CAR Inc.

神 州 租 車 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0699)

2019 FIRST NINE MONTHS 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 nine months ended 30 September 2019 (the "Reporting Period") prepared pursuant to International Financial Reporting Standards ("IFRSs").

2019 FIRST NINE MONTHS RESULTS HIGHLIGHTS

- Adjusted EBITDA increased by 13% year-over-year to RMB2,789 million.
- Adjusted EBITDA margin increased by 1.9 percentage points year-over-year to 63.3%.
- Car rental revenue increased by 15% year-over-year to RMB3,888 million.
- In the third quarter of 2019, the number of transacted customers exceeded 1 million.
- In September 2019, self-served transactions accounted for 87% of the total transactions, compared with 83% in June 2019.
- Free cash flow was an inflow of RMB357 million for the nine months ended 30 September 2019, compared with an outflow of RMB1,212 million for the same period of 2018.
- Revenue from sales of used vehicles was RMB1,295 million and 17,153 vehicles were disposed for the nine months ended 30 September 2019.

I. BUSINESS OVERVIEW

During the Reporting Period, rental revenue increased by 10% year-over-year to RMB4,408 million. Car rental revenue was RMB3,888 million, a growth of 15% year-over-year, driven by 18% rental days growth. Fleet rental and other revenue was RMB520 million. Adjusted EBITDA increased by 13% year-over-year to RMB2,789 million, and adjusted EBITDA margin increased by 1.9 percentage points year-over-year to 63.3%. Car rental business continued to deliver solid performance and drive the growth of the Company in the difficult mobility market in China. On 19 November 2019, the Company signed a strategic agreement with Baidu and Beijing Borgward Auto Co., Ltd. ("Borgward") on the establishment of laboratory for the research and development of connected and autonomous driving vehicles.

During the third quarter of 2019, the Company entered into a challenging cycle in the weak macro conditions. For the Reporting Period, adjusted net profit decreased by 23% to RMB439 million, and net profit decreased by 17% year-over-year to RMB129 million, mainly due to decreased RevPAC, increased depreciation cost and finance costs. RevPAC decreased due to slower than expected demand growth as a result of weak travel frequencies. Depreciation cost increased significantly due to the adjustment of estimated residual values of used vehicles to reflect the declining vehicle market prices. Finance costs increased due to higher average interest cost and higher cash level. The Company expects that the situation would continue throughout 2019.

During the Reporting Period, the average daily rental fleet increased by 24% year-over-year to 110,233. ADRR continued to remain relatively stable at RMB215, with a slight decrease of 3% from the same period last year. Car utilization rate slightly decreased to 60.2%. In the third quarter of 2019, the number of transacted customers exceeded 1 million. Operating efficiency continued to increase with 87% self served transaction in September 2019 and 94% car rental reservation made through our mobile APP in the third quarter of 2019.

As at 30 September 2019, the total fleet size was 155,780[(1)]. During the Reporting Period, the Company disposed 17,153 used vehicles, increased by 90% from the same period last year. The sales of vehicles generated a revenue of RMB1,295 million. The cost-to-sales ratio of used vehicles increased to 104.4%, mainly due to the decrease of used vehicle sales price.

On 29 July 2019, Borgward became a non-wholly owned subsidiary of UCAR Inc. ("UCAR"), and hence became a connected person of the Company. The Company has entered into a sales and purchase framework agreement with Borgward's wholly-owned subsidiary, with a pre-determined annual depreciation rate comparable to the Company's best rate. The arrangement protects the Company from increased depreciation cost and used vehicles sales pressure, and have offset the increase of depreciation cost in the period.

Despite the hard time in the second half of this year, the Company will continue to invest in IT infrastructure, service location expansion and manpower training to solidify the foundation for future growth. In October 2019, the Company granted a total of 119,747,379 share options to certain employees to incentivize the growth of business.

Note:

(1) The total fleet size was 155,780, including 4,977 vehicles leased from a financial institution.

II. MANAGEMENT DISCUSSION AND ANALYSIS

	For the nine months ended 30 September		
	2019	**2018**	**Year-over-year change**
	(Unaudited)	*(Unaudited)*	
	(in RMB millions, except otherwise stated)		
Total rental revenue	4,408	4,023	10%
– Car rental	3,888	3,382	15%
– Fleet rental & others	520	641	-19%
Net profit	129	155	-17%
Adjusted net profit(1)	439	567	-23%
Adjusted net profit margin(2)	10.0%	14.1%	-4.1pp
Adjusted EBITDA(1)	2,789	2,470	13%
Adjusted EBITDA margin(2)	63.3%	61.4%	1.9pp
Free cash flow(1)	357	(1,212)	129%

Notes:

(1) Adjusted EBITDA, adjusted net 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 nine months ended 30 September		
	2019	**2018**	**Year-over-year change**
	RMB	*RMB*	
	(in thousands, except percentages)		
Car rental revenue	3,887,688	3,381,657	15.0%
Fleet rental & other revenue	520,769	641,221	-18.8%
Total rental revenue	4,408,457	4,022,878	9.6%

Car rental metrics

	9M'18	**9M'19**	**1Q'18**	**2Q'18**	**3Q'18**	**4Q'18**	**1Q'19**	**2Q'19**	**3Q'19**
Average daily fleet(1)	88,931	110,233	80,303	86,160	100,112	100,321	103,384	109,047	118,104
ADRR(2) (RMB)	222	215	229	216	222	208	226	208	213
Utilization rate(3) (%)	63.0%	60.2%	63.0%	61.4%	64.3%	57.7%	60.4%	60.2%	60.0%
RevPAC(4) (RMB)	140	129	144	132	143	120	136	125	128

Notes:

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

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

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

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

The Company's total rental revenue increased by 10% year-over-year to RMB4,408.5 million for the nine months ended 30 September 2019.

- ***Car rentals.*** Revenue from car rentals increased by 15% year-over-year to RMB3,887.7 million for the nine months ended 30 September 2019, driven by 18% rental days growth and offset by decrease in RevPAC. The ADRR decreased slightly by 3%, to stimulate rental in response to weak demand. The utilization rate was 60.2%, which was lower than the same period of last year due to balance of a stable ADRR level and an enlarged fleet. During the Reporting Period, the average daily fleet increased by 24% year-over-year to 110,233.

- ***Fleet rentals and others.*** Revenue from fleet rentals and others decreased by 18.8% year-over-year to RMB520.8 million for the nine months ended 30 September 2019, mainly due to the decrease in UCAR's ride-hailing fleet.

Depreciation of rental vehicles and direct operating expenses of rental services

	For the nine months ended 30 September			
	2019		**2018**	
	RMB	*% of rental revenue*	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Depreciation of rental vehicles	1,318,182	29.9%	1,088,514	27.1%
Direct operating expenses				
– Payroll costs	378,557	8.6%	380,502	9.5%
– Store expenses	256,244	5.8%	206,272	5.1%
– Insurance fees	214,252	4.9%	156,824	3.9%
– Repair and maintenance fees	191,451	4.3%	197,201	4.9%
– Fuel and transportation expenses	92,762	2.1%	85,377	2.1%
– Others	236,849	5.4%	226,585	5.6%
Total direct operating expenses	1,370,115	31.1%	1,252,761	31.1%
Total costs of rental business	2,688,297	61.0%	2,341,275	58.2%

Depreciation of rental vehicles. As a percentage of rental revenue, depreciation expenses increased to 29.9% for the nine months ended 30 September 2019 from 27.1% for the nine months ended 30 September 2018. The increase was primarily driven by (i) reduced estimations of the residual values for most of the vehicle models; and (ii) decrease in car rental RevPAC.

Direct operating expenses of rental services. As a percentage of rental revenue, direct operating expenses remained the same at 31.1% for the nine months ended 30 September 2019 when compared with such for the nine months ended 30 September 2018, which was driven by the mixed impact of the savings in payroll after the application of the Smart Assistant system and the increase in parking costs as a result of the increased number of service locations.

Sales of used vehicles (revenue & cost)

	For the nine months ended 30 September	
	2019	2018
	RMB	*RMB*
	(in thousands, except percentages)	
Revenue from sales of used vehicles	1,295,349	811,527
Cost of sales of used vehicles	1,352,457	828,808
Cost as a % of revenue (sales of used vehicles)	104.4%	102.1%
Total number of used vehicles disposed	17,153	9,047

The Company disposed 17,153 used vehicles for the nine months ended 30 September 2019, compared with 9,047 used vehicles for the nine months ended 30 September 2018.

Cost of sales of used vehicles was 104.4% of revenue from the sales of used vehicles for the nine months ended 30 September 2019, compared with 102.1% for the nine months ended 30 September 2018. The increase was due to the decrease in used car sales price.

Gross profit

	For the nine months ended 30 September	
	2019	2018
	RMB	*RMB*
	(in thousands, except percentages)	
Gross profit of rental business	1,720,160	1,681,603
Gross profit margin of rental business	39.0%	41.8%
Gross loss of sales of used vehicles	(57,108)	(17,281)
Gross loss margin of sales of used vehicles	(4.4)%	(2.1)%
Total gross profit	1,663,052	1,664,322
Total gross profit margin as a % of rental revenue	37.7%	41.4%

Gross profit of rental business increased slightly by 2.3% to RMB1,720.2 million for the nine months ended 30 September 2019, due to increase of rental revenue, but offset by used car sales loss. Total gross profit margin as a percentage of rental revenue decreased to 37.7% for the nine months ended 30 September 2019 from 41.4% for the same period last year, mainly due to the increase in depreciation cost and loss from used car sales.

Selling and distribution expenses

	For the nine months ended 30 September			
	2019		**2018**	
	RMB	*% of rental revenue*	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	963	0.0%	899	0.0%
Advertising expenses	1,646	0.0%	17,332	0.4%
Others	21,283	0.5%	59,972	1.5%
Total	23,892	0.5%	78,203	1.9%

Selling and distribution expenses were RMB23.9 million for the nine months ended 30 September 2019, compared with RMB78.2 million for the nine months ended 30 September 2018. As a percentage of rental revenue, selling and distribution expenses were 0.5% for the nine months ended 30 September 2019. This was mainly due to the decreased commission paid for disposing the Company's used vehicles and further decrease of advertising expenses due to higher brand recognition.

Administrative expenses

	For the nine months ended 30 September			
	2019		**2018**	
	RMB	*% of rental revenue*	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
Payroll costs	273,433	6.2%	211,345	5.3%
Office expenses	35,858	0.8%	39,194	1.0%
Rental expenses	19,703	0.5%	18,132	0.5%
Share-based compensation	–	–	1,655	0.0%
Others	75,994	1.7%	68,570	1.6%
Total	404,988	9.2%	338,896	8.4%

Administrative expenses increased by 19.5% year-over-year to RMB405.0 million for the nine months ended 30 September 2019. As a percentage of rental revenue, administrative expenses increased by 0.8 percentage point year-over-year to 9.2%. The increase was primarily due to the increase of science and technology talents to support the development of the Company's technology-driven services and smart management system, leading to an increase in payroll costs.

Other income and expenses, net

	For the nine months ended 30 September 2019	2018
	(RMB in thousands)	
Interest income from bank deposits	39,491	66,551
Unrealized loss related to USD-denominated liabilities	(262,866)	(380,101)
Realized exchange loss	(1,159)	(14,545)
Government grants	49,529	51,193
Fair value changes on derivative instrument-transactions not qualifying as hedges	25,646	(15,804)
Fair value loss from investment in equity shares and redeemable preference shares	–	(6,732)
Loss on disposal of items of other property, plant and equipment	(403)	(1,158)
Others	29,198	17,784
Total	(120,564)	(282,812)

Net loss was RMB120.6 million for the nine months ended 30 September 2019, reduced from a net loss of RMB282.8 million for the nine months ended 30 September 2018. The decrease of loss was mainly due to a smaller exchange loss related to USD-denominated liabilities.

Finance costs. Finance costs increased by 28% to RMB734.7 million for the nine months ended 30 September 2019, primarily due to the increased interest costs and the Company's higher cash position.

Profit before tax. Profit before tax decreased slightly by 5% year-over-year to RMB377.2 million for the nine months ended 30 September 2019.

Income tax expenses. Income tax expenses increased by 2% year-over-year to RMB248.1 million for the nine months ended 30 September 2019.

Net profit. As a result of the aforementioned factors, the net profit decreased by 17% year-over-year to RMB129.1 million for the nine months ended 30 September 2019.

Adjusted net profit. As a result of the aforementioned factors, adjusted net profit decreased by 22.7% year-over-year to RMB438.7 million for the nine months ended 30 September 2019. Adjusted net profit margin decreased by 4.1 percentage points to 10.0% for the nine months ended 30 September 2019.

Adjusted EBITDA. Adjusted EBITDA increased by 12.9% year-over-year to RMB2,789.4 million for the nine months ended 30 September 2019. Adjusted EBITDA margin increased by 1.9 percentage points year-over-year to 63.3% for the nine months ended 30 September 2019.

2. Financial Position

	As at 30 September 2019	As at 31 December 2018
	(RMB in millions)	
Total assets	24,727.3	22,204.9
Total liabilities	16,624.0	14,231.9
Total equity	8,103.3	7,973.0
Cash and cash equivalents	3,944.8	3,186.4
Restricted cash	524.4	251.3
Total cash	4,469.2	3,437.7
Interest bearing bank and other borrowings – current	3,255.8	4,699.7
Interest bearing bank and other borrowings – non-current	2,385.4	754.8
Senior notes – current	2,312.2	–
Senior notes – non-current	5,488.4	6,176.5
Corporate bonds	1,023.4	1,020.8
Total debt	14,465.2	12,651.8
Net debt (total debt less total cash)	9,996.0	9,214.1
Total debt/adjusted EBITDA (times)[1]	4.0x	3.9x
Net debt/adjusted EBITDA (times)[1]	2.8x	2.8x

Note:

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

Cash

As at 30 September 2019, the Company's total cash balance was RMB4,469.2 million, compared with RMB3,437.7 million as at 31 December 2018.

Trade receivables and due from related parties

Trade receivables were RMB130.1 million and RMB96.4 million as at 30 September 2019 and 31 December 2018, respectively.

Due from related parties, which relates to the trade receivables from UCAR and its subsidiaries, was RMB512.1 million and RMB360.1 million as at 30 September 2019 and 31 December 2018, respectively, mainly due to the increase of Borgward test driving business.

Capital expenditures

The majority of the Company's capital expenditures was for vehicle acquisitions. For the nine months ended 30 September 2019, the Company purchased rental vehicles valued at approximately RMB3,591.6 million, which was inclusive of payments for rental vehicles that have not commenced service. The Company also spent approximately RMB125.0 million on purchases of other property, plant and equipment, and other intangible assets during the Reporting Period.

Borrowings

As at 30 September 2019, the Company had total debt of RMB14,465.2 million and net debt of RMB9,996.0 million, compared with RMB12,651.8 million and RMB9,214.1 million as at 31 December 2018, respectively. As at 30 September 2019, the current debt portion was RMB5,568.0 million, representing 38.5% of total debt. Based on the repayment schedule as of 30 September 2019, the Company had a total amount of approximately RMB418.3 million debt to be repaid in the fourth quarter of 2019.

Foreign exchange risk management

As at the date of this announcement, the Company has entered into forward currency contracts with an aggregate contractual amount of US$300.0 million.

Free cash flow

The Company generated an inflow of RMB356.7 million free cash flow for the nine months ended 30 September 2019, compared with an outflow of RMB1,212.1 million for the same period of 2018.

III. NON-IFRS FINANCIAL RECONCILIATION

	For the nine months ended 30 September	
	2019	2018
	(RMB in thousands, except percentages)	
A. Adjusted net profit		
Net profit	129,111	154,771
Adjusted for:		
Share-based compensation	–	1,655
Fair value changes on derivative instrument-transaction not qualifying as hedges	(25,646)	15,804
Fair value loss from investment in equity shares and redeemable preference shares	–	6,732
Share of loss/(profit) of associates	1,670	(6,357)
Foreign exchange loss	264,025	394,646
Finance costs (Senior notes exchange offer)	69,513	–
Adjusted net profit	438,673	567,251
Adjusted net profit margin (as a percentage of rental revenue)	10.0%	14.1%
B. Adjusted EBITDA		
Reported EBITDA calculation		
Profit before tax	377,244	397,299
Adjusted for:		
Finance costs	734,694	573,469
Interest income from bank deposit	(39,491)	(66,551)
Depreciation of rental vehicles	1,318,182	1,088,514
Depreciation of other property, plant and equipment	48,732	53,561
Depreciation of right-of-use assets	102,316	–
Amortization of other intangible assets	2,449	4,618
Amortization of prepaid land lease payment	1,210	1,210
Impairments on trade receivables	4,064	5,467
Reported EBITDA	2,549,400	2,057,587

	For the nine months ended 30 September 2019	2018
	(RMB in thousands, except percentages)	
Reported EBITDA margin (as a percentage of rental revenue)	57.8%	51.1%
Adjusted EBITDA calculation		
Reported EBITDA	2,549,400	2,057,587
Adjusted for:		
Share-based compensation	–	1,655
Fair value loss from investment in equity shares and redeemable preference shares	–	6,732
Fair value changes on derivative instrument-transaction not qualifying as hedges	(25,646)	15,804
Share of loss/(profit) of associates	1,670	(6,357)
Foreign exchange loss	264,025	394,646
Adjusted EBITDA	2,789,449	2,470,067
Adjusted EBITDA margin (as a percentage of rental revenue)	63.3%	61.4%

C. Free cash flow

	2019	2018
Net cash flows generated from/(used in) operating activities	481,660	(1,085,949)
Purchases of other property, plant and equipment	(117,366)	(120,768)
Proceeds from disposal of other property, plant and equipment	42	1,090
Purchases of other intangible assets	(7,647)	(6,443)
Net investment activity	(124,971)	(126,121)
Free cash flow	356,689	(1,212,070)

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

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. 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)/loss mainly results from its USD-denominated senior notes. Fair value (gain)/loss from investment in equity shares and redeemable preferences shares represents the non-cash fair value gain/(loss) on investments which is recognized in accordance with 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)/loss 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 nine months ended 30 September 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Rental revenue		4,408,457	4,022,878
Sales of used vehicles		1,295,349	811,527
Total revenue	*4*	5,703,806	4,834,405
Depreciation of rental vehicles		(1,318,182)	(1,088,514)
Direct operating expenses of rental services		(1,370,115)	(1,252,761)
Cost of sales of used vehicles		(1,352,457)	(828,808)
Gross profit		1,663,052	1,664,322
Other income and expenses, net	*4*	(120,564)	(282,812)
Share of (loss)/profit of associates		(1,670)	6,357
Selling and distribution expenses		(23,892)	(78,203)
Administrative expenses		(404,988)	(338,896)
Finance costs		(734,694)	(573,469)
Profit before tax	*5*	377,244	397,299
Income tax expenses	*6*	(248,133)	(242,528)
Profit for the period		129,111	154,771
Attributable to:			
Owners of the parent		129,111	154,771
Earnings per share attributable to ordinary equity holders of the parent			
Basic (RMB)	*7*	0.061	0.072
Diluted (RMB)	*7*	0.060	0.071
Profit for the period		129,111	154,771
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period, net of tax		129,111	154,771

Consolidated statement of financial position

		As at	
		30 September 2019	**31 December 2018**
		(Unaudited)	*(Audited)*
	Notes	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Rental vehicles	*8*	11,800,404	10,788,372
Other property, plant and equipment	*9*	640,380	573,644
Finance lease receivables – non-current	*10*	899,186	1,097,470
Prepayments		31,963	3,664
Prepaid land lease payments		55,967	57,177
Goodwill		6,728	6,728
Other intangible assets		154,026	148,828
Investment in equity shares	*11*	2,809,641	2,809,641
Investment in associates	*12*	109,092	41,911
Rental deposits		–	145
Restricted cash – non-current		1,275	1,275
Deposits for sales-leaseback borrowing		73,110	30,000
Deferred tax assets		280,389	232,195
Right-of-use assets – non-current		298,318	–
Other non-current assets		9,813	9,813
Total non-current assets		17,170,292	15,800,863
CURRENT ASSETS			
Inventories		358,139	190,648
Trade receivables	*13*	130,140	96,380
Due from related parties		512,073	360,129
Prepayments, other receivables and other assets	*14*	1,473,753	1,547,679
Finance lease receivables – current	*10*	370,739	250,299
Other current financial assets	*15*	–	522,510
Right-of-use assets – current		232,543	–
Derivative financial instruments	*18*	11,751	–
Restricted cash – current		523,126	250,000
Cash and cash equivalents		3,944,785	3,186,401
Total current assets		7,557,049	6,404,046

Consolidated statement of financial position (continued)

		As at	
		30 September 2019	**31 December 2018**
		(Unaudited)	*(Audited)*
	Notes	*RMB'000*	*RMB'000*
CURRENT LIABILITIES			
Trade payables	*16*	384,566	112,259
Other payables and accruals		1,067,358	869,708
Advances from customers		269,382	250,148
Interest-bearing bank and other borrowings – current	*17*	3,255,795	4,699,665
Senior notes – current	*19*	2,312,208	–
Due to a related party		67,662	305
Income tax payable		125,732	119,685
Total current liabilities		7,482,703	6,051,770
NET CURRENT ASSETS		74,346	352,276
TOTAL ASSETS LESS CURRENT LIABILITIES		17,244,638	16,153,139
NON-CURRENT LIABILITIES			
Senior notes – non-current	*19*	5,488,377	6,176,503
Corporate bonds	*20*	1,023,350	1,020,834
Interest-bearing bank and other borrowings – non-current	*17*	2,385,373	754,846
Derivative financial instruments – non-current	*18*	–	13,895
Deposits received for rental vehicles		699	753
Deferred tax liabilities		243,502	213,280
Total non-current liabilities		9,141,301	8,180,111
Net assets		8,103,337	7,973,028
EQUITY			
Equity attributable to owners of the parent			
Share capital		131	131
Reserves		4,415,248	4,414,050
Retained profits		3,687,958	3,558,847
Total equity		8,103,337	7,973,028

Consolidated statement of cash flows

	For the nine months ended 30 September	
	2019	**2018**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	377,244	397,299
Adjustments for operating activities:		
Finance costs	734,694	573,469
Share of loss/(profit) of associates	1,670	(6,357)
Interest income	(39,491)	(66,551)
Loss on disposal of items of other property, plant and equipment	403	1,158
Fair value loss on investment in equity shares	–	6,732
Fair value changes on derivative instrument-transaction not qualifying as hedges	(25,646)	15,804
Depreciation of rental vehicles	1,318,182	1,088,514
Depreciation of other property, plant and equipment	48,732	53,561
Depreciation of right-of-use assets	102,316	–
Amortization of other intangible assets	2,449	4,618
Amortization of prepaid land lease payments	1,210	1,210
Impairment of trade receivables	4,064	5,467
Exchange loss	264,025	394,646
Equity-settled share option expenses	–	1,655
	2,789,852	2,471,225
Increase in trade receivables	(37,824)	(43,531)
(Increase)/decrease in due from related parties	(151,944)	380,541
(Increase)/decrease in inventories	(167,491)	47,678
Decrease/(increase) in prepayments, other receivables and other assets	21,755	(274,660)
Increase/(decrease) in trade payables	272,307	(26,460)
Increase in amounts due to a related party	67,357	37,874
Increase in advances from customers	19,234	87,444
Increase/(decrease) in other payables and accruals	165,260	(89,926)
Increase of rental vehicles	(2,330,215)	(2,367,519)
Decrease/(increase) of finance lease receivables	77,844	(1,074,365)
Tax paid	(244,475)	(234,250)
Net cash flows generated from/(used in) operating activities	481,660	(1,085,949)

Consolidated statement of cash flows (continued)

	For the nine months ended 30 September	
	2019	**2018**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of other property, plant and equipment	(117,366)	(120,768)
Decrease/(increase) in other current financial assets	522,510	(512,510)
Proceeds from disposal of other property, plant and equipment	42	1,090
Purchases of other intangible assets	(7,647)	(6,443)
Settlement of derivative financial instruments	–	(199,882)
Investment in an associate	(68,852)	–
Interest received	68,575	47,461
Net cash flows generated from/(used in) investing activities	397,262	(791,052)
CASH FLOWS FROM FINANCING ACTIVITIES		
Addition of deposits for borrowings	(43,110)	(30,000)
(Increase)/decrease in restricted cash	(273,126)	10,895
Proceeds from bank and other borrowings	3,917,646	2,602,376
Repayments of bank and other borrowings	(4,351,986)	(2,230,904)
Proceeds from exercise of share options	1,198	7,153
Principal portion of lease payment	(122,174)	–
Interest paid	(586,483)	(576,841)
Proceeds from issuance of corporate bonds	–	722,268
Proceeds from issuance of senior notes	1,338,656	731,465
Compensation of Senior Notes exchange offer	(17,918)	–
Repurchase of shares	–	(97,443)
Net cash flows (used in)/generated from financing activities	(137,297)	1,138,969
Net increase/(decrease) in cash and cash equivalents	741,625	(738,032)
Cash and cash equivalents at the beginning of the period	3,186,401	4,813,311
Effect of foreign exchange rate changes, net	16,759	17,362
Cash and cash equivalents at the end of the period	3,944,785	4,092,641

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 preparation

The unaudited nine months condensed consolidated financial statements, which comprise the nine months condensed consolidated statement of financial position of CAR Inc. and its subsidiaries (together, the "Group") as at 30 September 2019 and the related nine months condensed consolidated statement of profit or loss, the nine months condensed consolidated statements of comprehensive income, changes in equity and cash flows for the period then ended, have been prepared in accordance with IAS 34 "Interim Financial Reporting" issued by the IASB and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited nine months condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the nine months condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

The Group applies, for the first time, IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease,* SIC-Int 15 *Operating Leases – Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

– Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

– Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

(b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's nine months condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

Information about geographical area

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

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 nine months ended 30 September	
	2019	**2018**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Revenue		
Car rental revenue	3,887,688	3,381,657
Fleet rental & other revenue	520,769	641,221
Sales of used rental vehicles	1,295,349	811,527
	5,703,806	4,834,405

	For the nine months ended 30 September 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Other income and expenses, net		
Interest income from bank deposit	39,491	66,551
Exchange loss	(264,025)	(394,646)
Government grants	49,529	51,193
Loss on disposal of items of other property, plant and equipment	(403)	(1,158)
Fair value loss from investment in equity shares and redeemable preference shares	–	(6,732)
Fair value changes on derivative instrument-transaction not qualifying as hedges	25,646	(15,804)
Others	29,198	17,784
	(120,564)	(282,812)

5. PROFIT BEFORE TAX

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

	For the nine months ended 30 September 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Cost of sales of used vehicles	1,352,457	828,808
Depreciation of rental vehicles	1,318,182	1,088,514
Depreciation of other property, plant, and equipment	48,732	53,561
Depreciation of right-of-use assets	102,316	–
Recognition of prepaid land lease payments	1,210	1,210
Amortization of other intangible assets*	2,449	4,618
Minimum lease payments under operating leases in respect of		
– offices and stores	40,333	72,795
– rental vehicles	8,825	14,966
Wages and salaries	523,683	487,022
Equity-settled share option expenses	–	1,655
Pension scheme contribution**	129,270	104,938
Insurance expenses	214,252	156,824
Repair and maintenance	191,451	197,201
Exchange loss	264,025	394,646
Auditors' remuneration	2,900	2,900
Impairment on trade receivables	4,064	5,467
Loss on disposal of items of other property, plant and equipment	403	1,158
Advertising and promotion expenses	1,646	17,332
Fair value loss from investment in equity shares and redeemable preference shares	–	6,732
Fair value changes on derivative instrument-transaction not qualifying as hedges	(25,646)	15,804
Share of loss/(profit) of associates	1,670	(6,357)
Finance costs	734,694	573,469

* The amortization of other intangible assets for the nine months ended 30 September 2019 and 2018 is included in "Administrative expenses" in the consolidated statements of profit or loss.

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

6. INCOME TAX EXPENSES

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

	For the nine months ended 30 September 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Current income tax	266,105	225,989
Deferred tax	(17,972)	16,539
Total tax charge for the period	248,133	242,528

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

The provision for current income tax in Mainland China is based on a statutory rate of 25% of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 except for Haike (Pingtan) Technology Co., Ltd. ("Haike Pingtan"). Haike Pingtan is qualified as an encouraged industry company established in the comprehensive experimentation area in Pingtan, Fujian Province, and therefore is entitled to a preferential corporate income tax rate of 15% pursuant to CaiShui 2014 No. 26 issued by the Ministry of Finance of the People's Republic of China.

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on earnings of non-resident enterprises derived from the operation in Mainland China. The withholding tax derived from inter-company charges of certain overseas subsidiaries to PRC subsidiaries amounted to RMB27,261,000 for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: RMB23,212,000).

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 nine months ended 30 September 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Profit before tax	377,244	397,299
Tax at PRC statutory tax rate of 25%	94,311	99,325
Tax effect of tax rate difference between PRC and overseas entities	145,513	162,283
Impact/(utilization) of unrecognized deferred tax assets	15,632	(13,787)
PRC entities with preferential tax rate	(35,506)	(32,930)
Expenses not deductible for tax	2,221	4,425
Withholding tax on the deemed income	27,261	23,212
Gain not subject to tax	(1,299)	–
Total charge for the period	248,133	242,528

The effective tax rate of the Group was 65.78% for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: 61.04%).

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 2,119,391,029 (for the nine months ended 30 September 2018: 2,149,212,064) in issue during the period, as adjusted to reflect the rights issue during the period, if any.

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

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

	For the nine months ended 30 September	
	2019	**2018**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	129,111	154,771
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,119,391,029	2,149,212,064
Effect of dilution – weighted average number of ordinary shares:		
Share option	22,761,118	26,290,198
	2,142,152,147	2,175,502,262

8. RENTAL VEHICLES

	For the nine months ended 30 September	
	2019	**2018**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
At 1 January:		
Cost	13,769,773	11,593,572
Accumulated depreciation	(2,981,401)	(2,054,744)
Net carrying amount	10,788,372	9,538,828
At 1 January, net of accumulated depreciation	10,788,372	9,538,828
Additions	3,873,601	4,351,473
Disposals and transfers to inventories	(1,496,867)	(775,159)
Transfers to finance leases	(70,062)	(1,208,795)
Depreciation provided during the period	(1,294,640)	(1,088,513)
At 30 September, net of accumulated depreciation	11,800,404	10,817,834

	For the nine months ended 30 September	
	2019	**2018**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
At 30 September:		
Cost	15,305,023	13,635,515
Accumulated depreciation	(3,504,619)	(2,817,681)
Net carrying amount	11,800,404	10,817,834

Vehicles with carrying values of RMB846,641,000 as at 30 September 2019 (31 December 2018: RMB427,290,000) had been pledged to secure the Group's certain interest-bearing loans (Note 17).

Included in the Group's rental vehicles as at 30 September 2019 were rental vehicles with a net carrying amount of RMB3,412,209,000 purchased from third party 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 minimising any gain of loss.

9. OTHER PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the nine months ended 30 September 2019, the Group acquired items of other property, plant and equipment with a cost of RMB115,913,000 (for the nine months ended 30 September 2018: RMB121,655,000); and charged depreciation for items of other property, plant and equipment of RMB48,732,000 (for the nine months ended 30 September 2018: RMB53,561,000).

During the nine months ended 30 September 2019, assets with a net book value of RMB445,000 were disposed by the Group (for the nine months ended 30 September 2018: RMB2,248,000).

During the nine months ended 30 September 2019, the Group was not in the acquisition of subsidiaries (for the nine months ended 30 September 2018: Nil).

10. FINANCE LEASE RECEIVABLES

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

	As at	
	30 September 2019	**31 December 2018**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Net minimum lease payments receivable	1,787,409	2,113,634
Unearned finance income	(517,484)	(765,865)
Total net finance lease receivables	1,269,925	1,347,769
Less: current portion	370,739	250,299
Non-current portion	899,186	1,097,470

Future minimum lease payments to be received under non-cancellable finance lease arrangements as at 30 September 2019 and 31 December 2018 are as follows:

	As at	
	30 September 2019	**31 December 2018**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within one year	578,392	479,194
In the second to fifth years, inclusive	1,209,017	1,634,440
	1,787,409	2,113,634

The present values of minimum lease payments to be received under non-cancellable finance lease arrangements as at 30 September 2019 and 31 December 2018 are as follows:

	As at	
	30 September 2019	**31 December 2018**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within one year	370,739	250,299
In the second to fifth years, inclusive	899,186	1,097,470
	1,269,925	1,347,769

11. INVESTMENT IN EQUITY SHARES

	As at	
	30 September 2019	**31 December 2018**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Investments in equity shares of a publicly held company		
– UCAR Inc. (formerly, Huaxia United Science & Technology Co., Ltd.)	2,809,641	2,809,641

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

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

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

The equity shares of UCAR were measured at fair value and were classified as Level 3 fair value measurement. The fair value of the ordinary share investment in UCAR was estimated with the assistance of an independent valuation company. The fair value of the ordinary share investment in UCAR as at 30 September 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. The associated fair value remained unchanged for the nine months ended 30 September 2019 (loss for the nine months ended 30 September 2018: RMB6,732,000) and the change in fair value was recognised through profit or loss under "other income and expenses, net".

12. INVESTMENT IN ASSOCIATES

	As at	
	30 September 2019	**31 December 2018**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Share of net assets		
– Beijing QWOM Technology Co., Ltd.	41,936	41,911
– Botpy Inc.	67,156	–
	109,092	41,911

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. (北京氫動益維營銷策劃有限公司) ("QWOM")	Ordinary shares	PRC	30	Providing mobile internet digital marketing solutions based on big data analytics
Botpy Inc. ("Botpy")	Preference shares	Cayman	40	Providing automotive insurance business and solutions of the automotive aftermarket

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

The 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 30 September 2019 (Unaudited) RMB'000	30 September 2018 (Unaudited) RMB'000
QWOM		
Share of the associate's profit for the period	25	6,357
Share of the associate's total comprehensive income	25	6,357
Carrying amount of the Group's investment in the associate	41,936	38,842
Botpy		
Share of the associate's loss for the period	(1,695)	–
Share of the associate's total comprehensive loss	(1,695)	–
Carrying amount of the Group's investment in the associate	67,156	–

13. TRADE RECEIVABLES

	As at 30 September 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Trade receivables	135,489	100,475
Impairment provision	(5,349)	(4,095)
	130,140	96,380

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 30 September 2019 and 31 December 2018, based on the invoice date and net of provisions, is as follows:

	As at 30 September 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 3 months	46,313	70,884
3 to 6 months	62,486	14,821
6 to 12 months	17,620	10,232
Over 1 year	3,721	443
	130,140	96,380

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 September 2019	As at 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Deductible VAT input	1,034,252	944,840
Prepayments	335,767	388,329
Other receivables	55,578	146,294
Rental deposits	32,984	23,961
Others	15,172	44,255
	1,473,753	1,547,679

15. OTHER CURRENT FINANCIAL ASSETS

	As at 30 September 2019	As at 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Debt instruments at amortised cost:		
Other current financial assets	–	522,510

As of 30 September 2019, no other current financial assets (31 December 2018: 522,510,000) had been pledged to secure the Group's certain interest-bearing loans.

16. TRADE PAYABLES

An ageing analysis of outstanding trade payables as at 30 September 2019 and 31 December 2018, based on the invoice date, is as follows:

	As at 30 September 2019	As at 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within 3 months	371,813	110,039
3 to 6 months	9,879	753
Over 6 months	2,874	1,467
	384,566	112,259

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

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 September 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
Current:		
Short-term loans		
– guaranteed	892,124	524,483
– unsecured and unguaranteed	1,319,110	672,588
– pledged	–	199,742
Current portion of Sale and leaseback obligations		
– secured	442,082	97,306
Current portion of long-term bank loans		
– guaranteed	80,597	1,889,254
– unsecured and unguaranteed	202,839	616,292
Current portion of long-term other loans		
– guaranteed	100,000	700,000
Current lease liabilities		
– unsecured and unguaranteed	219,043	–
Total interest-bearing bank and other borrowings – current	3,255,795	4,699,665
Non-current:		
Bank loans		
– guaranteed	894,082	736,374
– unsecured and unguaranteed	112,500	–
Other loans		
– guaranteed	800,000	–
Sale and leaseback obligations		
– secured	283,222	18,472
Non-current lease liabilities		
– unsecured and unguaranteed	295,569	–
Total interest-bearing bank and other borrowings – non current	2,385,373	754,846
	5,641,168	5,454,511
Analyzed into:		
Bank loans repayable:		
Within one year or on demand	2,494,670	3,902,359
In the second year	1,006,582	223,404
In the third to fifth years, inclusive	–	512,970
	3,501,252	4,638,733

	As at	
	30 September 2019	**31 December 2018**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Other borrowings repayable:		
Within one year or on demand	100,000	700,000
In the second year	100,000	–
In the third to fifth years, inclusive	700,000	–
	900,000	700,000
Sale and leaseback obligations:		
Within one year or on demand	442,082	97,306
In the second year	283,222	18,472
	725,304	115,778
Lease liabilities		
Within one year or on demand	219,043	–
In the second year	150,360	–
In the third to fifth years, inclusive	145,209	–
	514,612	–
	5,641,168	5,454,511

As at 30 September 2019, the Group's overdraft bank facilities amounted to RMB6,549,945,000 (31 December 2018: RMB8,822,756,000), of which RMB5,423,587,000 (31 December 2018: RMB6,175,923,000) had been utilized.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2019	As at 31 December 2018
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Asset		
Derivative financial instruments – Current	11,751	–
Liability		
Derivative financial instruments – Non-current	–	13,895

As at 30 September 2019, 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).

19. SENIOR NOTES

(1) The 2015 Notes (A)

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

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.

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 nine months ended 30 September	
	2019	**2018**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Total carrying amount at 1 January	3,493,988	3,305,841
Exchange realignment	107,092	174,260
Interest expenses	178,327	165,076
Interest expense payment	(192,039)	(201,272)
Impact of exchange offer	36,901	–
Total carrying amount at 30 September	3,624,269	3,443,905
Less: Interest payable due within one year reclassified to other payables and accruals	65,552	35,113
	3,558,717	3,408,792

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 30 September 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 nine months ended 30 September	
	2019	**2018**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Total carrying amount at 1 January	2,082,414	1,972,615
Exchange realignment	62,392	103,839
Interest expenses	100,466	95,243
Interest expense payment	(122,675)	(118,256)
Total carrying amount at 30 September	2,122,597	2,053,441
Less: Interest payable due within one year reclassified to other payables and accruals	17,220	16,964
	2,105,377	2,036,477

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 nine months ended 30 September 2019	2018
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Total carrying amount at 1 January	396,586	–
Addition, net of issuance costs	–	387,447
Interest expenses	22,453	14,576
Interest expense payment	(26,000)	(13,000)
Total carrying amount at 30 September	393,039	389,023
Less: Interest payable due within one year reclassified to other payables and accruals	(284)	(284)
	393,323	389,307

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

(4) The 2018 Notes (B)

On 2 May 2018, the Company issued Additional Notes (the "2018 Notes (B)") in the aggregate principal amount of RMB350 million, to be consolidated and form a single series with the 2018 Notes (A). The Additional Notes will mature on 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 nine months ended 30 September 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Total carrying amount at 1 January	350,819	–
Addition, net of issuance costs	–	344,018
Interest expenses	18,446	12,020
Interest expense payment	(22,750)	(11,442)
Total carrying amount at 30 September	346,515	344,596
Less: Interest payable due within one year reclassified to other payables and accruals	(315)	(314)
	346,830	344,910

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 nine months ended 30 September 2019 (Unaudited) RMB'000
Total carrying amount at 1 January	–
Addition, net of issuance costs	1,338,656
Exchange realignment	56,512
Interest expenses	50,030
Interest expense payment	–
Total carrying amount at 30 September	1,445,198
Less: Interest payables due within one year reclassified to other payables and accruals	48,860
	1,396,338

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

20. CORPORATE BONDS

The Company has received the Approval on the Public Issuance of the Corporate Bonds. (Zheng Jian Xu Ke [2016] No. 1536) (the "Approval") issued by China Securities Regulatory Commission (the "CSRC") dated 7 July 2016. Matters in relation to the issuance of Corporate Bonds are as follows: CSRC has approved the Company to publicly issue the Corporate Bonds not exceeding than RMB2,000 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 nine months ended 30 September	
	2019	**2018**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Total carrying amount at 1 January	308,169	307,360
Interest expenses	12,969	12,938
Interest expense payment	(16,500)	(16,500)
Total carrying amount at 30 September	304,638	303,798
Less: Interest payables due within one year reclassified to other payables and accruals	7,078	7,097
	297,560	296,701

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 nine months ended 30 September	
	2019	**2018**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Total carrying amount at 1 January	755,462	–
Addition, net of issuance costs	–	722,268
Interest expenses	36,173	21,027
Interest expense payment	(45,990)	–
Total carrying amount at 30 September	745,645	743,295
Less: Interest payables due within one year reclassified to other payables and accruals	19,855	19,979
	725,790	723,316

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

21. TREASURY SHARES

On 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 nine months ended 30 September 2019, the Company has not repurchased any shares through the Stock Exchange. There is no share recorded as treasury shares as at 30 September 2019.

V. EVENTS AFTER THE REPORTING PERIOD

On 18 October 2019, the Company has granted a total of 119,747,379 share options to certain eligible persons pursuant to the Post-IPO Share Option Scheme to subscribe for a total of 119,747,379 shares. For further details relating to the grant of share options, please refer to the announcement of the Company dated 18 October 2019.

VI. CORPORATE GOVERNANCE

During the Reporting Period, the Company had been in compliance with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for code provision E.1.2.

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

Code provision E.1.2 of the CG Code also stipulates that the chairman of the board of directors should attend the annual general meeting. Mr. Charles Zhengyao LU ("Mr. LU"), the Chairman of the Board, was unable to attend the Company's annual general meeting held on 14 May 2019 due to other engagement. In view of his absence, Mr. LU had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

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 unaudited consolidated results for the nine months ended 30 September 2019 of the Group and the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management and the independent auditor. The Audit and Compliance Committee considers that the unaudited consolidated results for the nine months ended 30 September 2019 of the Group are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

X. PUBLICATION OF THE FIRST NINE MONTHS 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 2018.

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

The Group employs certain non-IFRS financial figures in measuring the performance of the Group. The presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. The Group believes that, used in conjunction with IFRS financial measures, these non-IFRS financial measures provide meaningful supplemental information regarding the Group's performance, and both management and the Company's shareholders and investors benefit from referring to these non-IFRS financial measures in assessing the Group's performance and when planning and forecasting future periods. The Group's management believes that adjusted EBITDA is a useful financial metrics to assess the Group's operating and financial performance.

This announcement has been issued in the English language with a separate Chinese language translation. If there is any discrepancy between the English language version and the Chinese language version of this announcement, the English language version shall prevail. 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, 25 November 2019

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