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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)

2020 FIRST QUARTER RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of CAR Inc. (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2020 (the “Reporting Period”) prepared pursuant to International Financial Reporting Standards (“IFRSs”).

2020 FIRST QUARTER RESULTS SUMMARY

- Total revenue was RMB1,325 million, compared with RMB1,850 million for the same period last year, a year-over-year decrease of 28.3%.
- Car rental revenue was RMB878 million, compared with RMB1,266 million for the same period last year.
- Adjusted EBITDA was RMB547 million, adjusted EBITDA margin was 57.7%, compared with RMB958 million and 65.8% for the same period last year, respectively.
- Revenue from sales of used vehicles was RMB378 million; 6,469 used vehicles were disposed.
- In March 2020, self-served transactions accounted for 88% of the total reservations.
- During the Reporting Period, 96% of the car rental reservations were made through the Company’s mobile APP.
- Free cash flow was an inflow of RMB1,026 million for the three months ended 31 March 2020.
- As at 31 March 2020, the Company’s total cash balance was RMB3,305 million.
- As at 31 March 2020, total debt to adjusted EBITDA was 3.8x, and net debt to adjusted EBITDA was 2.7x.

EVENTS AFTER THE REPORTING PERIOD

- In April 2020, holders of the RMB300 million 5.5% corporate bonds due 2022 and RMB730 million 6.3% corporate bonds due 2021 of the Company have fully exercised the redemption option with a total principal amount of RMB1.03 billion. The Company has paid the redemption funds and the interest incurred from April 2019 to April 2020 on 27 April 2020. The Company did not resell these bonds.

I. BUSINESS OVERVIEW

The first quarter of 2020 examined the Company's ability to maintain healthy liquidity and sustain business during extreme situations. The Company was pleased to prove its prudent financial position and solid business foundation. The outbreak of the novel coronavirus (COVID-19) since late January 2020 had a significant impact on the Company's business. Various types of lockdown and travel restrictions have led to a sharp decline in car rental demand and a number of the Company's service locations were forced to close temporarily. The social activities only started to recover meaningfully from mid-March 2020. Despite the abovementioned challenges, during the Reporting Period, the Company recorded an adjusted EBITDA of RMB547 million and disposed of 6,469 used vehicles, both exceeded the Company's expectation.

During the Reporting Period, the Company introduced a number of promotional packages and various digital marketing campaigns to mitigate the historical low car rental demand. Car rental revenue decreased to RMB878 million, a year-over-year decrease of 30.6%, which was mainly due to the declined car rental demand resulted from the outbreak of the COVID-19. Fleet rental and other revenue was RMB69 million, compared with RMB190 million for the same period last year. Total revenue, which includes rental revenue and revenue from sales of used vehicles, was RMB1,325 million, compared with RMB1,850 million for the same period last year, a year-over-year decrease of 28.3%.

During the Reporting Period, the average daily rental fleet increased by 9.6% year-over-year to 113,325. ADRR decreased by 22.1% year-over-year to RMB176, as a result of the introduction of discounted rental packages with longer rental term to stimulate demand. Utilization rate was 48.4%, mainly because of the low utilization rate during the lockdown period in February and early March 2020.

In March 2020, self-served transactions represented 88% of the total reservations, compared with 70% in the same period last year. During the Reporting Period, 96% of the car rental reservations were made through the Company's mobile APP.

As at 31 March 2020, the total fleet size was 141,708⁽¹⁾. During the Reporting Period, the Company disposed of 6,469 used vehicles, generating a sales revenue of RMB378 million. The cost-to-sales ratio of used vehicles was 103.1%. The Company has also minimized vehicle purchase to maintain healthy cash flow until rental demand significantly recovers.

Note:

(1) The total fleet size was 141,708, including 5,000 vehicles leased from a financial institution.

II. MANAGEMENT DISCUSSION AND ANALYSIS

	For the three months ended 31 March		Year-over- year change
	2020 <i>(Unaudited)</i>	2019 <i>(Unaudited)</i>	
	<i>(in RMB millions, except otherwise stated)</i>		
Total rental revenue	947	1,456	-35.0%
– Car rental	878	1,266	-30.6%
– Fleet rental & others	69	190	-63.7%
Net (loss)/profit	-188	390	-148.2%
Adjusted net (loss)/profit ⁽¹⁾	-156	241	-164.7%
Adjusted net (loss)/profit margin ⁽²⁾	-16.5%	16.6%	-33.1pp
Adjusted EBITDA ⁽¹⁾	547	958	-42.9%
Adjusted EBITDA margin ⁽²⁾	57.7%	65.8%	-8.1pp
Free cash flow ⁽¹⁾	1,026	85	1,107.1%

Notes:

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

1. Revenues and Profitability Analysis

Rental revenue

	For the three months ended 31 March		Year-over- year change
	2020 RMB	2019 RMB	
Car rental revenue	878,454	1,265,643	-30.6%
Fleet rental & other revenue	68,710	190,546	-63.9%
Total rental revenue	947,164	1,456,189	-35.0%

(in thousands, except percentages)

Car rental metrics

	1Q'19	2Q'19	3Q'19	4Q'19	FY'19	1Q'20
Average daily fleet ⁽¹⁾	103,384	109,047	118,104	115,799	111,636	113,325
ADRR ⁽²⁾ (RMB)	226	208	213	193	210	176
Utilization rate ⁽³⁾ (%)	60.4%	60.2%	60.0%	50.1%	57.5%	48.4%
RevPAC ⁽⁴⁾ (RMB)	136	125	128	97	121	85

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 decreased by 35.0% year-over-year to RMB947.2 million for the three months ended 31 March 2020.

- **Car rentals.** Revenue from car rentals decreased by 30.6% year-over-year to RMB878.5 million for the three months ended 31 March 2020, mainly due to the decrease in RevPAC as a result of the outbreak of COVID-19, offset by extended rental terms to stimulate demand. During the Reporting Period, the average daily fleet increased by 9.6% year-over-year to 113,325.
- **Fleet rentals and others.** Revenue from fleet rentals and others decreased by 63.9% year-over-year to RMB68.7 million for the three months ended 31 March 2020, mainly due to the decrease in fleet rented by UCAR Inc. ("UCAR").

Depreciation of rental vehicles and direct operating expenses of rental services

	For the three months ended 31 March		2019	
	2020	% of rental revenue	RMB	% of rental revenue
	<i>(in thousands, except percentages)</i>			
Depreciation of rental vehicles	421,545	44.5%	396,709	27.2%
Direct operating expenses				
– Payroll costs	113,177	11.9%	119,073	8.2%
– Store expenses	79,930	8.5%	76,855	5.3%
– Insurance fees	54,150	5.7%	66,675	4.6%
– Repair and maintenance fees	41,469	4.4%	60,025	4.1%
– Fuel and transportation expenses	16,833	1.8%	17,572	1.2%
– Others	62,553	6.6%	67,144	4.6%
Total direct operating expenses	<u>368,112</u>	<u>38.9%</u>	<u>407,344</u>	<u>28.0%</u>
Total costs of rental business	<u><u>789,657</u></u>	<u><u>83.4%</u></u>	<u><u>804,053</u></u>	<u><u>55.2%</u></u>

Depreciation of rental vehicles. Depreciation expenses increased to RMB421.5 million, mainly due to lower residual values from used car sales. The expenses as a percentage of rental revenue increased as a result of decrease in car rental RevPAC due to the outbreak of COVID-19.

Direct operating expenses of rental services. Total direct operating expenses decreased by 9.6% year over year to RMB368.1 million for the three months ended 31 March 2020. The decrease was mainly due to less repair and maintenance needs in the quarter with weaker demand. Direct operating expenses as a percentage of rental revenue increased as a result of decrease in car rental RevPAC due to the outbreak of COVID-19.

Sales of used vehicles (revenue & cost)

	For the three months ended 31 March	
	2020	2019
	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands, except percentages)</i>	
Revenue from sales of used vehicles	378,218	393,452
Cost of sales of used vehicles	<u>389,889</u>	<u>408,136</u>
Cost as a % of revenue (sales of used vehicles)	<u>103.1%</u>	<u>103.7%</u>
Total number of used vehicles disposed	<u><u>6,469</u></u>	<u><u>4,462</u></u>

The Company disposed of 6,469 used vehicles for the three months ended 31 March 2020, compared with 4,462 used vehicles for the three months ended 31 March 2019. The average price for disposed vehicle was lower as a result of (i) fewer higher priced ride hailing vehicles and (ii) the disposal of certain brands with lower sales prices.

Cost of sales of used vehicles was 103.1% of revenue from the sales of used vehicles for the three months ended 31 March 2020, compared with 103.7% for the three months ended 31 March 2019.

Gross profit

	For the three months ended 31 March	
	2020	2019
	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands, except percentages)</i>	
Gross profit of rental business	157,507	652,136
<i>Gross profit margin of rental business</i>	16.6%	44.8%
Gross loss of sales of used vehicles	(11,671)	(14,684)
<i>Gross loss margin of sales of used vehicles</i>	<u>(3.1)%</u>	<u>(3.7)%</u>
Total gross profit	<u><u>145,836</u></u>	<u><u>637,452</u></u>
Total gross profit margin as a % of rental revenue	<u><u>15.4%</u></u>	<u><u>43.8%</u></u>

Total gross profit margin as a percentage of rental revenue decreased to 15.4% for the three months ended 31 March 2020 from 43.8% for the same period last year, mainly due to the decrease in rental revenue as a result of the outbreak of COVID-19.

Selling and distribution expenses

	For the three months ended 31 March 2020		2019	
	RMB	% of rental revenue	RMB	% of rental revenue
	<i>(in thousands, except percentages)</i>			
Payroll costs	397	0.0%	252	0.0%
Advertising expenses	3,103	0.3%	650	0.1%
Share-based compensation	46	0.0%	—	—
Others	9,702	1.1%	6,534	0.4%
Total	13,248	1.4%	7,436	0.5%

Selling and distribution expenses were RMB13.2 million. As a percentage of rental revenue, selling and distribution expenses were 1.4% for the three months ended 31 March 2020, due to increased marketing and promotion activities to stimulate demand.

Administrative expenses

	For the three months ended 31 March 2020		2019	
	RMB	% of rental revenue	RMB	% of rental revenue
	<i>(in thousands, except percentages)</i>			
Payroll costs	67,714	7.1%	92,582	6.4%
Office expenses	9,850	1.0%	11,907	0.8%
Rental expenses	6,513	0.7%	6,767	0.4%
Share-based compensation	26,636	2.8%	—	—
Others	22,295	2.4%	24,145	1.7%
Total	133,008	14.0%	135,401	9.3%

Administrative expenses decreased by 1.8% year-over-year to RMB133.0 million for the three months ended 31 March 2020. As a percentage of rental revenue, administrative expenses increased by 4.7 percentage points year-over-year to 14.0%. The increase was mainly due to the share-based compensation to incentivize growth.

Other income and expenses, net

	For the three months ended 31 March	
	2020	2019
	<i>(RMB in thousands)</i>	
Interest income	23,771	24,394
Unrealized exchange gain related to USD-denominated liabilities	4,431	148,036
Realized exchange (loss)/gain	(428)	3,695
Government grants	23,146	17,706
Fair value changes on derivative instrument-transactions not qualifying as hedges	(3,411)	(5,270)
Loss on disposal of items of other property, plant and equipment	(258)	(87)
Others	3,721	5,273
Total	50,972	193,747

Net gain was RMB51.0 million for the three months ended 31 March 2020, compared with a net gain of RMB193.7 million for the three months ended 31 March 2019. The decrease was mainly due to the decrease in exchange gain related to USD-denominated liabilities.

Finance costs. Finance costs increased by 8.2% to RMB218.6 million for the three months ended 31 March 2020 mainly due to the increase in interest costs.

Loss before tax. Loss before tax was RMB172.5 million for the three months ended 31 March 2020, compared with a profit before tax of RMB488.4 million for the three months ended 31 March 2019. The change was mainly due to the outbreak of COVID-19, resulting in significant drop in car rental demand during the Reporting Period.

Income tax expenses. Income tax expenses decreased by 84.6% year-over-year to RMB15.2 million for the three months ended 31 March 2020 due to the decrease in profit.

Net loss. As a result of the aforementioned factors, the net loss was RMB187.7 million for the three months ended 31 March 2020, compared with a net profit of RMB390.0 million for the same period last year.

Adjusted net loss. As a result of the aforementioned factors, adjusted net loss was RMB156.1 million for the three months ended 31 March 2020, compared with an adjusted net profit of RMB241.4 million for the same period last year.

Adjusted EBITDA. Adjusted EBITDA decreased by 42.9% year-over-year to RMB547.0 million for the three months ended 31 March 2020. Adjusted EBITDA margin decreased by 8.1 percentage points year-over-year to 57.7% for the three months ended 31 March 2020.

2. Financial Position

	As at	
	31 March 2020	31 December 2019
	<i>(RMB in millions)</i>	
Total assets	21,086.5	24,633.0
Total liabilities	13,183.6	16,540.3
Total equity	7,902.9	8,092.7
Cash and cash equivalents	3,303.7	5,360.5
Restricted cash	1.3	523.8
Total cash	<u>3,305.0</u>	<u>5,884.3</u>
Interest bearing bank and other borrowings – current	2,378.2	3,554.4
Interest bearing bank and other borrowings – non-current	2,775.8	2,589.3
Senior notes – current	2,114.7	2,284.5
Senior notes – non-current	3,389.0	5,427.1
Corporate bonds	1,025.1	1,024.2
Total debt	<u>11,682.8</u>	<u>14,879.5</u>
Net debt (total debt less total cash)	<u>8,377.8</u>	<u>8,995.2</u>
Total debt/adjusted EBITDA (times)⁽¹⁾	3.8x	4.3x
Net debt/adjusted EBITDA (times)⁽¹⁾	2.7x	2.6x

Note:

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

Cash

As at 31 March 2020, the Company's total cash balance was RMB3,305.0 million.

Trade receivables and due from related parties

Trade receivables were RMB129.3 million and RMB96.8 million as at 31 March 2020 and 31 December 2019, respectively.

Due from a related party, which relates to the trade receivables from UCAR and its affiliates, was RMB499.6 million and RMB443.9 million as at 31 March 2020 and 31 December 2019, respectively.

Capital expenditures

The majority of the Company's capital expenditures was RMB34.0 million on purchases of other property, plant and equipment, and other intangible assets during the Reporting Period. For the three months ended 31 March 2020, the Company purchased rental vehicles valued at RMB3.5 million, majority of which was the balance for vehicles purchased in 2019.

Borrowings

As at 31 March 2020, the Company had total debt of RMB11,682.8 million and net debt of RMB8,377.8 million, compared with RMB14,879.5 million and RMB8,995.2 million as at 31 December 2019, respectively. The Company continued to deleverage as planned to strengthen the financial position. As at 31 March 2020, the current debt portion was RMB4,492.9 million, representing 38.5% of total debt.

Foreign exchange management

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

Free cash flow

The Company generated an inflow of RMB1,025.7 million free cash flow for the three months ended 31 March 2020, compared with an inflow of RMB85.0 million for the same period of 2019, which was mainly due to the increase in sales of used vehicles and significant decrease in vehicles purchase.

III. NON-IFRS FINANCIAL RECONCILIATION

	For the three months ended 31 March	
	2020	2019
	<i>(RMB in thousands, except percentages)</i>	
<i>A. Adjusted net (loss)/profit</i>		
<i>Net (loss)/profit</i>	(187,667)	390,049
Adjusted for:		
Share-based compensation	27,664	–
Fair value changes on derivative instrument-transaction not qualifying as hedges	3,411	5,270
Share of loss/(profit) of associates	4,504	(2,208)
Foreign exchange gain	(4,003)	(151,731)
	<u>(156,091)</u>	<u>241,380</u>
Adjusted net (loss)/profit	(156,091)	241,380
Adjusted net (loss)/profit margin (as a percentage of rental revenue)	(16.5%)	16.6%
<i>B. Adjusted EBITDA</i>		
<i>Reported EBITDA calculation</i>		
(Loss)/profit before tax	(172,512)	488,448
Adjusted for:		
Finance costs	218,560	202,122
Interest income from bank deposit	(17,606)	(24,394)
Depreciation of rental vehicles	421,545	396,709
Depreciation of other property, plant and equipment	14,871	16,411
Depreciation of right-of-use assets/amortization of prepaid land lease payment	49,560	24,757
Amortization of other intangible assets	683	950
Impairments of trade receivables	310	1,251
	<u>515,411</u>	<u>1,106,254</u>
Reported EBITDA	515,411	1,106,254

	For the three months ended 31 March	
	2020	2019
	<i>(RMB in thousands, except percentages)</i>	
Reported EBITDA margin (as a percentage of rental revenue)	54.4%	76.0%
Adjusted EBITDA calculation		
Reported EBITDA	515,411	1,106,254
Adjusted for:		
Share-based compensation	27,664	–
Fair value changes on derivative instrument-transaction not qualifying as hedges	3,411	5,270
Share of loss/(profit) of associates	4,504	(2,208)
Foreign exchange gain	(4,003)	(151,731)
Adjusted EBITDA	<u>546,987</u>	<u>957,585</u>
Adjusted EBITDA margin (as a percentage of rental revenue)	<u>57.7%</u>	<u>65.8%</u>
<i>C. Free cash flow</i>		
<i>Net cash flows generated from operating activities</i>	<u>1,059,865</u>	<u>125,414</u>
Purchases of other property, plant and equipment	(33,188)	(36,850)
(Loss)/proceeds from disposal of other property, plant and equipment	(155)	110
Purchases of other intangible assets	(801)	(3,695)
Net investment activity	<u>(34,144)</u>	<u>(40,435)</u>
Free cash flow	<u>1,025,721</u>	<u>84,979</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 net profit and adjusted EBITDA are useful financial metrics to assess the Group's operating and financial performance. The adjusted net profit is defined as earnings before finance costs of senior notes exchange offer, share-based compensation, foreign exchange gain, fair value changes on derivative instrument-transaction not qualifying as hedges and share of (loss)/profit of associates. The adjusted EBITDA is defined as earnings before interest, income tax expenses, depreciation and amortization, impairment of trade receivables, share-based compensation, foreign exchange gain, fair value changes on derivative instrument-transaction not qualifying as hedges and share of (loss)/profit of associates. In addition, the non-IFRSs financial measures may not be calculated in the same manner by all companies, therefore they may not be comparable to other similar titled measures used by other companies.

Foreign exchange loss, fair value gain from investment in equity shares and redeemable preference shares, gain on disposal of subsidiaries, and share of profit of an associate had been added in the reconciliation in 2016 due to the change in economic situation and the Group's business strategies. Gain on disposal of investments in redeemable preference shares had been added in the reconciliation in 2017. Fair value changes on derivative instrument-transactions not qualifying as hedges has been added in the reconciliation in 2018. Finance costs of senior notes exchange offer has been added in the reconciliation in 2019. The management believes that these items do not relate to the Group's business operations. The Group operates mainly in China and its foreign exchange gain mainly results from its USD-denominated senior notes. Finance costs of senior notes exchange offer mainly results from the exchange offer for the USD-denominated senior notes due 2020. Fair value loss/(gain) from investment in equity shares and redeemable preferences shares represents the non-cash fair value gain/(loss) on investments which is recognized in accordance with IFRS 9 Financial Instruments. Fair value changes on derivative instrument-transactions not qualifying as hedges are recognized based on the market price of the foreign exchange contract that the Company entered into during the Reporting Period. These accounting recognitions and measurements do not relate to the Group's business operations. Share of profit of associates relates to the share of (profit)/loss from two associates that the Group acquired during the second quarter of 2016 and the first quarter of 2019 respectively.

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

IV. FINANCIAL INFORMATION

Consolidated statement of profit or loss

	Notes	For the three months ended 31 March	
		2020	2019
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Rental revenue		947,164	1,456,189
Sales of used vehicles		378,218	393,452
Total revenue	4	1,325,382	1,849,641
Depreciation of rental vehicles		(421,545)	(396,709)
Direct operating expenses of rental services		(368,112)	(407,344)
Cost of sales of used vehicles		(389,889)	(408,136)
Gross profit		145,836	637,452
Other income and expenses, net	4	50,972	193,747
Share of (loss)/profit of associates		(4,504)	2,208
Selling and distribution expenses		(13,248)	(7,436)
Administrative expenses		(133,008)	(135,401)
Finance costs		(218,560)	(202,122)
(Loss)/profit before tax	5	(172,512)	488,448
Income tax expenses	6	(15,155)	(98,399)
(Loss)/profit for the period		<u>(187,667)</u>	<u>390,049</u>
Attributable to:			
Owners of the parent		<u>(187,667)</u>	<u>390,049</u>
(Loss)/earnings per share attributable to ordinary equity holders of the parent			
Basic (RMB)	7	<u>(0.089)</u>	<u>0.184</u>
Diluted (RMB)	7	<u>(0.090)</u>	<u>0.182</u>
Other comprehensive expense			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(30,107)</u>	<u>—</u>
Other comprehensive expense for the period, net of tax		<u>(30,107)</u>	<u>—</u>
Total comprehensive (expense)/income for the period, net of tax		<u>(217,774)</u>	<u>390,049</u>
Attributable to:			
Owners of the parent		<u>(217,774)</u>	<u>390,049</u>

Consolidated statement of financial position

	<i>Notes</i>	As at	
		31 March 2020	31 December 2019
		<i>RMB' 000</i>	<i>RMB' 000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
NON-CURRENT ASSETS			
Rental vehicles	8	10,116,179	10,792,336
Other property, plant and equipment	9	677,419	659,383
Finance lease receivables – non-current	10	748,587	855,952
Goodwill		6,728	6,728
Other intangible assets		154,649	154,530
Investment in equity shares	11	2,844,500	2,800,641
Investments in associates	12	113,593	117,048
Restricted cash – non-current		1,275	1,275
Deposits for sale-leaseback borrowings		54,250	54,250
Deferred tax assets		237,955	240,595
Right-of-use assets		509,815	561,175
Other non-current assets		9,813	9,813
		<u>15,474,763</u>	<u>16,253,726</u>
Total non-current assets			
CURRENT ASSETS			
Inventories		200,099	227,634
Trade receivables	13	129,317	96,810
Due from a related party		499,583	443,861
Prepayments, other receivables and other assets	14	1,206,970	1,343,958
Finance lease receivables – current	10	272,069	341,319
Derivative financial instruments – current	17	–	42,693
Restricted cash – current		–	522,510
Cash and cash equivalents		3,303,693	5,360,520
		<u>5,611,731</u>	<u>8,379,305</u>
Total current assets			

Consolidated statement of financial position (continued)

		As at	
		31 March 2020	31 December 2019
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
CURRENT LIABILITIES			
Trade payables	15	73,355	86,753
Other payables and accruals		843,058	964,641
Advances from customers		256,895	241,943
Interest-bearing bank and other borrowings – current	16	2,378,245	3,554,423
Senior notes – current	18	2,114,733	2,284,546
Due to a related party		109,867	101,831
Income tax payable		38,179	55,475
		<u>5,814,332</u>	<u>7,289,612</u>
Total current liabilities		<u>5,814,332</u>	<u>7,289,612</u>
NET CURRENT ASSETS		<u>(202,601)</u>	<u>1,089,693</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,272,162</u>	<u>17,343,419</u>
NON-CURRENT LIABILITIES			
Senior notes – non-current	18	3,388,978	5,427,090
Corporate bonds	19	1,025,081	1,024,221
Interest-bearing bank and other borrowings – non-current	16	2,775,759	2,589,269
Deposits received for rental vehicles		446	604
Deferred tax liabilities		179,039	209,555
		<u>7,369,303</u>	<u>9,250,739</u>
Total non-current liabilities		<u>7,369,303</u>	<u>9,250,739</u>
Net assets		<u>7,902,859</u>	<u>8,092,680</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		131	131
Reserves		4,552,197	4,554,351
Retained profits		3,350,531	3,538,198
		<u>7,902,859</u>	<u>8,092,680</u>
Total equity		<u>7,902,859</u>	<u>8,092,680</u>

Consolidated statement of cash flows

	For the three months ended 31 March	
	2020	2019
	<i>RMB' 000</i>	<i>RMB' 000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax:	(172,512)	488,448
Adjustments for operating activities:		
Finance costs	218,560	202,122
Share of loss/(profit) of associates	4,504	(2,208)
Interest income	(23,771)	(24,394)
Loss on disposal of items of other property, plant and equipment	258	87
Fair value changes on derivative instrument-transactions not qualifying as hedges	3,411	5,270
Depreciation of rental vehicles	421,545	396,709
Depreciation of other property, plant and equipment	14,871	16,411
Depreciation of right-of-use assets/amortization of prepaid land lease payments	49,560	24,757
Amortization of other intangible assets	683	950
Impairment of trade receivables	310	1,251
Exchange gain	(4,003)	(151,731)
Equity-settled share option expenses	27,664	–
	<u>541,080</u>	<u>957,672</u>
Increase in trade receivables	(32,817)	(14,685)
(Increase)/decrease in amounts due from a related party	(55,722)	67,134
Decrease/(increase) in inventories	27,535	(60,784)
Decrease/(increase) in prepayments, other receivables and other assets	130,676	(27,395)
Decrease in trade payables	(13,398)	(31,430)
Increase in amounts due to a related party	8,036	1,148
Increase/(decrease) in advances from customers	14,952	(41,653)
Increase in other payables and accruals	61,113	48,774
Increase/(decrease) in rental vehicles	254,612	(704,056)
Increase/(decrease) in finance lease receivables	176,615	(9,975)
Tax paid	(52,817)	(59,336)
	<u>1,059,865</u>	<u>125,414</u>
Net cash flows generated from operating activities		

Consolidated statement of cash flows (continued)

	For the three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of other property, plant and equipment	(33,188)	(36,850)
(Loss)/proceeds from disposal of items of other property, plant and equipment	(155)	110
Purchases of other intangible assets	(801)	(3,695)
Settlement of derivative financial instruments	39,282	–
Interest received	21,423	57,884
	<hr/>	<hr/>
Net cash flows generated from investing activities	26,561	17,449
CASH FLOWS FROM FINANCING ACTIVITIES		
Addition of deposits for borrowings	–	15,750
Increase in restricted cash	522,510	–
Proceeds from bank and other borrowings	435,328	1,041,251
Repayments of bank and other borrowings	(1,343,772)	(667,797)
Proceeds from exercise of share options	289	940
Principal portion of lease payment	(207,988)	(17,841)
Interest paid	(230,939)	(250,930)
Repayments of senior notes	(2,321,553)	–
	<hr/>	<hr/>
Net cash flows (used in)/generated from financing activities	(3,146,125)	121,373
Net (decrease)/increase in cash and cash equivalents	(2,059,699)	264,236
Cash and cash equivalents at beginning of year	5,360,520	3,186,401
Effect of foreign exchange rate changes, net	2,872	(6,170)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	3,303,693	3,444,467
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2.1 Basis of presentation

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

2.2 Issued But Not Yet Effective International Financial Reporting Standards

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

IFRS 17	<i>Insurance Contracts¹</i>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>

¹ Effective for annual periods beginning on or after 1 January 2021

² Mandatory effective date is yet to be determined but available for adoption

3. OPERATING SEGMENT INFORMATION

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

Information about geographical area

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

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	
	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2019 <i>RMB'000</i> <i>(Unaudited)</i>
Revenue		
Car rental revenue	878,454	1,265,643
Fleet rental & other revenue	68,710	190,546
Sales of used vehicles	378,218	393,452
	<u>1,325,382</u>	<u>1,849,641</u>
Other income and expenses, net		
Interest income	23,771	24,394
Exchange gain	4,003	151,731
Government grants	23,146	17,706
Loss on disposal of items of other property, plant and equipment	(258)	(87)
Fair value changes on derivative instrument-transactions not qualifying as hedges	(3,411)	(5,270)
Others	3,721	5,273
	<u>50,972</u>	<u>193,747</u>

5. (LOSS)/PROFIT BEFORE TAX

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

	For the three months ended 31 March	
	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2019 <i>RMB'000</i> <i>(Unaudited)</i>
Cost of sales of used vehicles	389,889	408,136
Depreciation of rental vehicles	421,545	396,709
Depreciation of other property, plant, and equipment	14,871	16,411
Depreciation of right-of-use assets/amortization of prepaid land lease payments	49,560	24,757
Amortization of other intangible assets*	683	950
Minimum lease payments under operating leases in respect of		
– offices and stores	–	15,198
– rental vehicles	–	2,553
Lease payments not included in the measurement of lease liabilities	9,550	–
Wages and salaries	151,317	171,191
Equity-settled share option expenses	27,664	–
Pension scheme contributions**	29,971	40,716
Insurance expenses	54,150	66,675
Repair and maintenance	41,469	60,025
Exchange gain	(4,003)	(151,731)
Auditors' remuneration	1,100	1,000
Impairment of trade receivables	310	1,251
Loss on disposal of items of other property, plant and equipment	258	87
Advertising and promotion expenses	3,103	650
Fair value changes on derivative instrument-transactions not qualifying as hedges	3,411	5,270
Share of loss/(profit) of associates	4,504	(2,208)
Finance costs	218,560	202,122
	<u>218,560</u>	<u>202,122</u>

* The amortization of other intangible assets for the three months ended 31 March 2020 and 2019 is included in "Administrative expenses" in the consolidated statements of profit or loss.

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

6. INCOME TAX EXPENSES

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

	For the three months ended 31 March	
	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2019 <i>RMB'000</i> <i>(Unaudited)</i>
Current income tax	43,032	103,311
Deferred tax	(27,877)	(4,912)
Total tax charge for the period	<u>15,155</u>	<u>98,399</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 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 RMB6,724,000 for the three months ended 31 March 2020 (for the three months ended 31 March 2019: RMB9,045,000).

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

	For the three months ended 31 March	
	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2019 <i>RMB'000</i> <i>(Unaudited)</i>
(Loss)/profit before tax	(172,512)	488,448
Tax at PRC statutory tax rate of 25%	(43,128)	122,112
Tax effect of tax rate difference between PRC and overseas entities	44,799	(16,459)
Utilization of unrecognized deferred tax assets	–	500
Tax losses not recognised	27,408	–
True up of income tax in respect of prior year	(261)	–
PRC entity with preferential tax rate	(5,715)	(17,495)
Expenses not deductible for tax	438	696
Withholding tax on the deemed income	6,724	9,045
Income not subject to tax	(15,110)	–
Total charge for the period	<u>15,155</u>	<u>98,399</u>

The effective tax rate of the Group was -8.8% for the period ended 31 March 2020 (for the period ended 31 March 2019: 20.2%)

7. (LOSS)/EARNINGS PER SHARE ATTRIBUTED TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/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 2,119,913,600 (for the three months ended 31 March 2019: 2,118,906,428) in issue during the period, as adjusted to reflect the rights issue during the period, if any.

The calculation of the diluted (loss)/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 of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	For the three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation	(187,667)	390,049
	<u><u> </u></u>	<u><u> </u></u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,119,913,600	2,118,906,428
Effect of dilution – weighted average number of ordinary shares:		
Share option	<u>(27,665,676)</u>	<u>23,429,492</u>
	<u><u>2,092,247,924</u></u>	<u><u>2,142,335,920</u></u>

8. RENTAL VEHICLES

	For the three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At 1 January:		
Cost	14,266,149	13,769,773
Accumulated depreciation	<u>(3,473,813)</u>	<u>(2,981,401)</u>
Net carrying amount	<u><u>10,792,336</u></u>	<u><u>10,788,372</u></u>
At 1 January, net of accumulated depreciation	10,792,336	10,788,372
Additions	91,469	1,179,615
Disposals and transfers to inventories	(366,942)	(464,757)
Transfers to finance leases	–	(10,802)
Depreciation provided during the period	<u>(400,684)</u>	<u>(396,708)</u>
At 31 March, net of accumulated depreciation	<u><u>10,116,179</u></u>	<u><u>11,095,720</u></u>
At 31 March:		
Cost	13,704,826	14,231,313
Accumulated depreciation	<u>(3,588,647)</u>	<u>(3,135,593)</u>
Net carrying amount	<u><u>10,116,179</u></u>	<u><u>11,095,720</u></u>

Vehicles with carrying values of RMB1,525,827,000 as at 31 March 2020 (31 March 2019: RMB305,118,000) had been pledged to secure the Group's certain interest-bearing loans (Note 16).

Included in the Group's rental vehicles as at 31 March 2020 were rental vehicles with a net carrying amount of RMB2,558,245,000 (31 March 2019: RMB141,728,000) purchased from car dealers 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 plans to execute the repurchase option and depreciates vehicles with an amount equal to the difference of the initial purchase payment and the contractual repurchase price, thereby minimizing any gain or loss.

9. OTHER PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the three months ended 31 March 2020, the Group acquired items of other property, plant and equipment with a cost of RMB33,008,000 (for the three months ended 31 March 2019: RMB36,817,000); and charged depreciation for items of other property, plant and equipment of RMB14,871,000 (for the three months ended 31 March 2019: RMB16,411,000).

During the three months ended 31 March 2020, assets with a net book value of RMB101,000 were disposed by the Group (for the three months ended 31 March 2019: RMB197,000).

During the three months ended 31 March 2020, the Group was not in the acquisition of subsidiaries (for the three months ended 31 March 2019: 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 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Net minimum lease payments receivable	1,363,604	1,639,128
Unearned finance income	(342,948)	(441,857)
	<u>1,020,656</u>	<u>1,197,271</u>
Total net finance lease receivables	<u>1,020,656</u>	<u>1,197,271</u>
Less: current portion	<u>272,069</u>	<u>341,319</u>
Non-current portion	<u>748,587</u>	<u>855,952</u>

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

	As at	
	31 March 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within one year	350,766	485,816
In the second to fifth years, inclusive	1,012,838	1,153,312
	<u>1,363,604</u>	<u>1,639,128</u>

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

	As at	
	31 March 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within one year	272,069	341,319
In the second to fifth years, inclusive	748,587	855,952
	<u>1,020,656</u>	<u>1,197,271</u>

11. INVESTMENT IN EQUITY SHARES

	As at	
	31 March 2020	31 December 2019
	<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. (神州優車股份有限公司) (formerly, Huaxia United Science & Technology Co., Ltd.) (“Huaxia United”)	2,844,500	2,800,641
	<u>2,844,500</u>	<u>2,800,641</u>

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

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

The equity shares of UCAR were measured at fair value and were classified as Level 3 fair value measurement. The fair value of the ordinary share investment in UCAR was estimated with the assistance of an independent valuation company. The fair value of the ordinary share investment in UCAR as at 31 December 2019 was based on the market approach with reference to the market multiples from comparable companies with consideration of the size, profitability and development stage of the industry and those comparable companies.

12. INVESTMENTS IN ASSOCIATES

	As at	
	31 March 2020 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2019 <i>RMB'000</i> <i>(Audited)</i>
Share of net assets		
– Beijing QWOM Technology Co., Ltd.	44,125	46,222
– Botpy Inc.	69,468	70,826
	113,593	117,048
	113,593	117,048

Particulars of the associates 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. (北京氣動益維科技股份有限公司) (“QWOM”)	Ordinary shares	PRC/Mainland China	30	Providing mobile internet digital marketing solutions based on big data analytics
Botpy Inc. (“Botpy”)	Preference shares	Cayman Islands	40	Providing automotive insurance business and solutions of the automotive aftermarket

The Group, through its wholly-owned subsidiary, namely Haike Pingtan 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 Group, through its wholly-owned subsidiary Premium Auto Rental (China) Limited, acquired 40% equity interests in Botpy in February 2019. The Group’s interest in Botpy is accounted for using the equity method in the consolidated financial statements.

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

	As at	
	31 March 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
QWOM		
Share of the associate's (loss)/profit for the period	(2,097)	4,311
Share of the associate's total comprehensive (loss)/income	(2,097)	4,311
Carrying amount of the Group's investment in the associate	<u>44,125</u>	<u>46,222</u>
Botpy		
Share of the associate's (loss)/profit for the period	(2,407)	1,975
Share of the associate's total comprehensive (loss)/income	(2,407)	1,975
Change in foreign currency transaction	1,049	–
Carrying amount of the Group's investment in the associate	<u>69,468</u>	<u>70,826</u>

13. TRADE RECEIVABLES

	As at	
	31 March 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables	134,039	100,836
Impairment provision	<u>(4,722)</u>	<u>(4,026)</u>
	<u>129,317</u>	<u>96,810</u>

The Company generally does not provide credit term to car rental customers. The credit period for fleet rental customers and finance lease customers is generally one to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, 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 2020 and 31 December 2019, based on the invoice date and net of provisions, is as follows:

	As at	
	31 March 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 3 months	73,205	54,488
3 to 6 months	22,917	12,161
6 to 12 months	18,179	18,130
Over 1 year	<u>15,016</u>	<u>12,031</u>
	<u>129,317</u>	<u>96,810</u>

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at	
	31 March 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Deductible VAT input	831,373	921,331
Prepayments	273,769	295,960
Other receivables	16,935	41,704
Rental deposits	53,849	53,653
Others	31,044	31,310
	<u>1,206,970</u>	<u>1,343,958</u>

15. TRADE PAYABLES

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

	As at	
	31 March 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	27,389	55,049
3 to 6 months	11,754	10,329
Over 6 months	34,212	21,375
	<u>73,355</u>	<u>86,753</u>

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

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at	
	31 March 2020	31 December 2019
	<i>RMB' 000</i>	<i>RMB' 000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current:		
Short-term loans		
– guaranteed	50,000	359,286
– unsecured and unguaranteed	940,969	1,330,040
– pledged	–	522,953
Current portion of sale and leaseback obligations		
– secured	693,827	669,122
Current portion of long-term bank loans		
– guaranteed	218,359	219,407
– unsecured and unguaranteed	150,000	150,000
Current portion of long-term other loans		
– guaranteed	100,000	100,000
Current lease liabilities	225,090	203,615
	<hr/>	<hr/>
Total interest-bearing bank and other borrowings – current	2,378,245	3,554,423
	<hr/> <hr/>	<hr/> <hr/>
Non-current:		
Bank loans		
– guaranteed	1,458,784	1,141,746
– unsecured and unguaranteed	37,500	75,000
Other loans		
– guaranteed	800,000	800,000
Sale and leaseback obligations		
– secured	253,766	294,097
Non-current lease liabilities	225,709	278,426
	<hr/>	<hr/>
Total interest-bearing bank and other borrowings – non-current	2,775,759	2,589,269
	<hr/> <hr/>	<hr/> <hr/>
	5,154,004	6,143,692
	<hr/> <hr/>	<hr/> <hr/>

	As at	
	31 March 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Analyzed into:		
Bank loans repayable:		
Within one year or on demand	1,359,328	2,581,686
In the second year	492,392	522,726
In the third to fifth years, inclusive	1,003,892	694,020
	<u>2,855,612</u>	<u>3,798,432</u>
Other loans repayable:		
Within one year or on demand	100,000	100,000
In the second year	100,000	100,000
In the third to fifth years, inclusive	700,000	700,000
	<u>900,000</u>	<u>900,000</u>
Sale and leaseback obligations:		
Within one year or on demand	693,827	669,122
In the second year	217,801	283,832
In the third to fifth years, inclusive	35,965	10,265
	<u>947,593</u>	<u>963,219</u>
Lease liabilities:		
Within one year or on demand	225,090	203,615
In the second year	115,894	154,583
In the third to fifth years	71,528	111,388
Above five years, inclusive	38,287	12,455
	<u>450,799</u>	<u>482,041</u>
	<u>5,154,004</u>	<u>6,143,692</u>

As at 31 March 2020, the Group's overdraft bank facilities amounted to RMB5,462,537,000 (31 December 2019: RMB6,032,384,000), of which RMB4,069,984,000 (31 December 2019: RMB5,083,574,000) had been utilized.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	As at	
	31 March 2020	31 December 2019
	RMB'000 (Unaudited)	RMB'000 (Audited)
Asset		
Derivative financial instruments – Current	–	42,693

As at 31 March 2020, the Group has entered into derivative financial instruments of forward currency contracts, with an aggregate contractual amount of US\$300 million, to manage its exchange rate exposures. Such currency forwards represent commitments to purchase nominal amount of United States Dollar (“US\$”) against RMB at the strike rate with undelivered spot transactions. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The aggregate changes in the fair value of non-hedging currency derivatives were charged to the statement of profit or loss (Note 4).

18. SENIOR NOTES

(1) The 2015 Notes (A)

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

On 10 May 2019, the Company completed an exchange offer to approximately US\$172,333,000 of the 2015 Notes (A), with interest at the rate of 8.875% per annum, payable semi-annually on 10 May and 10 November in arrears and maturity date extended to 10 May 2022.

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

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	101.5313%

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

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

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

	For the three months ended 31 March	
	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2019 <i>RMB'000</i> <i>(Unaudited)</i>
Total carrying amount at 1 January	3,584,908	3,493,988
Maturity, net of issuance costs	(2,321,553)	–
Exchange realignment	56,720	(65,287)
Interest expenses	37,062	57,092
Interest expense payment	(71,098)	(103,822)
	<u>1,286,039</u>	<u>3,381,971</u>
Total carrying amount at 31 March		
Less: Interest payable due within one year reclassified to other payables and accruals	<u>42,274</u>	<u>34,369</u>
	<u>1,243,765</u>	<u>3,347,602</u>

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 and as at 31 March 2020 and 2019.

(2) The 2015 Notes (B)

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

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

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

Year	Redemption Price
2018	103.0%
2019 and thereafter	101.5%

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

	For the three months ended 31 March	
	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2019 <i>RMB'000</i> <i>(Unaudited)</i>
Total carrying amount at 1 January	2,128,067	2,082,414
Exchange realignment	33,846	(39,573)
Interest expenses	33,899	32,357
Interest expense payment	(63,766)	(60,373)
	<u>2,132,046</u>	<u>2,014,825</u>
Total carrying amount at 31 March	<u>2,132,046</u>	<u>2,014,825</u>
Less: Interest payable due within one year reclassified to other payables and accruals	<u>17,313</u>	<u>16,333</u>
	<u>2,114,733</u>	<u>1,998,492</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) carry interest at the rate of 6.50% per annum, payable semi-annually on 4 April and 4 October in arrears, and will mature on 4 April 2021, unless redeemed earlier.

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

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

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

	For the three months ended 31 March	
	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2019 <i>RMB'000</i> <i>(Unaudited)</i>
Total carrying amount at 1 January	400,642	396,586
Interest expenses	7,594	7,404
Interest expense payment	(13,071)	(13,000)
	<u>395,165</u>	<u>390,990</u>
Total carrying amount at 31 March	<u>395,165</u>	<u>390,990</u>

	For the three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Less: Interest payable due within one year reclassified to other payables and accruals	(284)	(286)
	<u>395,449</u>	<u>391,276</u>

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

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

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

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

	For the three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Total carrying amount at 1 January	352,742	350,819
Interest expenses	6,222	6,092
Interest expense payment	(11,371)	(11,308)
Total carrying amount at 31 March	<u>347,593</u>	<u>345,603</u>
Less: Interest payable due within one year reclassified to other payables and accruals	(249)	(250)
	<u>347,842</u>	<u>345,853</u>

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

(5) The 2019 Notes

On 10 May 2019, the Company issued senior notes with an aggregate principal amount of US\$200 million due 2022 (the “2019 Notes”). The 2019 Notes were listed on the Stock Exchange. The 2019 Notes carry interest at the rate of 8.875% per annum, payable semi-annually on 10 May and 10 November in arrears, and will mature on 10 May 2022, unless redeemed earlier.

The 2019 Notes may be redeemed in the following circumstances:

At any time and from time to time prior to 10 May 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus an applicable premium (as defined in the Indenture) as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

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

	For the three months ended 31 March 2020 <i>RMB'000</i> <i>(Unaudited)</i>
Total carrying amount at 1 January	–
Addition, net of issuance costs	1,396,147
Exchange realignment	22,470
Interest expenses	32,365
	<hr/>
Total carrying amount at 31 March	1,450,982
	<hr/> <hr/>
Less: Interest payables due within one year reclassified to other payables and accruals	49,060
	<hr/>
	1,401,922
	<hr/> <hr/>

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

19. 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 million 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 2017 Corporate Bonds (A) is RMB300 million 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 2017 Corporate Bonds (A). The 2017 Corporate Bonds (A) are listed on the Shanghai Stock Exchange.

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

	For the three months ended 31 March	
	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2019 <i>RMB'000</i> <i>(Unaudited)</i>
Total carrying amount at 1 January	309,009	308,169
Interest expenses	4,322	4,275
	<hr/>	<hr/>
Total carrying amount at 31 March	<u>313,331</u>	<u>312,444</u>
	<hr/>	<hr/>
Less: Interest payables due within one year reclassified to other payables and accruals	15,328	15,325
	<hr/>	<hr/>
	<u>298,003</u>	<u>297,119</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:

	For the three months ended 31 March	
	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2019 <i>RMB'000</i> <i>(Unaudited)</i>
Total carrying amount at 1 January	757,852	755,462
Interest expenses	12,075	11,902
	<hr/>	<hr/>
Total carrying amount at 31 March	<u>769,927</u>	<u>767,364</u>
	<hr/>	<hr/>
Less: Interest payables due within one year reclassified to other payables and accruals	42,849	42,849
	<hr/>	<hr/>
	<u>727,078</u>	<u>724,515</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.

20. TREASURY SHARES

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

For the three months ended 31 March 2020, the Company has not repurchased any shares through the Stock Exchange. There is no share recorded as treasury shares as at 31 March 2020 (2019: Nil).

V. EVENTS AFTER THE REPORTING PERIOD

In April 2020, holders of the RMB300 million 5.5% corporate bonds due 2022 and RMB730 million 6.3% corporate bonds due 2021 of the Company have fully exercised the redemption option with a total principal amount of RMB1.03 billion. The Company has paid the redemption funds and the interest incurred from April 2019 to April 2020 on 27 April 2020, and the Company did not resell these bonds.

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 of Hong Kong Limited (the "Listing Rules").

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

The Audit and Compliance Committee has considered and reviewed the consolidated results for the three months ended 31 March 2020 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 2020 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) and the website of The Stock Exchange of Hong Kong Limited.

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 2019.

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. All numbers in this announcement are approximate rounded values for particular items.

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

Hong Kong, 31 May 2020

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.