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CAR Inc.

神州租車有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 699)

**CONNECTED TRANSACTION
PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

Financial Adviser to the Company



THE SUBSCRIPTION AGREEMENT

On 3 December 2020 (after trading hours), the Company entered into the Subscription Agreement with the Relevant Investor, pursuant to which the Company has conditionally agreed to issue, and the Relevant Investor has conditionally agreed to subscribe for, or procure other Investor(s) to subscribe for, the Convertible Bonds in the aggregate principal amount of US\$175,000,000 (equivalent to HK\$1,356,250,000).

Assuming all the Conversion Shares are converted in full at the initial Conversion Price of HK\$4.0 per Conversion Share, an aggregate of 339,062,500 Conversion Shares will be issued, which represent approximately 15.98% of the issued share capital of the Company as at the date of this announcement and approximately 13.77% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming no Shares will be issued other than the Conversion Shares after the date of this announcement).

The Company will seek the Specific Mandate from the Independent Shareholders at the EGM for the allotment and issue of the Conversion Shares.

The Company has appointed CICC as its financial adviser in relation to the issuance of the Convertible Bonds.

IMPLICATIONS UNDER THE LISTING RULES

Reference is made to the Company's announcement dated 10 November 2020 on the UCAR Share Purchase Agreement, pursuant to which the Offeror agreed to acquire 442,656,855 Shares, representing approximately 20.86% of the issued capital of the Company.

The Relevant Investor is Mcqueen SS Ltd., which is wholly-owned by MBK Partners Special Situations I, L.P. The general partner of MBK Partners Special Situations I, L.P. is MBK Partners Special Situations GP I, L.P., and the general partner of MBK Partners Special Situations GP I, L.P. is MBKSS GP I, Inc., affiliates of MBK Partners. The Offeror is wholly-owned by MBK Partners Fund IV, L.P. The general partner of MBK Partners Fund IV, L.P. is MBK Partners GP IV, L.P., and the general partner of MBK Partners GP IV, L.P. is MBK GP IV, Inc., affiliates of MBK Partners.

Assuming there is no change in the issued share capital of the Company after the date of this announcement, upon completion of the UCAR Share Purchase Agreement, the Offeror will hold 442,656,855 Shares, representing approximately 20.86% of the issued capital of the Company, and the Offeror will become a connected person of the Company by virtue of being a substantial shareholder of the Company. As completion of the Subscription is conditional upon, among other things, completion of the UCAR Share Purchase Agreement, the Relevant Investor will be a connected person of the Company at the time of completion of the Subscription by virtue of being an associate of the Offeror. Accordingly, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement, and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate. Halcyon Capital Limited, a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate.

GENERAL

A circular containing, among other things, (i) further details of the Subscription; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 24 December 2020.

Shareholders and potential investors should note that completion of the Subscription is subject to the fulfilment of the conditions precedent as set out in the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

References are made to, *inter alia*, (i) the announcement dated 10 November 2020 published by the Company on, among other things, the UCAR Share Purchase Agreement, and (ii) the announcement dated 13 November 2020 jointly published by the Company and the Offeror, in relation to, among other things, the pre-conditional voluntary general cash offers by Goldman Sachs (Asia) L.L.C. and J.P. Morgan Securities (Asia Pacific) Limited on behalf of the Offeror to acquire all of the issued Shares held by Shareholders other than the Offeror and to cancel all of the outstanding options of the Company (the “Offers”) (the “Joint Announcement”).

THE SUBSCRIPTION AGREEMENT

On 3 December 2020 (after trading hours), the Company entered into the Subscription Agreement with the Relevant Investor, pursuant to which the Company has conditionally agreed to issue, and the Relevant Investor has conditionally agreed to subscribe for, or procure other Investor(s) to subscribe for, the Convertible Bonds in the aggregate principal amount of US\$175,000,000 (equivalent to HK\$1,356,250,000).

The principal terms of the Subscription Agreement are summarised below:

Date

3 December 2020 (after trading hours)

Parties

- (1) the Company, as issuer; and
- (2) Mcqueen SS Ltd., as the Relevant Investor.

Subject matter

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and the Relevant Investor has conditionally agreed to subscribe for, or procure other Investor(s) to subscribe for, the Convertible Bonds in the aggregate principal amount of US\$175,000,000 (equivalent to HK\$1,356,250,000) at the initial Conversion Price of HK\$4.0 per Conversion Share.

Conditions precedent

Completion of the Subscription shall be subject to and conditional upon:

- (1) since the date of the Subscription Agreement and prior to the Closing Date, there having been no Change of Control Event;
- (2) completion of the UCAR Share Purchase Agreement;
- (3) there having been delivered to the Relevant Investor copies of the applicable consents, approvals and waivers in relation to the issue of the Convertible Bonds and the performance of its obligations under the Convertible Bonds, including:
 - (a) any necessary waivers from the facility agents of certain existing banking facilities of the Company in respect of the requirement for the Convertible Bonds to be subordinated to such banking facilities being received by the Company;
 - (b) any necessary consent from the facility agent of certain existing banking facility of the Company with respect to the incurrence of refinancing for the RMB Notes and/or the USD Notes being received by the Company;
 - (c) a copy of the “Enterprise Overseas Debt Issuance Registration Certificate (企業借用外債備案登記證明)” issued by the National Development and Reform Commission of the PRC with respect to the Convertible Bonds, which remains in full force and effect on the Closing Date;
 - (d) to the extent required under the indentures of the existing notes issued by the Company, a copy of a fairness opinion in respect of the Convertible Bonds delivered to the trustee under each of such indentures; and
 - (e) to the extent required, the Shareholders having passed a resolution at an extraordinary general meeting to approve the terms of, and the transactions contemplated by, the Subscription Agreement and other transaction documents (including but not limited to the issue of all of the Conversion Shares upon conversion of all of the Convertible Bonds);
- (4) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Conversion Shares and such approvals remaining valid and effective;
- (5) on or before the Closing Date, there having been delivered to the Investors legal opinions as to Cayman Islands law and Hong Kong law in customary terms, in form and substance reasonably satisfactory to the Relevant Investor, dated the Closing Date; and

(6) at the Closing Date:

- (a) the fundamental representations and warranties of the Company in the Subscription Agreement being true, accurate and correct at, and as if made on such date; and
- (b) the Company having performed, in all material respects, all of its obligations as specified in the Subscription Agreement to be performed on or before such date.

The Relevant Investor (on behalf of the Investors) may waive satisfaction of any of the above conditions. If the conditions above are neither waived by the Relevant Investor nor satisfied on or prior to 31 January 2021 (or such other date as the Company and the Relevant Investor may mutually agree in writing), the Subscription Agreement shall automatically terminate on such date, and no party thereto will have any claim against the other save for in respect of rights, obligations or liabilities accrued prior to such termination.

Nomination of Investors

On or before the Closing Date, the Relevant Investor shall be entitled to nominate either (i) any limited partner of MBK Partners Special Situations I, L.P. or its affiliates; or (ii) any other person as consented to in writing by the Company (such consent not to be unreasonably withheld), to subscribe for a portion of the Convertible Bonds by delivering to the Company a notice in respect of such nomination of such person as subscriber for such portion of the Convertible Bonds, provided that:

- (a) the total number of limited partners or persons so nominated shall not, in aggregate, exceed ten (10);
- (b) any such portion shall be in a minimum amount of US\$10 million;
- (c) the Company shall have satisfactorily completed any identification verification and/or similar checks on such persons; and
- (d) (i) each such Investor and its affiliates has not held or dealt in any Shares or relevant securities (as defined in the Takeovers Code) of the Company during the period commencing on the date of the Joint Announcement and up to and including the Closing Date; and (ii) each Investor agrees and undertakes to the Company that on and from the date of the Subscription Agreement up to and including the closing date of the Share Offer (as defined in the Joint Announcement), other than (x) the UCAR Share Purchase Agreement and the Offers, and (y) the subscription of any of the Convertible Bonds by such Investor and/or any of its affiliates pursuant to the terms of the Subscription Agreement, it shall not, and shall procure that none of its affiliates shall, acquire, hold or deal in, any Shares or relevant securities (as defined in the Takeovers Code) of the Company.

The Relevant Investor shall procure each Investor (other than the Relevant Investor itself) to undertake for the benefit of the other parties to the Subscription Agreement to (a) subscribe for such principal amount of Convertible Bonds as nominated by the Relevant Investor and set forth in the nomination notice in respect of such Investor and (b) observe, perform and be bound by the terms of the Subscription Agreement as if it were party thereto as an Investor (but not the Relevant Investor) by way of execution and delivery of a deed of adherence substantially in the form set out in the Subscription Agreement and the Company shall (subject to compliance with the conditions in the Subscription Agreement) countersign such deed to grant to such Investor all rights thereunder expressed to be granted to an Investor.

Completion

Completion of the Subscription will take place on the seventh (7th) Business Day following the date on which the conditions precedent are satisfied and notified by the Company to the Relevant Investor, or such other date as the Company and the Relevant Investor may mutually agree.

At completion of the Subscription, the Company shall issue the Convertible Bonds to each of the Investors, and each Investor shall pay (and the Relevant Investor shall procure that each Investor shall pay) to the Company an aggregate amount equal to the principal amount of the Convertible Bonds to be subscribed for by such Investor.

If any Investor fails to subscribe or pay the principal amount for any Convertible Bonds, the Relevant Investor shall subscribe and pay the principal amount for such Convertible Bonds in place of such Investor on the Closing Date.

Director nomination rights

Subject to any mandatory requirements of any law applicable to the Company from time to time, and for so long as the Relevant Investor continuously satisfies any of the following conditions: (a) the Relevant Investor is the holder and beneficial owner of Convertible Bonds of not less than an aggregate principal amount of US\$75,000,000; or (b) the Relevant Investor is the holder and beneficial owner of such number of Conversion Shares that is not less than the number of Conversion Shares which would have resulted from the full exercise of conversion rights in respect of the Convertible Bonds in an aggregate outstanding principal amount of US\$75,000,000, and subject also to satisfaction of the relevant qualification and suitability requirements applicable to a director of a company listed on the Stock Exchange under the Listing Rules and applicable law and the requirements of relevant regulators, the Relevant Investor shall be entitled to, from time to time, nominate an individual as a Director (the “**Investor Director**”) and to remove and replace such Investor Director from time to time (subject to any right, entitlement or power of the Company or the Board or the Shareholders to remove a Director from the Board under the articles of association of the Company or applicable law).

The Company agrees and acknowledges to take, all actions (so far as is within its powers), and to do, or cause to be done all things necessary (so far as within its powers), to give effect to the appointment of the Investor Director.

Undertakings of the Investors in relation to the Offers

Each Investor agrees and acknowledges that no offer for any of the Convertible Bonds was made under Rule 13 of the Takeovers Code, and each Investor undertakes to the Offeror that it shall not accept any offer for any of the Convertible Bonds made under Rule 13 of the Takeovers Code (in order to enable the Offeror to seek a waiver from making such offer in respect of the Convertible Bonds).

Each Investor agrees and undertakes to the Company that, on and from the date of the Subscription Agreement up to and including the closing date of the Share Offer, other than (i) the UCAR Share Purchase Agreement and the Offers, and (ii) the subscription of any of the Convertible Bonds by such Investor and/or any of its affiliates pursuant to the terms of the Subscription Agreement, it shall not, and shall procure that none of its affiliates shall, acquire, hold or deal in, any Shares or relevant securities (as defined in the Takeovers Code) of the Company.

Each Investor also represents and warrants to the Company that other than the UCAR Share Purchase Agreement, none of it or any of its affiliates has held or dealt in any Shares or relevant securities (as defined in the Takeovers Code) of the Company during the period commencing on and from 13 November 2020, being the date of the Joint Announcement, and up to and including the date of the Subscription Agreement and the Closing Date.

Fees

Subject to completion of the Subscription, the Company shall pay to each Investor a fee of 2.75% of the aggregate principal amount of the Convertible Bonds subscribed for by such Investor, to be paid on the Closing Date, provided that such fee may, at the election of the Company, be set-off against, or deducted from, the principal amount of the Convertible Bonds to be subscribed for by such Investor and paid or payable by such Investor to the Company on completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement. No such fee shall be made to an Investor if it has failed to subscribe any Convertible Bonds or pay the principal amount of Convertible Bonds subscribed or to be subscribed for by it.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarised below:

Issuer:	The Company
Principal Amount:	US\$175,000,000 (equivalent to HK\$1,356,250,000)
Maturity Date:	The date falling five (5) years after the Issue Date.
Interest:	5% per annum, payable semi-annually in arrear
Conversion Price:	The initial Conversion Price shall be HK\$4.0 per Conversion Share (subject to adjustments).

The Conversion Price of HK\$4.0 represents:

- (1) a premium of approximately 5.82% over the closing price of HK\$3.78 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (2) a premium of approximately 6.10% over the average closing price per Share of approximately HK\$3.77 as quoted on the Stock Exchange for the last five consecutive trading days immediately before and including the date of the Subscription Agreement; and
- (3) a premium of approximately 7.47% over the average closing price per Share of approximately HK\$3.72 as quoted on the Stock Exchange for the last ten consecutive trading days immediately before and including the date of the Subscription Agreement.

The Conversion Shares have an aggregate nominal value of US\$3,390.625. The net price for each Conversion Share is HK\$3.88 (subject to adjustments).

The Conversion Price is equal to the Share Offer Price (as defined in the Joint Announcement).

Adjustment Events:

Except in respect of the adjustment events expressed in paragraphs (4) to (10) below which are subject to the proviso below, the Conversion Price shall from time to time be subject to adjustment upon occurrence of the following events:

- (1) an alteration to the nominal value of the Shares as a result of consolidation, subdivision and reclassification;
- (2) any issuances of Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, or (ii) in the case of an issue of Shares by way of a scrip dividend where the aggregate value of such Shares so issued as determined by reference to the then Current Market Price per Share on the date of announcement of the terms of such scrip dividend exceeds the amount of the relevant cash dividend;
- (3) any distribution to Shareholders;
- (4) rights issues of shares, or of options or warrants over the Shares at less than 95% of the then Current Market Price per Share on the date of the first public announcement of the terms of such issue or grant;
- (5) rights issues of other securities (other than those referred to in paragraph (4) above);
- (6) otherwise than as referred to in paragraph (4) above, the Company issues Shares or grants options, warrants or other rights to acquire Shares at a price per Share which is less than 95% of the then Current Market Price on the date of the first public announcement of the terms of such issue;
- (7) otherwise than as referred to in paragraphs (4), (5) or (6) above, the Company or any of its subsidiaries issues convertible securities at a conversion price per Share which is less than 95% of the then Current Market Price per Share on the date of the first public announcement of the terms of such issue;

- (8) any modification of the rights of conversion attaching to any securities referred to in paragraph (7) above so that following such modification the consideration per Share is less than 95% of the then Current Market Price on the date of announcement of the proposals for such modification;
- (9) any securities issuances by the Company or any of its subsidiaries under an offer pursuant to which the Shareholders are entitled to acquire such securities; and
- (10) any other events that the Company determines should lead to an adjustment of the Conversion Price,

provided that the adjustment events expressed in paragraphs (4) to (10) above shall only remain applicable up until the date falling on the first anniversary of the Issue Date or on the occurrence of a Delisting Event (whichever is earlier).

Conversion Shares:

The number of Conversion Shares to be issued on a conversion of the Convertible Bonds will be determined by dividing the principal amount of the Convertible Bonds to be converted (translated into HK\$ equivalent at a fixed exchange rate of HK\$7.75 = US\$1.00) by the Conversion Price in effect at the date of conversion.

Based on the initial Conversion Price, a maximum number of 339,062,500 Conversion Shares shall be allotted and issued upon full conversion of the Convertible Bonds, which represent:

- (1) approximately 15.98% of the total issued share capital of 2,122,454,581 Shares as at the date of this announcement; and
- (2) approximately 13.77% of the enlarged issued share capital of 2,461,517,081 Shares upon full conversion of the Convertible Bonds, assuming no Shares will be issued other than the Conversion Shares after the date of this announcement.

The allotment and issuance of the Conversion Shares are subject to the granting of the Specific Mandate, and the approval of such allotment and issuance being a connected transaction of the Company, by the Independent Shareholders at the EGM.

Conversion Period: The Bondholders have the right to convert the Convertible Bonds into Conversion Shares at any time during the period commencing on the date falling after the first anniversary of the Issue Date and up to the close of business on the 10th day prior to the Maturity Date (both days inclusive), provided that a Bondholder shall not be able to exercise (or be required to exercise) its conversion right where as a result of, and to the extent that, the issue of Conversion Shares to the Bondholder the Company would cease to satisfy the public float requirement under the Listing Rules if and to the extent such requirement is applicable.

Pre-emptive rights: From the date falling on the first anniversary of the Issue Date or on the occurrence of a Delisting Event (whichever is earlier), for so long as a Bondholder is the holder and beneficial owner of Convertible Bonds of not less than an aggregate principal amount of US\$10,000,000 (a “**Qualifying Bondholder**”), in the event that the Company issues or offers to issue any Shares or any securities or options convertible into Shares (each “**New Securities**”) to any third party (other than (i) Shares issued upon the exercise of any rights of conversion into Conversion Shares under the Convertible Bonds; and (ii) Shares issued upon the exercise of the Pre-IPO Tranche A Options, Pre-IPO Tranche B Options, Pre-IPO Tranche C Options and Post-IPO Options (each term as defined in the Joint Announcement)), the Company shall offer to issue a number of such New Securities (the “**Relevant Securities**”) to the Qualifying Bondholder on the same terms and conditions as those offered to such third party (so as to enable the Qualifying Bondholder to maintain its proportional interest in the Company on an as-converted basis).

Notwithstanding the above, in the event that (a) the Qualifying Bondholder is a connected person (as defined in the Listing Rules) of the Company at the relevant time as a result of which the subscription of the Relevant Securities would be subject to approval by the Shareholders pursuant to the Listing Rules; and (b) the subscription of the New Securities (other than the Relevant Securities) would not be subject to approval by the Shareholders, whether pursuant to the memorandum of association and the articles of association of the Company, the Listing Rules, the requirements of applicable laws or otherwise or the general mandate obtained in accordance with the Listing Rules, the Company may proceed to consummate the issue of the New Securities (other than the Relevant Securities); provided that the Company undertakes at the request of the Qualifying Bondholder to: (x) use reasonable endeavours to obtain the approval of the Shareholders for the issue of the Relevant Securities to the Qualifying Bondholder; and (y) subject to such approval being granted, allot and issue the Relevant Securities to the Qualifying Bondholder on pricing and other terms identical to the terms on which the Relevant Securities were subscribed for by the other persons, in each case as soon as reasonably practicable.

Lock-up:	<p>Unless with the consent of the Company, the Convertible Bonds may not be transferred during the period between the Issue Date and (including) the date falling on the first anniversary of the Issue Date.</p> <p>Pursuant to the Subscription Agreement, subject to compliance with any mandatory requirements of applicable Laws from time to time, the Company will consent to transfer of the Convertible Bonds held by the Relevant Investor to limited partners of MBK Partners Special Situations I, L.P. or its affiliates during the period between the Issue Date and (including) the date falling on the first anniversary of the Issue Date in accordance with the terms of the Subscription Agreement.</p>
Redemption upon Maturity:	<p>Unless previously redeemed, converted or purchased and cancelled, the Company will redeem all the outstanding Convertible Bonds held by a Bondholder on the Maturity Date at an amount equal to the aggregate of (a) the aggregate principal amount of such outstanding Convertible Bonds held by such Bondholder; (b) any accrued but unpaid interest on such outstanding Convertible Bonds; and (c) an amount that would give such Bondholder the IRR in respect of such Convertible Bonds.</p>
Default Redemption:	<p>At any time following the occurrence of an Event of Default (as defined below), the Bondholders (acting by a resolution passed at a meeting of Bondholders by a majority of not less than 75% of the votes cast (an “Extraordinary Resolution”)) may, for so long as such Event of Default is continuing, have the right to give notice to the Company that the Convertible Bonds shall immediately become due and repayable and require the Company to redeem (within seven (7) Business Days of the Bondholders giving a redemption notice to the Company) the Convertible Bonds in full at an amount equal to the aggregate of (a) the aggregate principal amount of the Convertible Bonds the subject of the redemption; (b) any accrued but unpaid interest on such Convertible Bonds; and (c) an amount that would give the Bondholders the IRR in respect of such Convertible Bonds.</p>

Event of Default:

Each of the following events is an event of default (an “**Event of Default**”) which entitles the Bondholders (acting by an Extraordinary Resolution) to elect that the Convertible Bonds shall immediately become due and repayable:

- (1) the default in the payment of any principal, premium (if any) or interest due in respect of the Convertible Bonds unless (in the case of interest) payment of such interest together with any default interest thereon is paid within thirty (30) consecutive days of the due date;
- (2) any failure by the Company to deliver the Conversion Shares as and when the Conversion Shares are required to be delivered;
- (3) the Company defaults in the performance of any covenant under the Convertible Bonds, subject to a “cure period” of 30 days (if the breach is capable of remedy);
- (4) any default of, or acceleration in respect of, financial indebtedness of the Company or any Restricted Subsidiary (as defined in the terms and conditions of the Convertible Bonds) in excess of US\$15,000,000 or its equivalent;
- (5) any final judgment(s) or order(s) for the payment of money being made against the Company or any Restricted Subsidiary and not discharged, and the aggregate amount of all such final and undischarged judgments or orders during the 60 day period following entry of the final judgment or order exceeds US\$15,000,000;
- (6) a bankruptcy or insolvency proceeding, or a proceeding seeking the appointment of a receiver or similar officer, is commenced against the Company or any Significant Subsidiary (as defined in the terms and conditions of the Convertible Bonds) with respect to it or its debts or any substantial part of the assets of the Company or any Significant Subsidiary and such proceeding remains undismissed for a period of sixty (60) consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law;

- (7) the Company or any Significant Subsidiary, (i) commences a voluntary bankruptcy, insolvency or similar proceeding, or consents to the entry of an order for relief in an involuntary case, (ii) consents to the appointment of or taking possession by a receiver, liquidator or similar official of the Company or any Significant Subsidiary or for all or substantially all of assets of the Company or any Significant Subsidiary, or (iii) effects any general assignment for the benefit of creditors; and
- (8) it is, or has become, unlawful for the Company to comply with any of its material obligations in respect of the Convertible Bonds.

Bondholders' Redemption Option:

The Company will, at the option of any Bondholder, redeem all or some of such Bondholder's Convertible Bonds on a date falling on the fourth anniversary of the Issue Date (the "**Put Option Date**") at an aggregate amount of (a) the aggregate principal amount of the Convertible Bonds the subject of the redemption; (b) any accrued and unpaid interest on such Convertible Bonds; and (c) an amount that would give such Bondholder the IRR in respect of such Convertible Bonds. The option is only exercisable by the Bondholder depositing the Put Option Notice (as defined in the terms and conditions of the Convertible Bonds) no later than 9 months before the Put Option Date.

Change of Control or Delisting Redemption Option:

At any time following the occurrence of a Change of Control Event or Delisting Event, the Bondholders (acting by an Extraordinary Resolution) may have the right at their sole option (but are not obliged) to require the Company to redeem the Convertible Bonds in full at an aggregate amount of (a) the aggregate principal amount of the Convertible Bonds the subject of the redemption; (b) any accrued and unpaid interest on such Convertible Bonds; and (c) an amount that would give such Bondholder the IRR in respect of such Convertible Bonds. The option is only exercisable by all Bondholders depositing the Put Option Notice (as defined in the terms and conditions of the Convertible Bonds), which shall be irrevocable and may not be withdrawn unless with the Company's consent.

Ranking:

Conversion Shares issued upon exercise of conversion rights attached to the Convertible Bonds shall be fully-paid and free and clear of any encumbrance. Such Conversion Shares shall (i) in all other respects rank *pari passu* with the Shares then in issue; (ii) be duly listed and be admitted to trading on the Stock Exchange and be freely transferable; and (iii) carry the same rights set out in the memorandum of association and the articles of association of the Company relating to the Shares and shall entitle the holders thereof to participate in full in all dividends and other distributions paid or made thereon.

Listing: The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,122,454,581 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the UCAR Share Purchase Agreement and the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds, assuming that (a) the Conversion Price is HK\$4.0, (b) no Shares will be issued other than the Conversion Shares, and (c) no valid acceptances have been received under the Offers:

Name of Shareholder	As at the date of this announcement		Immediately after completion of the UCAR Share Purchase Agreement and the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds	
	Number of Shares	Approximate % shareholding	Number of Shares	Approximate % shareholding
UCAR Inc. ^(Note 1)	442,656,855	20.86	–	–
Legend Holdings ^(Note 2)	563,583,025	26.55	563,583,025	22.90
Warburg Pincus & Co. ^(Note 3)	284,942,260	13.43	284,942,260	11.58
The Offeror	–	–	442,656,855	17.98
The Relevant Investor ^(Note 4)	–	–	339,062,500	13.77
Public Shareholders	831,272,441	39.17	831,272,441	33.77
Total	2,122,454,581	100.00	2,461,517,081	100.00

Notes:

1. UCAR Inc. is deemed to be interested in 442,656,855 Shares held by its wholly-owned subsidiaries.
2. Grand Union is an exempted liability partnership which is controlled by a sole general partner, Infinity Wealth Limited and a sole limited partner, Right Lane Limited. Infinity Wealth Limited is a wholly-owned subsidiary of Right Lane Limited, which in turn, is wholly-owned by Legend Holdings. Legion Elite Limited is a wholly-owned subsidiary of Right Lane Limited. Thus, Legend Holdings is deemed to be interested in 562,668,025 Shares and 915,000 Shares held by Grand Union and Legion Elite Limited, respectively.
3. Warburg Pincus Private Equity XI, L.P. owns 41.42% of the equity interest in Amber Gem Holdings Limited (“**Amber Gem**”); Warburg Pincus Private Equity XI, L.P. is a wholly-owned subsidiary of Warburg Pincus XI, L.P., which, in turn, is wholly-owned by WP Global LLC. WP Global LLC is wholly-owned by Warburg Pincus Partners II, L.P., which, in turn, is wholly-owned by Warburg Pincus Partners GP LLC. Warburg Pincus Partners GP LLC is wholly owned by Warburg Pincus & Co. Thus, Warburg Pincus & Co. is deemed to be interested in 284,942,260 Shares held by Amber Gem.
4. On the assumption that the Relevant Investor subscribes for all of the Convertible Bonds.

INFORMATION ON THE RELEVANT INVESTOR

The Relevant Investor is an exempted company established under the laws of the Cayman Islands and is principally engaged in investment holding. The Relevant Investor is wholly-owned by MBK Partners Special Situations I, L.P. The general partner of MBK Partners Special Situations I, L.P. is MBK Partners Special Situations GP I, L.P., and the general partner of MBK Partners Special Situations GP I, L.P. is MBKSS GP I, Inc., affiliates of MBK Partners.

Founded in 2005, MBK Partners is one of the largest private equity funds in Asia with over US\$22 billion of capital under management. MBK Partners focuses on North Asia and has developed expertise in various industries, including consumer and retail, telecommunications and media, financial services, healthcare, logistics and industrials. The aggregate revenues of MBK Partners' 41 portfolio companies exceed US\$44.1 billion. MBK Partners has 76 investment professionals across five offices in North Asia.

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability, the issued Shares of which have been listed on the Main Board of the Stock Exchange since 19 September 2014 with the stock code 699.

The Group is one of the largest car rental companies in the PRC, offering car rental and fleet rental services to individual and corporate customers. As of 30 June 2020, the total fleet size was 132,221, including 5,000 vehicles leased from a financial institution. The Group is dedicated to providing an enjoyable and reliable car rental service. As of 30 June 2020, the Group had an extensive network of 2,882 directly operated service locations including 424 stores and 2,458 self-served locations in 171 major cities in all provinces in China. The Group's network is further supplemented by 210 service locations in 159 small cities operated by its franchises. The Group's service locations are strategically deployed to cover major transportation hubs, such as airports and train stations, key tourist destinations, major business districts and residential communities. The Group provides superior car rental experience by offering customers a wide vehicle selection, decent vehicle condition, a "hassle-free" rental process and 24/7 service in every city where the Group operates. The Group's total customer base grew more than 19 times from approximately 450,000 as of December 31, 2011 to over 8,700,000 as of 30 June 2020.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

In late January this year, a nationwide outbreak of COVID-19 occurred. Consequently, all cities in China experienced lockdown's and various travel restrictions had been imposed. The preventive measures resulted in a sharp decline in demand in travel industry, including hotel, airlines and car rental. The Company's rental business was significantly affected in the first half of this year and through July, due to multiple outbreaks in various cities.

In April 2020, a filing was made by Luckin Coffee Inc. to the United States Securities and Exchange Commission, which disclosed that it has launched an internal investigation into fabricated transactions. The chairman of Luckin Coffee Inc.'s board was also the executive chairman of UCAR Inc., the Company's largest Shareholder at that time. UCAR Inc. entered into sale and purchase agreements with various parties to dispose of its equity interest in the Company but the transactions were not closed, resulting in uncertain shareholding structure of the Company. This limited the Group's capability to obtain financing and therefore the Company had to use cash generated from rental business and used car sales to meet its repayment obligations. To ensure that the Company has sufficient cash on hand to meet its upcoming maturities, the Company has launched the Subscription. The Company intends to utilise cash generated from the Group's business activities, after meeting its repayment obligations, for procurement of vehicles to meet the increasing consumer demand in car rental market, which has been recovering since the re-opening of activities in the country and is expected to peak during the Chinese New Year.

The Directors (excluding the independent non-executive Directors who will form their views after considering the advice of the independent financial adviser) consider that the Subscription Agreement (including the Conversion Price) and the transactions contemplated thereunder, are entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the issue of the Convertible Bonds will be US\$175,000,000. The net proceeds from the issue of the Convertible Bonds are intended to be applied towards refinancing of the USD Notes and the RMB Notes.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company did not conduct any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

Reference is made to the Company's announcement dated 10 November 2020 on the UCAR Share Purchase Agreement, pursuant to which the Offeror agreed to acquire 442,656,855 Shares, representing approximately 20.86% of the issued capital of the Company.

The Relevant Investor is Mcqueen SS Ltd., which is wholly-owned by MBK Partners Special Situations I, L.P. The general partner of MBK Partners Special Situations I, L.P. is MBK Partners Special Situations GP I, L.P., and the general partner of MBK Partners Special Situations GP I, L.P. is MBKSS GP I, Inc., affiliates of MBK Partners. The Offeror is wholly-owned by MBK Partners Fund IV, L.P. The general partner of MBK Partners Fund IV, L.P. is MBK Partners GP IV, L.P., and the general partner of MBK Partners GP IV, L.P. is MBK GP IV, Inc., affiliates of MBK Partners.

Assuming there is no change in the issued share capital of the Company after the date of this announcement, upon completion of the UCAR Share Purchase Agreement, the Offeror will hold 442,656,855 Shares, representing approximately 20.86% of the issued capital of the Company, and the Offeror will become a connected person of the Company by virtue of being a substantial shareholder of the Company. As completion of the Subscription is conditional upon, among other things, completion of the UCAR Share Purchase Agreement, the Relevant Investor will be a connected person of the Company at the time of completion of the Subscription by virtue of being an associate of the Offeror. Accordingly, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement, and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate. Halcyon Capital Limited, a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the Conversion Shares, and the grant of the Specific Mandate.

CIRCULAR

A circular containing, among other things, (i) further details of the Subscription; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 24 December 2020.

Shareholders and potential investors should note that completion of the Subscription is subject to the fulfilment of the conditions precedent as set out in the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

- “Board” the board of Directors;
- “Bondholder(s)” holder(s) of the Convertible Bonds;
- “Business Day(s)” a day on which commercial banks and foreign exchange markets settle payments in Hong Kong, excluding any day in Hong Kong on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning is hoisted;
- “Change of Control Event”
- (a) the merger, amalgamation or consolidation of the Company with another person (other than one or more Permitted Holders), or the sale of all or substantially all the consolidated assets of the Company to another person (other than one or more Permitted Holders);
 - (b) the Permitted Holders, in aggregate, are the beneficial owners of less than (i) 442,656,855 Shares before completion of the Offers (adjusted to reflect any consolidation, share split or other reorganisation in the share capital of the Company); or (ii) 35% of the total voting rights of the Company after completion of the Offers;
 - (c) any person or group becomes the beneficial owner of total voting rights of the Company greater than such total voting rights held by the Permitted Holders in aggregate, provided that this paragraph only applies after completion of the Offers;
 - (d) individuals who on the Issue Date constituted the Board, together with any new Directors whose election or nomination to the Board was approved by a vote of at least a majority of the Directors then still in office who were either Directors on the Issue Date or whose election or nomination was previously so approved, cease to constitute a majority of the Board then in office; or
 - (e) the adoption of a plan relating to the liquidation or dissolution of the Company,
- provided that no change of control shall be deemed to have occurred to the extent such change of control has occurred solely as a result of the Offers;

“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Company in relation to the issuance of the Convertible Bonds. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities;
“Closing Date”	the date for completion of the Subscription, being the seventh (7th) Business Day following the date on which the conditions precedent are satisfied and notified by the Company to the Relevant Investor, or such other date as the Company and the Relevant Investor may mutually agree;
“Company”	CAR Inc., a company incorporated in the Cayman Islands with limited liability, the shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 699);
“connected persons”	has the meaning ascribed thereto in the Listing Rules;
“Conversion Price”	the conversion price of the Convertible Bonds, initially being HK\$4.0 per Conversion Share (subject to adjustments);
“Conversion Share(s)”	Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds;
“Convertible Bonds”	the US\$175,000,000 aggregate principal amount of 5% unsecured convertible bonds with a 5-year tenor to be issued by the Company to the Investors pursuant to the Subscription Agreement;
“Current Market Price”	<p>(i) for the purposes of paragraphs (2), (3), (5) and (9) under the section headed “<i>Adjustment Events</i>” above, in respect of a Share on a particular date, the average of the daily volume weighted average price of one Share on each of the twenty (20) consecutive trading days ending on and including the trading day immediately preceding such date; provided that if at any time during such trading day period the volume weighted average price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of that period the volume weighted average price shall have been based on a price cum-dividend (or cum-any other entitlement) then:</p> <p>(A) if the Shares to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the volume weighted average price on the dates on which the Shares shall have been based on a price cum-dividend (or cum-any other entitlement) shall be deemed to be the amount thereof reduced by an amount equal to the fair market value of any such dividend or entitlement per Share; or</p>

- (B) if the Shares to be issued or transferred and delivered rank for the dividend or entitlement in question, the volume weighted average price on the dates on which the Shares shall have been based on a price ex-dividend (or ex-any other entitlement) shall be deemed to be the amount thereof increased by the fair market value of any such dividend or entitlement per Share,

and provided that if on each of the said twenty (20) trading days the volume weighted average price shall have been based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Shares to be issued or transferred and delivered do not rank for that dividend (or other entitlement), the volume weighted average price on each of such dates shall be deemed to be the amount thereof reduced by an amount equal to the fair market value of any such dividend or entitlement per Share; or

- (ii) for the purposes of paragraphs (4), (6), (7) and (8) under the section headed “*Adjustment Events*” above, in respect of a Share on a particular date, the higher of (A) the amount determined in accordance with paragraph (i) above of this definition or (B) HK\$4.00;

“Delisting Event”

an event where the Shares cease to be listed or admitted to trading on the Stock Exchange or, if applicable, an alternative stock exchange (other than as a result of the Offers or any privatisation offer or arrangement proposed by any of the Permitted Holders);

“Director(s)”

the director(s) of the Company;

“EGM”

the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Subscription Agreement (including the grant of the Specific Mandate) and the transactions contemplated thereunder;

“Grand Union”

Grand Union Investment Fund, L.P.;

“Group”

the Company and its subsidiaries;

“HK\$”

Hong Kong dollar, the lawful currency of Hong Kong;

“Hong Kong”

the Hong Kong Special Administrative Region of the PRC;

“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Sam Hanhui Sun, Mr. Wei Ding and Mr. Li Zhang, which has been formed to advise the Independent Shareholders in relation to the Subscription Agreement (including the grant of the Specific Mandate) and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than the Offeror;
“Investors”	(a) the Relevant Investor and (b) any other subscriber of Convertible Bonds nominated by the Relevant Investor to the Company in writing before the Closing Date in accordance with procedures summarised in the paragraph headed “ <i>Nomination of Investors</i> ” above;
“IRR”	in relation to any Convertible Bond, an amount that would yield to the holder of such Convertible Bond a return of 12% per annum (taking into account all the interest paid to, and received by, any holder of such Convertible Bond since the Issue Date pursuant to the terms and conditions of the Convertible Bonds but excluding any default interest (if any)), on the principal amount of such portion of such Convertible Bond redeemed or to be redeemed calculated from the Issue Date to the date of such redemption;
“Issue Date”	the date on which the Convertible Bonds are originally issued;
“Legend Holdings”	Legend Holdings Corporation;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maturity Date”	the date which is five (5) years after the Issue Date;
“Offeror”	Indigo Glamour Company Limited;
“Permitted Holders”	MBK Partners Fund IV, L.P., MBK Partners Fund V, L.P. and their affiliates;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Relevant Investor”	Mcqueen SS Ltd.;
“RMB Notes”	the RMB750,000,000 notes due 2021 issued by the Company;
“SFC”	Securities and Futures Commission of Hong Kong;
“Share(s)”	ordinary share(s) of US\$0.00001 each in the share capital of the Company;

“Shareholder(s)”	holder(s) of the Share(s);
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to allot and issue the Conversion Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of Convertible Bonds under the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 3 December 2020 entered into between the Company and the Relevant Investor in relation to the Subscription;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“UCAR Share Purchase Agreement”	the sale and purchase agreement dated 10 November 2020 between, among others, UCAR Limited, UCAR Service Limited, UCAR Technology Inc. and the Offeror;
“US\$”	United States dollars, the lawful currency of the United States of America;
“USD Notes”	the US\$300,000,000 notes due 2021 issued by the Company; and
“%”	per cent.

By Order of the Board
CAR Inc.
Yifan Song
Executive Director

Hong Kong, 3 December 2020

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