental fleet grew to 56,141 vehicles as at 31 March 2016 from 49,346 vehicles as at 31 March 2015, and short-term rental revenue during the first quarter increased 19% to RMB869.6 million. RevPAC remained solid at RMB174 in the first quarter of 2016. Fleet utilization rate further increased to 64.2%, through efficient demand forecasting and fleet supply management, whilst the Company continued to maintain a deliberate balance to secure more license plates.

As at 31 March 2016, the Company physically had 739 directly operated service locations, which included 253 stores and 486 pick-up points, in 74 major cities covering all provinces of China. The franchisee network increased to 239 service locations in 188 tier 3 or tier 4 cities.

During the first quarter of 2016, UCAR has further strengthened its business operations and continued to execute its strategy. UCAR continued to make solid progress in improving customer experience and operating efficiency. The Company believes that UCAR's unique B2C model provides significant competitive advantages in terms of regulatory compliance, premium pricing through better customer experience, and fixed cost structure with limited influence from competitions. In March 2016, UCAR raised another round of funding in a total amount of RMB3.68 billion with post-money valuation of RMB28.7 billion. On 12 April 2016, UCAR filed an application to list its shares on China's National Equities Exchange and Quotations stock exchange. Meanwhile, UCAR announced a strategic partnership with Alibaba related to business development and innovations along the auto value chain. The Company believes that it will further benefit from the collaboration with UCAR to recognize sustainable financial returns, realize higher economies of scale, acquire additional license plate resources and increase fleet efficiency.

The Company continues to focus on residual risk and remains dedicated to enhancing used car disposal capabilities through a B2C model. For the first quarter of 2016, the Company disposed of 5,404 used vehicles and the cost to sales ratio was 98.0%, which continues to demonstrate its capabilities of managing the full cycle of rental business by selling cars close to their estimated residual values. The Company continued to prudently execute its used car B2C pilot program. In February 2016, the Company opened another 6 pilot stores and concluded the pilot program with a total of 14 stores in respective tier 3 cities. In April 2016, together with the launch of the strategic partnership with Alibaba, UCAR announced that it is preparing to launch a B2C automotive e-commerce platform with a broad national offline sales and service network. In March 2016, the Company sold 2,995 vehicles to Maimaiche (Fujian) Used Car Co., Ltd. ("Maimaiche Fujian"). In April 2016, UCAR acquired a 70% stake in the parent company of Maimaiche Fujian. Vehicles sold to Maimaiche Fujian were at prices in line with prevailing market transaction price on B2B platforms. The Company believes its B2C model largely reduces intermediate costs, provides better product assurance and enables brand premiums. It will enable the Company to realize higher residual values, better manage the full cycle of rental vehicles and further ensure customer rental experience.

III. STRATEGIC HIGHLIGHTS AND RECENT DEVELOPMENTS

In early 2016, the Company experienced a series of shareholding and organizational changes. First of all, on 14 March 2016, Hertz Holdings Netherlands B.V. and Mr. Charles Zhengyao LU ("Mr. Lu") separately entered into agreements to sell 203,554,310 and 370,470,545 shares of the Company to UCAR Technology Inc. ("UCAR Cayman"), representing approximately 8.5% and 15.47% of the total issued share capital of the Company, respectively. Upon completion of the two transfers, UCAR Cayman became the largest shareholder of the Company with 29.2% stake holding. Secondly, on 11 April 2016, Mr. Lu (Chairman and former CEO of the Company) and Ms. Jenny Zhiya QIAN (former COO of the Company) resigned from the Company's management to take up CEO and COO roles in UCAR, respectively, while Ms. Yifan SONG, a founding member and executive vice-president of the Company, and Mr. Wilson Wei LI, the CFO of the Company, were appointed as the CEO and COO of the Company respectively. In addition, two vice-presidents of the Company were promoted to the senior management team. Mr. Lu remained as Chairman of the Company.

The Company believes that the shareholding consolidation makes its shareholding structure clearer and more concentrated, and better aligns management's interests between the Company and UCAR. The Company believes it is important to strengthen its organization by setting up a leadership succession ladder and providing career progression opportunities for different levels of the management team. These changes enabled the two companies to strategically position themselves to best capture the emerging growth opportunities, maximize shareholder value and generate synergies.

The Company will continue to execute its strategy of becoming a leading auto mobility provider in China. It will remain focused on growth and strengthen its dominant position in China's car rental market, by continuously growing the fleet, enhancing the customer experience, increasing fleet utilization, and improving operational efficiency.

Looking ahead to the rest of 2016, the Company expects to drive healthy growth and maintain strong profitability supported by its dominant leading position and new growth initiatives in short-term rental self-drive business, increasing benefits from the collaboration with UCAR, and better disposal channels for used cars.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenues and Profitability Analysis

Rental revenue

	For the three months ended 31 March			
	2016		**2015**	
	RMB	*% of rental revenue*	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Short-term rentals	869,582	69.3%	727,850	78.6%
Long-term rentals	371,437	29.6%	169,402	18.3%
Finance lease	2,887	0.2%	11,170	1.2%
Other revenue	11,277	0.9%	17,329	1.9%
Total rental revenue	1,255,183	100.0%	925,751	100.0%

Short-term rental metrics

	1Q'15	2Q'15	3Q'15	4Q'15	FY15	1Q'16
Average daily fleet(1)	47,099	47,117	53,949	55,186	50,869	55,719
ADRR(2) (RMB)	275	276	271	261	270	271
Utilization rate(3) (%)	63.7%	64.1%	64.5%	60.1%	63.0%	64.2%
RevPAC(4) (RMB)	175	177	175	157	170	174

Notes:

(1) Average daily short-term rental fleet is calculated by dividing the aggregate days of our short-term rental vehicles in operation in a given period by the aggregate days of that period. "Short-term rental vehicles in operation" refers to our entire short-term 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 short-term rental revenue in a given period by the fleet rental days in that period. Fleet rental days are the total rental days for all vehicles in our short-term rental fleet in a given period.

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

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

The Company's total rental revenue increased 36% to RMB1,255.2 million for the three months ended 31 March 2016 from RMB925.8 million for the three months ended 31 March 2015.

- *Short-term rentals.* Revenue from short-term rentals increased by 19% to RMB869.6 million for the three months ended 31 March 2016 from RMB727.9 million for the three months ended 31 March 2015. The increase was mainly driven by the growing short-term rental fleet size. Short-term rental revenue consisted of revenue from both self-drive and the daily sharing fleet with UCAR under short-term rental contract. RevPAC remained stable at RMB174 for the three months ended 31 March 2016, compared with RMB175 for the three months ended 31 March 2015. Utilization rate increased to 64.2% through efficient demand forecasting and fleet supply management. Meanwhile, the Company continues to target a balanced utilization rate as it secures license plates.

- *Long-term rentals.* Revenue from long-term rentals increased 119% year-over-year to RMB371.4 million for the three months ended 31 March 2016. The long-term fleet size increased to 22,031 vehicles as at 31 March 2016 from 14,562 vehicles as at 31 March 2015. As at 31 March 2016, fleet rent to UCAR was 20,172 vehicles. The Company also continued to downsize its fleet for traditional institutional long-term rentals in order to improve capital returns and make the best use of license plate resources.

- *Finance lease.* Revenue from finance lease decreased 74% to RMB2.9 million for the three months ended 31 March 2016 from RMB11.2 million for the three months ended 31 March 2015. Since the beginning of 2015, the Company has changed its used car finance lease program for franchisees from 2-year finance lease to a 1-year installment program. The existing financial lease program continues to expire in 2016.

- *Other revenue.* Other revenue was RMB11.3 million for the three months ended 31 March 2016, compared with RMB17.3 million for the three months ended 31 March 2015. The decrease was primarily driven by the decrease in insurance claims for in-house repair and maintenance.

Depreciation of rental vehicles and direct operating expenses of rental services

	For the three months ended 31 March			
	2016		**2015**	
	RMB	*% of rental revenue*	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Depreciation of rental vehicles	289,761	23.1%	186,573	20.2%
Direct operating expenses				
- Payroll costs	96,331	7.7%	95,314	10.3%
- Store expenses	42,636	3.4%	35,595	3.8%
- Insurance fees	60,535	4.8%	47,351	5.1%
- Repair and maintenance fees	58,193	4.6%	26,602	2.9%
- Fuel expenses	18,063	1.4%	17,815	1.9%
- Others	88,531	7.1%	62,843	6.8%
Total direct operating expenses	364,289	29.0%	285,520	30.8%
Total costs of car rental business	654,050	52.1%	472,093	51.0%

Depreciation of rental vehicles. As a percentage of rental revenue, depreciation expenses increased to 23.1% for the three months ended 31 March 2016 from 20.2% for the three months ended 31 March 2015. The increase was primarily driven by (i) decrease in residual value of certain vehicle models due to the general weakness in the used car market, and (ii) an upgrade in the vehicle mix due to the increased size of UCAR fleet.

Direct operating expenses of rental services. As a percentage of rental revenue, direct operating expenses decreased to 29.0% for the three months ended 31 March 2016 from 30.8% for the three months ended 31 March 2015. The decrease was primarily due to greater operating leverage, higher efficiency in managing UCAR fleet and continuous improvement in operational efficiency.

Sales of used vehicles (revenue & cost)

	For the three months ended 31 March	
	2016	**2015**
	RMB	*RMB*
	(in thousands, except percentages)	
Revenue from sales of used vehicles	358,389	109,561
Cost of sales of used vehicles	351,216	104,797
Cost as a % of revenue (sales of used vehicles)	98.0%	95.7%
Number of used vehicles sold	5,404	1,581
- Inclusive of used vehicles sold to franchisees via installment program	*444*	*427*
Total number of used vehicles disposed	5,404	1,581

The Group disposed of 5,404 used vehicles for the three months ended 31 March 2016, compared with 1,581 for the three months ended 31 March 2015. As a result of the new initiative of used car B2C pilot program, the number of retired vehicles awaiting sale increased to 5,800 as at 31 March 2016.

Cost of sales of used vehicles were 98.0% and 95.7% of revenue from the sales of used vehicles for the three months ended 31 March 2016 and 2015, respectively. The cost of sales of used vehicles represents the net book value of the sold rental vehicles from the Company's fleet.

These results continued to demonstrate the Company's proven and improving capabilities at managing the full cycle of rental vehicles, which includes used vehicle disposals and the effective estimation of residual values.

Gross profit

	For the three months ended 31 March	
	2016	**2015**
	RMB	*RMB*
	(in thousands, except percentages)	
Gross profit of car rental business	601,133	453,658
Gross profit margin of car rental business	*47.9%*	*49.0%*
Gross profit of sales of used vehicles	7,173	4,764
Gross profit margin of sales of used vehicles	*2.0%*	*4.3%*
Total gross profit	608,306	458,422
Total gross profit margin as a % of rental revenue	48.5%	49.5%

Total gross profit of the car rental business increased 32.7% to RMB608.3 million for the three months ended 31 March 2016 from RMB458.4 million for the three months ended 31 March 2015. Gross profit margin of the car rental business as a percentage of rental revenue remained stable at 48.5% for the three months ended 31 March 2016.

Selling and distribution expenses

	For the three months ended 31 March			
	2016		2015	
	RMB	*% of rental revenue*	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	5,667	0.5%	4,828	0.5%
Advertising expenses	12,881	1.0%	11,395	1.2%
Share-based compensation	187	0.0%	321	0.1%
Others	3,198	0.2%	3,692	0.4%
Total	21,933	1.7%	20,236	2.2%

Selling and distribution expenses increased 8% to RMB21.9 million for the three months ended 31 March 2016 from RMB20.2 million for the three months ended 31 March 2015. As a percentage of rental revenue, selling and distribution expenses decreased to 1.7% for the three months ended 31 March 2016 from 2.2% for the three months ended 31 March 2015.

Administrative expenses

	For the three months ended 31 March			
	2016		2015	
	RMB	*% of rental revenue*	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	55,400	4.4%	39,014	4.2%
Office expenses	13,989	1.1%	10,529	1.1%
Rental expenses	6,479	0.5%	5,478	0.6%
Share-based compensation	8,835	0.7%	32,296	3.5%
Others	38,311	3.1%	19,177	2.1%
Total	123,014	9.8%	106,494	11.5%

Administrative expenses increased 16% to RMB123.0 million for the three months ended 31 March 2016 from RMB106.5 million for the three months ended 31 March 2015. The increase in payroll costs was related to improved IT and R&D capabilities. The comparatively higher office expenses were mainly due to the new operation center in Tianjin. As a percentage of rental revenue, administrative expenses decreased to 9.8% for the three months ended 31 March 2016 from 11.5% for the three months ended 31 March 2015. The change was in line with the Company's business expansion and reflected economies of scale and greater operating leverage.

Other income and expenses, net

	For the three months ended 31 March	
	2016	**2015**
	(RMB in thousands)	
Interest income from bank deposit	3,888	10,832
Unrealized exchange gain	32,092	492
Realized exchange gain/(loss)	(3,423)	6,608
Government grants	3,682	—
Others	(191)	(775)
Total	36,048	17,157

The net gain in other income and expenses was RMB36.0 million for the three months ended 31 March 2016, compared with RMB17.2 million for the three months ended 31 March 2015. The net gain for the three months ended 31 March 2016 was mainly due to an unrealized foreign exchange gain of RMB32.1 million on USD-denominated liabilities. During the three months ended 31 March 2016, the Company recorded government grants of RMB3.7 million, mainly due to tax rebates for the Company's high-tech subsidiaries.

Finance costs. Finance costs increased 17% to RMB137.3 million for the three months ended 31 March 2016 from RMB116.9 million for the three months ended 31 March 2015, primarily due to the Company's higher debt position, which was partially offset by lower average funding costs.

Profit before tax. Profit before tax increased 56% to RMB362.1 million for the three months ended 31 March 2016 from RMB231.9 million for the three months ended 31 March 2015.

Income tax expenses. Income tax expenses increased to RMB88.2 million for the three months ended 31 March 2016 from RMB55.0 million for the three months ended 31 March 2015 due to the increased profitability of the Group.

Profit after tax. As a result of the aforementioned factors, the Company recorded a net profit of RMB273.9 million and RMB177.0 million for the three months ended 31 March 2016 and 2015, respectively.

Adjusted net profit. Adjusted net profit was RMB250.9 million and RMB209.2 million for the three months ended 31 March 2016 and 2015, respectively. As a percentage of rental revenue, the adjusted net profit margin decreased to 20.0% for the three months ended 31 March 2016 from 22.6% for the three months ended 31 March 2015.

Adjusted EBITDA. Adjusted EBITDA was RMB797.9 million and RMB576.8 million for the three months ended 31 March 2016 and 2015, respectively. As a percentage of rental revenue, adjusted EBITDA margin increased to 63.6% for the three months ended 31 March 2016 from 62.3% for the three months ended 31 March 2015.

2. **Financial Positions**

	As at 31 March 2016	31 December 2015
	(RMB in millions)	
Total assets	16,725.3	16,342.4
Total liabilities	9,341.9	9,243.1
Total equity	7,383.4	7,099.3
Cash and cash equivalents	2,567.9	1,987.9
Restricted cash	1.3	53.1
Total cash	2,569.2	2,041.0
Interest bearing bank and other borrowings - current	1,678.1	1,154.4
Interest bearing bank and other borrowings - non-current	1,801.7	2,168.7
Senior notes	5,092.2	5,190.6
Total debt	8,572.0	8,513.7
Net debt (total debt less total cash)	6,002.8	6,472.7
Total debt/adjusted EBITDA (times)[1]	2.9x	3.1x
Net debt/adjusted EBITDA (times)[1]	2.0x	2.3x

Note 1: Adjusted EBITDA is calculated based on the total of the most recent four quarters.

Cash

The Company continued to generate strong operating cash flows and maintain strong liquidity during the quarter ended 31 March 2016. As at 31 March 2016, the Company had cash and cash equivalents of RMB2,567.9 million and restricted cash of RMB1.3 million.

Trade receivables and Due from related parties

Trade receivables were RMB383.3 million and RMB239.4 million as at 31 March 2016 and 31 December 2015, respectively. The increase in trade receivables was mainly due to the sale of close to 3,000 used cars to Maimaiche Fujian by the end of the first quarter of 2016.

Due from related parties, which relates to the trade receivables from UCAR, was RMB367.5 million and RMB475.9 million as at 31 March 2016 and 31 December 2015, respectively. Fleet rent to UCAR carry a 90-day payment term and UCAR has been paying on schedule.

Capital expenditures

The majority of capital expenditures was for vehicle acquisitions. During the three months ended 31 March 2016, the Company purchased approximately RMB363.2 million of rental vehicles, which is inclusive of payments for rental vehicles that have not commenced service. The Company also spent approximately RMB96.0 million on purchases of other property, plant and equipment, and other intangible assets.

Borrowings

As at 31 March 2016, the Company had total debt of RMB8,572.0 million, compared with RMB8,513.7 million as at 31 December 2015. The Company has further diversified its funding tenors and optimized asset and liability matching by acquiring new loans of 2 to 3 years tenor with mostly amortized repayment schedule and tapping into the bond market. As at 31 March 2016, the current debt portion was RMB1,678.1 million, representing 19.6% of total debt. Based on the repayment schedule as at 31 March 2016, the Company had total debt of approximately RMB421.8 million to be repaid in the second quarter of 2016.

The Company continues to pay close attention to asset and liability management. Management has been closely monitoring the Company's foreign currency exposures and analyzing market conditions. As at 31 March 2016, the Company had not used any hedging instruments. The Company will continue to closely evaluate market conditions and ensure appropriate measures, including hedging and liability management, are implemented should the need arise.

Free cash flow

Free cash flow has improved significantly from an outflow of RMB1,876.0 million during the three months ended 31 March 2015 to an inflow of RMB589.8 million for the three months ended 31 March 2016. The improvement is mainly due to the decrease in capital expenditure on rental vehicles.

V. NON-IFRS FINANCIAL RECONCILIATION

	For the three months ended 31 March 2016	2015
	(RMB in thousands, except percentages)	
A. Adjusted net profit		
Net Profit	273,942	176,950
Adjusted for:		
Share-based compensation	9,084	32,723
Unrealized foreign exchange gain related to USD denominated liabilities	(32,092)	(492)
Adjusted net profit	250,934	209,181
Adjusted net profit margin (as a percentage of rental revenue)	20.0%	22.6%
B. Adjusted EBITDA		
Reported EBITDA calculation		
Profit before tax	362,129	231,923
Adjusted for:		
Finance costs	137,278	116,926
Interest income from bank deposit	(3,888)	(10,832)
Depreciation of rental vehicles	289,761	186,573
Depreciation of other property, plant and equipment	14,713	7,782
Amortization of other intangible assets	2,607	2,498
Amortization of prepaid land lease payment	404	41
Impairments on trade receivables	17,859	9,635
Reported EBITDA	820,863	544,546
Reported EBITDA margin (as a percentage of rental revenue)	65.4%	58.8%
Adjusted EBITDA calculation		
Reported EBITDA	820,863	544,546
Adjusted for:		
Share-based compensation	9,084	32,723

	For the three months ended 31 March 2016	2015
	(RMB in thousands, except percentages)	
Unrealized foreign exchange gain related to USD denominated liabilities	(32,092)	(492)
Adjusted EBITDA	797,855	576,777
Adjusted EBITDA margin (as a percentage of rental revenue)	63.6%	62.3%

C. Free cash flow

	For the three months ended 31 March 2016	2015
	(RMB in thousands)	
Net cash flows generated from/used in operating activities	685,839	(1,813,033)
Purchases of other property, plant and equipment	(95,132)	(16,767)
Proceeds from disposal of other property, plant and equipment	8	—
Additions to prepaid land lease payments	—	(45,199)
Purchases of other intangible assets	(878)	(970)
Net investment activity	(96,002)	(62,936)
Free cash flow	589,837	(1,875,969)

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 when planning and forecasting future periods. The Group's management believes that adjusted EBITDA, defined as earnings before interest, income tax expenses, depreciation and amortization, share-based compensation, impairment on trade receivables, foreign exchange loss related to corporate reorganization (details of which are set out in the section entitled "Our History, Reorganization and Corporate Structure" in the Company's prospectus dated 8 September 2014) and IPO related expenses, is a useful financial metric to assess the Group's operating and financial performance.

Free cash flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. 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 statements of profit or loss

	Notes	For the three months ended 31 March 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Rental revenue		1,255,183	925,751
Sales of used vehicles		358,389	109,561
Total revenue	4	1,613,572	1,035,312
Depreciation of rental vehicles		(289,761)	(186,573)
Direct operating expenses of rental services		(364,289)	(285,520)
Cost of sales of used vehicles		(351,216)	(104,797)
Gross profit		608,306	458,422
Other income and expenses, net	4	36,048	17,157
Selling and distribution expenses		(21,933)	(20,236)
Administrative expenses		(123,014)	(106,494)
Finance costs		(137,278)	(116,926)
Profit before tax	5	362,129	231,923
Income tax expenses	6	(88,187)	(54,973)
Profit for the period		273,942	176,950
Attributable to:			
Owners of the parent		273,942	176,950
Earnings per share attributed to ordinary equity holders of the parent			
Basic (RMB)	7	0.114	0.075
Diluted (RMB)	7	0.112	0.073
Profit for the period		273,942	176,950
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period, net of tax		273,942	176,950

Consolidated statements of financial position

		As at	
		31 March 2016	**31 December 2015**
		(Unaudited)	*(Audited)*
	Notes	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Rental vehicles	8	9,063,947	9,338,873
Other property, plant and equipment	9	328,302	320,185
Finance lease receivables — non-current	10	57,687	43,309
Prepayments for rental vehicles		84,108	29,231
Prepayment for buildings		30,082	—
Prepaid land lease payments		61,615	62,019
Goodwill		6,659	6,659
Other intangible assets		158,016	159,745
Investments in unlisted companies	11	2,042,103	2,042,103
Rental deposits		11,923	8,150
Deposits for borrowings		30,000	30,000
Deferred tax assets		87,132	63,662
Total non-current assets		11,961,574	12,103,936
CURRENT ASSETS			
Inventories		91,633	111,743
Trade receivables	13	383,299	239,360
Prepayments, deposits and other receivables	14	1,227,455	1,258,347
Due from related parties		367,549	475,852
Finance lease receivables — current	10	124,617	112,170
Restricted cash		1,300	53,129
Cash and cash equivalents		2,567,907	1,987,878
Total current assets		4,763,760	4,238,479

	Notes	As at 31 March 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
CURRENT LIABILITIES			
Trade payables	12	61,212	21,000
Other payables and accruals		290,211	336,951
Advances from customers		190,552	192,928
Interest-bearing bank and other borrowings	15	1,678,084	1,154,411
Due to related parties		1,024	2,585
Income tax payable		99,364	52,708
Total current liabilities		2,320,447	1,760,583
NET CURRENT ASSETS		2,443,313	2,477,896
TOTAL ASSETS LESS CURRENT LIABILITIES		14,404,887	14,581,832
NON-CURRENT LIABILITIES			
Senior notes	16	5,092,239	5,190,607
Interest-bearing bank and other borrowings	15	1,801,688	2,168,714
Deposits received for rental vehicles		2,358	3,550
Deferred tax liabilities		125,186	119,640
Total non-current liabilities		7,021,471	7,482,511
Net assets		7,383,416	7,099,321
EQUITY			
Equity attributable to owners of the parent			
Share capital		147	147
Reserves		5,962,018	5,951,865
Retained profits / (accumulated losses)		1,421,251	1,147,309
Total equity		7,383,416	7,099,321

Consolidated statements of cash flows

	For the three months ended 31 March	
	2016	**2015**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	362,129	231,923
Adjustments for operating activities:		
Impairment on trade receivable	17,859	9,635
Depreciation of rental vehicles	289,761	186,573
Depreciation of other property, plant and equipment	14,713	7,782
Loss on disposal of other property, plant and equipment	8	4
Amortization of other intangible assets	2,607	2,498
Amortization of prepaid land lease payment	404	41
Unrealized foreign exchange gain	(28,639)	(7,100)
Equity-settled share option expenses	9,084	32,723
Finance costs	137,278	116,926
Interest income	(3,888)	(10,832)
	801,316	570,173
Net increase of rental vehicles	(14,835)	(2,184,355)
Increase of trade receivables	(161,799)	(195,447)
Decrease in due from related parties	108,303	—
Decrease/(increase) of inventories	20,110	(21,668)
(Increase)/decrease in prepayments and other receivables	(28,211)	8,881
Increase of trade payables	40,212	13,676
(Decrease)/increase of due to related parties	(1,560)	932
(Decrease)/increase of advances from customers	(2,376)	18,764
Increase/(decrease) of other payables and accruals	2,399	(50,076)
(Increase)/decrease of finance lease receivables	(25,433)	45,169
Tax paid	(52,287)	(19,082)
Net cash flows generated from/used in operating activities	685,839	(1,813,033)

	For the three months ended 31 March	
	2016	**2015**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of other property, plant and equipment	(95,132)	(16,767)
Proceeds from disposal of other property, plant and equipment	8	—
Additions to prepaid land lease payments	—	(45,199)
Purchases of other intangible assets	(878)	(970)
Acquisition of subsidiaries	(110)	—
Redemption of available-for-sale investment	—	1,070,000
Purchase of available-for-sale investments	—	(100,000)
Interest received	4,340	10,741
Net cash flows used in investing activities	91,772	917,805
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted cash	51,829	—
Proceeds from bank and other borrowings	631,090	1,017,000
Repayments of bank and other borrowings	(470,189)	(343,937)
Proceeds from increase of senior notes	—	2,981,913
Proceds from exercise of share options	1,069	2,729
Interest paid	(227,639)	(74,288)
Net cash flows used in/generated from financing activities	(13,840)	3,583,417
Net increase in cash and cash equivalents	580,227	2,688,189
Cash and cash equivalents at the beginning of the period	1,987,878	1,352,435
Effect of foreign exchange rate changes, net	(198)	12,286
Cash and cash equivalents at the end of the period	2,567,907	4,052,910

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

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations) issued by the International Accounting Standard Board ("IASB"), accounting principles generally accepted in Hong Kong and 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2016.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

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, which is also the Group's turnover, mainly represents the value of car 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	
	2016	**2015**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Revenue		
Short-term rental income	869,582	727,850
Long-term rental income	371,437	169,402
Finance lease income	2,887	11,170
Sales of used rental vehicles	358,389	109,561
Franchise related income	871	863
Others	10,406	16,466
	1,613,572	1,035,312
Other income and expenses, net		
Interest income from bank deposit	3,888	10,832
Exchange gain	28,669	7,100
Government grants*	3,682	—
Loss on disposals of items of other property, plant and equipment	(8)	(4)
Others	(183)	(771)
	36,048	17,157

* There were no unfulfilled conditions and other contingencies attaching to government assistance that has been recognized.

5. PROFIT BEFORE TAX

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

	For the three months ended 31 March	
	2016	**2015**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Cost of sales of used vehicles	351,216	104,797
Depreciation of rental vehicles	289,761	186,573
Depreciation of other property, plant, and equipment	14,713	7,782
Recognition of prepaid land lease payments	404	41
Amortization of other intangible assets*	2,607	2,498
Minimum lease payments under operating leases in respect of		
- offices and stores	20,957	15,034
- rental vehicles	14,891	14,104
Wages and salaries	125,330	112,885
Equity-settled share option expenses	9,084	32,723
Pension scheme contribution**	32,068	26,271
Insurance expenses	60,535	47,351
Repair and maintenance	58,193	26,602
Exchange gain	(28,669)	(7,100)
Auditors' remuneration	1,000	500
Impairment on trade receivables	17,859	9,635
Loss on disposal of items of other property, plant and equipment	8	4
Advertising and promotion expenses	12,881	11,395

* The amortization of other intangible assets for the three months ended 31 March 2015 and 2016 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 ministered 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 three months ended 31 March	
	2016	**2015**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Current income tax:		
Mainland China	106,111	38,704
Deferred tax	(17,924)	16,269
Total tax charge for the period	88,187	54,973

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 encouraged industry companies established in the comprehensive experimentation area in Pingtan, Fujian Province, and therefore is entitled a preferential corporate income tax rate of 15% pursuant to CaiShui [2014] No. 26 issued by the Ministry of Finance of the People's Republic of China.

No Hong Kong profits tax on the Group's subsidiary has been provided at the rate of 16.5% as there is no assessable profit arising in Hong Kong during the year.

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 RMB7,236,000 during the period (For the three months ended 31 March 2015: nil).

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 three months ended 31 March	
	2016	**2015**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Profit before tax	362,129	231,923
Tax at PRC statutory tax rate of 25%	90,532	57,981
Tax effect of tax rate difference between PRC and overseas entities	3,148	14,090
Utilization of unrecognized deferred tax assets	(17,657)	(16,594)
PRC entities with preferential tax rate	(7,887)	(684)
Expenses not deductible for tax	12,815	180
Withholding tax on the deemed income	7,236	—
Total charge for the period	88,187	54,973

The effective tax rate of the Group was 24.35% for the three months ended 31 March 2016 (for the three months ended 31 March 2015: 23.70%).

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 2,394,720,892 (for the three months ended 31 March 2015: 2,358,164,828) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the respective 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 three months ended 31 March	
	2016	**2015**
	(Unaudited) *RMB'000*	*(Unaudited)* *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	273,942	176,950
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,394,720,892	2,358,164,828
Effect of dilution — weighted average number of ordinary shares:		
Share option	43,860,054	73,328,045
	2,438,580,946	2,431,492,872

8. RENTAL VEHICLES

	For the three months ended 31 March	
	2016	**2015**
	(Unaudited) *RMB'000*	*(Unaudited)* *RMB'000*
At 1 January:		
Cost	11,016,202	6,420,412
Accumulated depreciation	(1,677,329)	(1,186,218)
Net carrying amount	9,338,873	5,234,194
At 1 January, net of accumulated depreciation	9,338,873	5,234,194
Additions	344,801	2,305,846
Disposals and transfers to inventories	(329,180)	(120,868)
Transfers to finance leases	(786)	(623)
Depreciation provided during the period	(289,761)	(186,573)
At 31 March, net of accumulated depreciation	9,063,947	7,231,976
At 31 March:		
Cost	10,822,536	8,500,125
Accumulated depreciation	(1,758,589)	(1,268,149)
Net carrying amount	9,063,947	7,231,976

Vehicles with carrying values of RMB65,253,000 as at 31 March 2016 (31 December 2015: RMB117,797,000) had been pledged to secure certain of the Group's interest-bearing loans.

9. OTHER PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the three months ended 31 March 2016, the Group acquired items of other property, plant and equipment with a cost of RMB22,846,000 (for the three months ended 31 March 2015: RMB22,420,000); and depreciation for items of other property, plant and equipment of RMB14,713,000 (for the three months ended 31 March 2015: RMB7,782,000).

Assets with a net book value of RMB16,000 were disposed of by the Group during the three months ended 31 March 2016 (for the three months ended 31 March 2015: nil).

As at 31 March 2016, the Group was in the process of obtaining the property rights certificates of certain of the Group's buildings with a net carrying amount of approximately RMB130,778,000 (As at 31 December 2015: RMB131,661,000).

10. FINANCE LEASE RECEIVABLES

Certain rental vehicles have been leased out through finance leases entered into by the Group. These leases have remaining terms ranging generally from three to five years. Finance lease receivable is comprised of the following:

	As at	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Net minimum lease payments receivable	210,083	181,504
Unearned finance income	(27,779)	(26,025)
Total net finance lease receivables	182,304	155,479
Less: current portion	124,617	112,170
Non-current portion	57,687	43,309

Future minimum lease payments to be received under non-cancellable finance lease arrangements as at 31 March 2016 and 31 December 2015 are as follows:

	As at	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within one year	146,036	133,237
In the second to fifth years, inclusive	64,047	48,267
	210,083	181,504

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as at 31 March 2016 and 31 December 2015 are as follows:

	As at	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within one year	124,617	112,170
In the second to fifth years, inclusive	57,687	43,309
	182,304	155,479

11. INVESTMENTS IN UNLISTED COMPANIES

	As at	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Investments in redeemable preference shares — unlisted companies	2,042,103	2,042,103

(a) **Souche Holdings Ltd. ("Souche")**

In April 2015, the Group subscribed certain redeemable preference shares in Souche, which is an unlisted company principally engaged in providing online platform and relevant professional services of trade-in used cars, at a total consideration of US$26.49 million (equivalent to approximately RMB161,828,000). According to the subscription agreement, the redemption price of such preference shares was agreed at not less than its original subscription price. After the investment of the redeemable preference shares, the Group held 19.91% of the equity interest (as converted) in Souche as at 31 March 2016. The directors of the Company were of the opinion that the Group did not have significant influence over Souche.

The Group designated such redeemable preference share investment in Souche (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. As the conversion option was precluded from fair value measurement, the entire hybrid contract (a host debt and conversion option) was deemed not to be reliably measurable at reporting period end. As a result, the investment in Souche was measured at cost less impairment. As at 31 March 2016, the directors of the Company were of the opinion that there was no impairment indication identified for the investment in Souche.

(b) **UCAR Technology Inc.**

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$125.0 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 of US$50.0 million. On the assumption that all Series A and Series B preference shares are fully converted into ordinary shares of UCAR Cayman based on the conversion ratio of 1:1, the Company will hold approximately 9.35% of the total issued and outstanding shares of UCAR Cayman on a fully diluted basis. The directors of the Company were of the opinion that the Group did 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. The unlisted preference shares were measured at fair value and were classified as level 3 fair value measurement. The fair value of the investment in UCAR Cayman was estimated with the assistance of an independent valuation company. The fair value of the Group's Series B preference shares investment in UCAR Cayman was based on the Back-solve method of 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.

In December 2015, UCAR implemented a corporate restructuring (the "UCAR Restructuring"), whereby the existing shareholders of UCAR Cayman acquired equity interest in UCAR Cayman, an unlisted company with registered capital of RMB117,023,949. As part of the UCAR Cayman Restructuring and at UCAR Cayman's request, on 18 December 2015, China Auto Rental Limited ("CAR HK"), a company incorporated in Hong Kong and a wholly-owned subsidiary of the

Company, entered into a capital increase agreement with UCAR, among others. Pursuant to the terms of the capital increase agreement, upon completion of the UCAR Cayman Restructuring, the percentage of equity interest held by CAR HK in UCAR will be the same as the Company's existing shareholding percentage in UCAR Cayman. The amount for the capital increase in UCAR under the capital increase agreement has been contributed out of the funds of UCAR Cayman, and the Company is not required to make any new investment in UCAR. CAR HK held 9.35% of the equity interest in UCAR as at 31 March 2016.

12. TRADE PAYABLES

An ageing analysis of outstanding trade payables as of 31 March 2016 and 31 December 2015, based on the invoice date, is as follows:

	As at	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within 3 months	50,453	15,960
3 to 6 months	5,262	4,032
Over 6 months	5,497	1,008
	61,212	21,000

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

13. TRADE RECEIVABLES

	As at	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Trade receivables	413,360	278,452
Impairment provision	(30,061)	(39,092)
	383,299	239,360

The Company generally does not provide credit term to short-term rental customers. The credit period for long-term 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 minimize 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 aging analysis of the trade receivables as at 31 March 2016 and 31 December 2015, based on the invoice date and net of provisions, is as follows:

	As at	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within 3 months	295,148	177,431
3 to 6 months	13,924	33,621
6 to 12 months	69,218	13,515
Over 1 year	5,009	14,793
	383,299	239,360

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

	As at	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Neither past due nor impaired	309,948	132,482
Past due but not impaired:		
Less than 3 months past due	36,217	73,774
3 months to 1 year past due	32,236	17,419
Over 1 year past due	—	12,011
	378,401	235,686

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	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Deductible VAT input	813,291	833,508
Prepayments	224,883	250,361
Other receivables	143,579	108,454
Rental deposits	23,339	21,812
Others	22,363	44,212
	1,227,455	1,258,347

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Current:		
Short-term loans		
— guaranteed	1,500	1,500
— unsecured and unguaranteed	437,295	147,354
Current portion of sale and leaseback obligations		
— secured	140,260	151,474
Current portion of long-term bank loans		
— guaranteed	95,665	100,009
— unsecured and unguaranteed	180,578	180,578
Current portion of long-term other loans		
— guaranteed	199,979	496,917
— secured	22,807	76,579
— unsecured and unguaranteed	600,000	—
	1,678,084	1,154,411

	As at	
	31 March 2016	**31 December 2015**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Non-current:		
Bank loans		
— guaranteed	1,247,975	944,876
— unsecured and unguaranteed	552,152	592,297
Other loans		
— unsecured and unguaranteed	—	600,000
— secured	1,561	5,566
Sale and leaseback obligations		
— secured	—	25,975
	1,801,688	2,168,714
	3,479,772	3,323,125
Analyzed into:		
Bank loans repayable:		
within one year or on demand	715,038	429,442
in the second year	905,646	892,514
in the third to fifth years, inclusive	894,481	644,659
	2,515,165	1,966,615
Other borrowings repayable:		
within one year or on demand	822,786	573,495
in the second year	1,561	605,566
	824,347	1,179,061
Sale and leaseback obligations:		
within one year or on demand	140,260	151,474
in the second year	—	25,975
	140,260	177,449
	3,479,772	3,323,125

As at 31 March 2016, the Group's overdraft bank facilities amounted to RMB6,777,541,000 (31 December 2015: RMB6,861,039,000), of which RMB2,978,620,000 (31 December 2015: RMB2,408,496,000) had been utilized.

16. SENIOR NOTES

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

On 4 February 2015, the Company issued senior notes in an aggregate principal amount of US$500,000,000 (the "2015 Notes (A)"). The 2015 Notes (A) are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 2015 Notes (A) carry interest at the rate of 6.125% per annum, payable semi-annually on 4 February and 4 August in arrears, and will mature on 4 February 2020, unless redeemed earlier.

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

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

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

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

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

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

	For the three months ended 31 March 2016
	(Unaudited)
	RMB'000
Carrying amount at 1 January	3,248,164
Additions, net of issuance costs	—
Exchange realignment	(15,317)
Interest expenses	54,362
Interest expenses payment	(100,357)
Carrying amount at 31 March	3,186,852

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 6.00% 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 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) recognized in the statements of financial position were calculated as follows:

	For the three months ended 31 March 2016
	(Unaudited)
	RMB'000
Carrying amount at 1 January	1,942,443
Additions, net of issuance costs	—
Exchange realignment	(9,267)
Interest expenses	31,088
Interest expenses payment	(58,877)
Carrying amount at 31 March	1,905,387

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

VII. 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 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") save and except for code provision A.2.1 with details set out below.

During the Reporting Period, the Chairman of the Board and Chief Executive Officer positions of the Company were held by Mr. Lu. While this constituted a deviation from code provision A.2.1 as set out in the CG Code, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. Lu acted as the Chairman of the Board and the CEO of the Company. The Board believes that this structure did not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the directors of the Company (the "Directors") and that the Board comprises four independent non-executive Directors out of nine Directors, which is more than the Listing Rules requirement of one-third, and they believe that there is sufficient checks and balances in the Board; (ii) Mr. Lu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and makes decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Company announced on 11 April 2016 that, with effect from 11 April 2016, Mr. Lu has resigned from his position as the CEO of the Company and been re-designated as a non-executive director of the Company, and Ms. Yifan Song has been appointed as the CEO of the Company and an executive director of the Company. Following such changes, the roles of Chairman of the Board and CEO of the Company have been separated, which brings the Company in compliance with the requirement of code provision A.2.1 as set out in the CG Code.

VIII. 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.

IX. PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

X. 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 C3 and D3 of the CG Code. The Audit and Compliance Committee consists of three independent non-executive Directors, namely, Mr. Sam Hanhui SUN, Mr. Lei LIN, and Mr. Joseph CHOW, with Mr. Sam Hanhui SUN, being 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 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 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.

XI. PUBLICATION OF THE FIRST QUARTER RESULTS

This results announcement is published on the Company's website (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 2015.

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, 17 May 2016

As at the date of this announcement, the Board 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; Mr. Sam Hanhui Sun, Mr. Wei Ding, Mr. Lei Lin and Mr. Joseph Chow as Independent Non-executive Directors.