
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s), licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms and conditions of the Offers.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Forms of Acceptance.

**Indigo Glamour
Company Limited**
*(Incorporated in the Cayman Islands
with limited liability)*

 **神州租车**
CAR Inc.
神州租車有限公司
*(Incorporated in the Cayman Islands
with limited liability)*
(Stock Code: 699)

**COMPOSITE DOCUMENT
CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY THE
FINANCIAL ADVISERS ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL OF THE ISSUED SHARES OF THE COMPANY HELD BY
QUALIFYING SHAREHOLDERS AND TO CANCEL ALL OF THE
OUTSTANDING OPTIONS OF THE COMPANY**

Financial Advisers to the Offeror

**Goldman
Sachs**
Goldman Sachs (Asia) L.L.C.

J.P.Morgan
**J.P. Morgan Securities
(Asia Pacific) Limited**

Independent Financial Adviser to the Independent Board Committee

 **HALCYON 鎧盛**

Qualifying Shareholders should inform themselves of and observe any applicable legal or regulatory requirements. See "Important Notices" beginning on page iv of this Composite Document, and the section headed "Overseas Qualifying Shareholders and Overseas Optionholders" in the letter from Goldman Sachs and J.P. Morgan and the section headed "Overseas Qualifying Shareholders and Overseas Optionholders" in Appendix I to this Composite Document.

Capitalised terms used in this cover page have the same meaning as those defined in the section headed "Definitions" in this Composite Document. A letter from Goldman Sachs and J.P. Morgan containing, among other things, the details of the terms and conditions of the Offers is set out on pages 9 to 23 of this Composite Document. A letter from the Board is set out on pages 24 to 31 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Qualifying Shareholders in respect of the Offers is set out on pages 32 to 33 of this Composite Document. A letter from Halcyon Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 34 to 73 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the Offers should be received by the Share Registrar or the company secretary of the Company (as the case may be) by no later than 4:00 p.m. (Hong Kong time) on Monday, 22 February 2021, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Forms of Acceptance to any jurisdiction outside Hong Kong should read the section headed "Overseas Qualifying Shareholders and Overseas Optionholders" in the letter from Goldman Sachs and J.P. Morgan and the section headed "Overseas Qualifying Shareholders and Overseas Optionholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each overseas Qualifying Shareholder and overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Qualifying Shareholders and overseas Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

1 February 2021

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company by way of announcement(s) as soon as possible. Unless otherwise expressly stated, all references to dates and times contained in this Composite Document refer to Hong Kong dates and times.

Despatch date of this Composite Document, Option Offer Letter and the accompanying Forms of Acceptance and commencement of the Offers (<i>Note 1</i>)	1 February 2021
First Closing Date (<i>Note 2</i>)	22 February 2021
Latest time for acceptance of the Offers on the First Closing Date (<i>Note 3</i>)	4:00 p.m. on 22 February 2021
Announcement of the results of the Offers on the First Closing Date	no later than 7:00 p.m. on 22 February 2021
Latest date for posting of remittances to Qualifying Shareholders and Optionholders in respect of valid acceptances received by the First Closing Date, assuming the Share Offer and the Option Offer become, or are declared, unconditional in all respects on the First Closing Date (<i>Note 4</i>)	3 March 2021
Latest time and date for acceptance of the Offers assuming the Share Offer and the Option Offer become, or are declared, unconditional in all respects on the First Closing Date (<i>Note 5</i>)	4:00 p.m. on 8 March 2021
Latest time and date for declaring the Share Offer unconditional as to acceptances (<i>Note 5</i>)	no later than 7:00 p.m. on 7 April 2021

Notes:

1. The Offers are made on 1 February 2021, being the date of posting of this Composite Document, and are capable of acceptance from and on that date for the whole of the Offer Period.
2. The Offers will close for acceptances at 4:00 p.m. on 22 February 2021 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any extension of the Offers, which will state either the next Offer Closing Date or, if the Share Offer is at that time unconditional as to acceptances, a statement that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Share Offer and the Option Offer are closed to those Qualifying Shareholders and those Optionholders who have not accepted the Share Offer and the Option Offer, respectively.

EXPECTED TIMETABLE

3. Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

Acceptances of the Offers are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed “Right of Withdrawal” in Appendix I of this Composite Document.

4. Remittances in respect of the consideration for the Shares tendered under the Share Offer will be posted to those Qualifying Shareholders accepting the Share Offer as soon as possible, but in any event within seven (7) Business Days following the later of (i) the Offer Unconditional Date and (ii) the date on which the duly completed acceptance of the Share Offer and the relevant documents of title in respect of such acceptance are received by the Offeror (or its agent).

Remittances in respect of the consideration for the Options tendered under the Option Offer will be available for collection by Optionholders accepting the Option Offer at the Company’s Hong Kong office at Room 507, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui, Hong Kong as soon as possible, but in any event within seven (7) Business Days following the later of (i) the Offer Unconditional Date and (ii) the date on which the duly completed acceptance of the Option Offer and the relevant documents of title in respect of such acceptance are received by the Offeror (or its agent).

5. In accordance with the Takeovers Code, when the Share Offer and the Option Offer become or are declared unconditional in all respects, at least 14 days’ notice in writing must be given before the Share Offer and the Option Offer are closed to those Qualifying Shareholders and Optionholders who have not accepted the Share Offer and the Option Offer, respectively. In accordance with the Takeovers Code, except with the consent of the Executive, the Share Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Composite Document is posted. Accordingly, unless the Share Offer has become or been declared unconditional as to acceptances, the Share Offer and the Option Offer will lapse on 7 April 2021 unless extended with the consent of the Executive.

CONTACT DETAILS IN THE EVENT OF FURTHER QUERIES

If you have any queries regarding the Offers, please reach out via the following ways:

by phone: (852) 3468 8427
(852) 6992 8984
(852) 6679 7008
(86) 177 2150 8561
(86) 173 2875 1725
Working hours: Monday to Friday, 09:30-19:00
(GMT+8)

by email: investorinfo@everbloom.com.cn

For the avoidance of doubt, the designated phone lines or email account cannot and will not (i) provide any information not available in the public domain nor any advice on the merits or risks of the Offers or (ii) give any financial or legal advice. If you are in doubt as to any aspect of this Composite Document or action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

IMPORTANT NOTICES

NOTICE TO U.S. QUALIFYING SHAREHOLDERS

The Share Offer will be made for the securities of a Cayman Islands company and is subject to Hong Kong disclosure and other procedural requirements, which are different from those of the United States securities laws. In addition, US holders of Shares should be aware that this document has been prepared in accordance with Hong Kong format and style, which differs from United States format and style. The Share Offer will be extended into the United States pursuant to the applicable US tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong). Accordingly, the Share Offer will be subject to Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which differ from those applicable under US domestic tender offer procedures and law.

The receipt of cash pursuant to the Share Offer by a US holder of Shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Share Offer.

It may be difficult for US holders of Shares to enforce their rights and any claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their respective officers and directors may be residents of a country other than the United States. In addition, most of the assets of the Offeror and the Group are located outside the United States. US holders of Shares may not be able to sue a non-US company or its officers or directors in a non-US court for any violations of the securities laws of the United States. Further, it may be difficult for US holders of Shares to effect service of process within the United States upon the Offeror or the Company or their respective officers or directors or to enforce against them a judgment of a US court predicated upon the federal or state securities laws of the United States.

In accordance with the normal Hong Kong practice and pursuant to Rule 14e-5(b) of the US Exchange Act, the Offeror hereby discloses that it or its affiliates or its nominees, or their respective brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Share Offer, before or during the period in which the Share Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) if applicable the Share Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the SFC website at <http://www.sfc.hk/>.

IMPORTANT NOTICES

NOTICE TO OVERSEAS QUALIFYING SHAREHOLDERS (OTHER THAN U.S. QUALIFYING SHAREHOLDERS) AND OVERSEAS OPTIONHOLDERS

The making of (i) the Share Offer to Qualifying Shareholders; and (ii) the Option Offer to Optionholders, who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such overseas Qualifying Shareholders and overseas Optionholders may be prohibited or affected by the laws and regulations of the relevant jurisdictions and it is the responsibility of each such overseas Qualifying Shareholder who wishes to accept the Share Offer and each such overseas Optionholder who wishes to accept the Option Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such overseas Qualifying Shareholder or overseas Optionholder in such relevant jurisdictions.

Any acceptance by such overseas Qualifying Shareholders or overseas Optionholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror, and their respective advisers, including the Financial Advisers, that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

For further discussion, please refer to the section headed “Overseas Qualifying Shareholders and Overseas Optionholders” in the letter from Goldman Sachs and J.P. Morgan and the section headed “Overseas Qualifying Shareholders and Overseas Optionholders” in Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “**believe**”, “**expect**”, “**anticipate**”, “**intend**”, “**plan**”, “**seek**”, “**estimate**”, “**will**”, “**would**” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and the Takeovers Code.

DEFINITIONS

In this Composite Document, the following terms have the meanings set out below, unless the context requires otherwise.

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code;
“Announcement”	means the joint announcement issued by the Offeror and the Company dated 13 November 2020 in relation to the Offeror’s firm intention to make the Offers;
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code;
“beneficial owner”	any beneficial owner of Shares registered in the name of any nominee, trustee, depositary or any other authorized custodian or third party;
“Board”	means the board of Directors;
“Business Day”	means a day on which the Stock Exchange is open for the transaction of business;
“Cayman Islands Companies Law”	means the Companies Law (2020 Revision) of the Cayman Islands, Chapter 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time;
“CB Investor”	means Mcqueen SS Ltd.;
“CB Subscription”	means the subscription of Convertible Bonds under the CB Subscription Agreement;
“CB Subscription Agreement”	means the subscription agreement dated 3 December 2020 entered into between the Company and the CB Investor in relation to the CB Subscription, as amended and supplemented from time to time;
“CCASS”	means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

DEFINITIONS

“Company”	means 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);
“Composite Document”	means this composite offer and response document in respect of the Offers jointly issued by the Offeror and the Company in accordance with the Takeovers Code, as may be revised or supplemented as appropriate;
“Conditions”	means the conditions to the Offers, as set out in the section headed the “Conditions to the Offers” in the “Letter from Goldman Sachs and J.P. Morgan” and “Condition” means any one of the Conditions or a certain Condition as applicable;
“Conditions Long Stop Date”	means the date which is 60 calendar days after the posting of this Composite Document, unless the date has been extended by the Offeror with the consent of the Company;
“Convertible Bonds”	means the US\$175,000,000 aggregate principal amount of 5% unsecured convertible bonds with a 5-year tenor issued by the Company to the CB Investor pursuant to the CB Subscription Agreement;
“Convertible Bonds Circular”	means the circular issued by the Company dated 16 December 2020 in relation to the issue of the Convertible Bonds;
“Director(s)”	means director(s) of the Company;
“Disinterested Shares”	means all Shares other than those held by the Offeror and the Offeror Concert Parties;
“Dividend Adjustment”	has the meaning ascribed to it in the section headed the “Conditions to the Offers” in the “Letter from Goldman Sachs and J.P. Morgan” contained in this Composite Document;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;

DEFINITIONS

“Financial Advisers”	means (in alphabetical order) Goldman Sachs and J.P. Morgan, financial advisers to the Offeror;
“First Closing Date”	means 22 February 2021, being 21 days after the despatch of this Composite Document;
“Form(s) of Acceptance”	means the WHITE Form of Share Offer Acceptance and the PINK Form of Option Offer Acceptance, and “Form of Acceptance” means either of them;
“Goldman Sachs”	means Goldman Sachs (Asia) L.L.C., a company incorporated in Delaware with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities;
“Group”	means the Company and its subsidiaries;
“HKSCC”	means Hong Kong Securities Clearing Company Limited;
“HKSCC Nominees”	means HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
“HK\$” or “HKD”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	means the independent board committee of the Company, comprising two of the non-executive Directors, namely Mr. Linan Zhu and Mr. Leping Yan, and all the independent non-executive Directors, namely Mr. Sam Hanhui Sun, Mr. Wei Ding and Mr. Li Zhang, which has been established by the Board to make a recommendation to the Qualifying Shareholders and Optionholders in respect of the Offers;

DEFINITIONS

“Independent Financial Adviser”	means Halcyon Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee in connection with the Offers;
“Irrevocable Undertaking”	means the irrevocable undertaking given by the IU Shareholders on 13 November 2020 to accept, or procure the acceptance of, the Share Offer in respect of all of the relevant IU Shares, as described in more detail in the section headed “Irrevocable Undertaking” in the “Letter from Goldman Sachs and J.P. Morgan”;
“IU Shareholders”	means Legion Elite Limited and Grand Union Investment Fund, L.P.;
“IU Shares”	means the total of 563,583,025 Shares representing approximately 26.55% of the issued share capital of the Company as at the Latest Practicable Date being the aggregate of (i) 562,668,025 Shares held by Grand Union Investment Fund, L.P., representing its entire interest in the Company and approximately 26.51% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 915,000 Shares held by Legion Elite Limited, representing its entire interest in the Company and approximately 0.04% of the issued share capital of the Company as at the Latest Practicable Date;
“J.P. Morgan”	means J.P. Morgan Securities (Asia Pacific) Limited, a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO;
“Last Trading Day”	means 13 November 2020, being the last trading day prior to the date of the Announcement;
“Latest Practicable Date”	means 29 January 2021, being the latest practicable date prior to the despatch of this Composite Document for the purpose of ascertaining certain information contained herein;

DEFINITIONS

“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Offer Closing Date”	means the date on which the Offers close for acceptances, being the First Closing Date or any subsequent closing date of the Share Offer as may be announced by the Offeror and approved by the Executive in accordance with the Takeovers Code;
“Offer Period”	means the period commencing on the date of publication of the Announcement up to and including the Offer Closing Date;
“Offer Share(s)”	means Shares other than those already held by the Offeror;
“Offer Unconditional Date”	means the date on which the Offers become or are declared unconditional in all respects;
“Offeror”	means Indigo Glamour Company Limited;
“Offeror Concert Parties”	means parties acting in concert with the Offeror in relation to the Company, including the Financial Advisers (except for members of each of the Financial Advisers’ group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code) who are presumed to be acting in concert with the Offeror in relation to the Company;
“Offers”	means, collectively, the Share Offer and the Option Offer;
“Option Cancellation Price”	means the relevant price offered in relation to the cancellation of each Option as set out under the section headed “The Option Offer” in the “Letter from Goldman Sachs and J.P. Morgan”;
“Option(s)”	means the outstanding, vested and unvested, share option(s), each relating to one Share, granted under the Share Option Schemes from time to time;

DEFINITIONS

“Option Offer”	means the voluntary conditional cash offer by the Financial Advisers on behalf of the Offeror to cancel all of the outstanding Options in accordance with the terms and conditions set out in this Composite Document, and any subsequent revision or extension of such offer;
“Option Offer Letter”	means the letter dated 1 February 2021 setting out the terms and conditions of the Option Offer sent separately to the Optionholders and substantially in the form set out in Appendix IV to this Composite Document;
“Optionholder(s)”	means the holders of the Options from time to time;
“Post-IPO Options”	means the share options relating to the Shares granted under the Post-IPO Share Option Scheme from time to time;
“Post-IPO Share Option Scheme”	means the share option scheme adopted by the Company on 5 April 2016, as amended from time to time;
“PRC”	means the People’s Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Pre-Conditions”	means each of the pre-conditions to the making of the Offers, as set out in the section headed the “Pre-Conditions to the Offers” in the “Letter from Goldman Sachs and J.P. Morgan”;
“Pre-IPO Share Option Scheme”	means the share option scheme adopted by the Company on 15 June 2014 and amended on 30 July 2014;
“Pre-IPO Tranche A Options”	means the fully vested share option(s) relating to the Shares granted under the Pre-IPO Share Option Scheme at an exercise price of US\$0.058;
“Pre-IPO Tranche B Options”	means the fully vested share option(s) relating to the Shares granted under the Pre-IPO Share Option Scheme at an exercise price of US\$0.174;
“Pre-IPO Tranche C Options”	means the fully vested share option(s) relating to the Shares granted under the Pre-IPO Share Option Scheme at an exercise price of US\$0.174;

DEFINITIONS

“Qualifying Shareholders”	means all Shareholders other than the Offeror;
“Relevant Authorities”	means appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions;
“Relevant Period”	means the period commencing from 13 May 2020, being the date falling six months preceding the date of the commencement of the Offer Period, up to and including the Latest Practicable Date;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means the ordinary share(s) of US\$0.00001 each in the share capital of the Company;
“Share Offer”	means the conditional voluntary conditional cash offer by the Financial Advisers on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions set out in this Composite Document, and any subsequent revision or extension of such offer;
“Share Offer Price”	means the price per Offer Share at which the Share Offer will be made in cash, being HK\$4.00 per Offer Share, less the Dividend Adjustment (if any);
“Share Option Schemes”	means, collectively, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme;
“Share Registrar”	means Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the branch share registrar of the Company;
“Shareholder(s)”	means a registered holder of Share(s);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules;
“Takeovers Code”	means The Code on Takeovers and Mergers published by the SFC and administered by the Executive;

DEFINITIONS

“trading day”	means a day on which the Stock Exchange is open for the business of dealings in securities;
“UCAR Sellers”	means UCAR Inc., UCAR Limited, UCAR Service Limited and UCAR Technology Inc.;
“UCAR Share Sale”	means the acquisition of 442,656,855 Shares by the Offeror from the UCAR Sellers pursuant to the terms and conditions of the share purchase agreement dated 10 November 2020 between the UCAR Sellers and the Offeror;
“U.S.” or “US” or “United States”	means the United States of America;
“U.S. Exchange Act”	means the U.S. Securities Exchange Act of 1934, as amended; and
“US\$”	means US dollar(s), the lawful currency of the U.S.

**Goldman
Sachs**

Goldman Sachs (Asia) L.L.C.

J.P.Morgan

J.P. Morgan Securities
(Asia Pacific) Limited

1 February 2021

To the Qualifying Shareholders and Optionholders

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY THE
FINANCIAL ADVISERS ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL OF THE ISSUED SHARES OF THE COMPANY HELD BY
QUALIFYING SHAREHOLDERS AND TO CANCEL ALL OF THE
OUTSTANDING OPTIONS OF THE COMPANY**

1. INTRODUCTION

Reference is made to the Announcement pursuant to which the Offeror and the Company jointly announced on 13 November 2020 that the Financial Advisers, on behalf of the Offeror, firmly intend, subject only to the satisfaction or waiver of the Pre-Conditions, to make voluntary conditional cash offers (i) to acquire all of the outstanding Shares in the issued share capital of the Company held by the Qualifying Shareholders; and (ii) to cancel all of the outstanding Options.

This letter forms part of this Composite Document and sets out, amongst other things, certain background information of the Group, details of the Offers, the reasons for making the Offers and the intentions of the Offeror in relation to the Group. Further details on the terms of the Offers are set out in Appendix I – “Further Terms and Procedures for Acceptance of the Offers” to this Composite Document and in the accompanying Forms of Acceptance.

Your attention is also drawn to the “Letter from the Board” on pages 24 to 31, the “Letter from the Independent Board Committee” on pages 32 to 33 and the “Letter from the Independent Financial Adviser” on pages 34 to 73 of this Composite Document.

LETTER FROM GOLDMAN SACHS AND J.P. MORGAN

2. PRE-CONDITIONS TO THE OFFERS

The making of the Offers was subject to the satisfaction (or in some cases, the waiver) of the following Pre-Conditions:

- (a) the Offeror having received unconditional PRC antitrust approval necessary for the consummation of the Offers;
- (b) no default having occurred or occurring (or any event or circumstance having occurred or occurring that, with the delivery of notice or passage of time, could become a default) under any of the bonds or material debt facilities of the Group which has not been irrevocably consented to or waived by the relevant lenders or bondholders, and (if applicable) all required consents or waivers having been obtained in respect of any default or any event of default that may have occurred or that may occur under any of the bonds or material debt facilities of the Group, and such consents and waivers not having been rescinded and remaining in full force and effect; and
- (c) the consummation of the Offers not triggering any “Change of Control” (as defined in the relevant bond instrument or material debt facility) or default provision under any bond instrument or material debt facility or breaching any other provision under any of the bond instruments or material debt facilities of the Group which has not been irrevocably consented to or waived by the relevant lenders or bondholders.

On 25 January 2021, the Offeror and the Company jointly announced that all the Pre-Conditions had been satisfied.

3. THE SHARE OFFER

As at the Latest Practicable Date, there are 2,122,454,581 Shares in issue. Subject to the Conditions, the Share Offer is made by the Financial Advisers on behalf of the Offeror on the following basis:

For each Offer Share HK\$4.00, less the Dividend Adjustment (if any)

If, after the date of despatch of this Composite Document, any dividend or other distribution or return of capital (whether in cash or in kind) is declared, made or paid in respect of the Shares on or before the Offer Closing Date and the Offeror elects to proceed with the Share Offer, the Share Offer Price will be reduced by an amount equal to all or any part of the amount or value of such dividend, distribution and/or return of capital (such amount or value, “**Dividend Adjustment**”), in which event any reference in the Announcement, this Composite Document or any other announcement or document to the Share Offer Price will be deemed to be a reference to the Share Offer Price as so reduced.

LETTER FROM GOLDMAN SACHS AND J.P. MORGAN

The Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date when the Share Offer becomes unconditional or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date when the Share Offer becomes unconditional.

As at the Latest Practicable Date, the Company confirms that (a) it has not declared, made or paid any dividend or other distribution during the Offer Period; and (b) it does not have any intention to declare, make or pay any future dividend or other distribution until the close of the Offers.

The Share Offer Price

Comparisons of value

The Share Offer Price of HK\$4.00 per Offer Share under the Share Offer (without taking into account the effect of any Dividend Adjustment) represents:

- (a) a premium of approximately 0.25% over the closing price of HK\$3.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 17.99% over the closing price of HK\$3.39 per Share as quoted on the Stock Exchange on the Last Trading Day (i.e. 13 November 2020);
- (c) a premium of approximately 23.08% over the closing price of HK\$3.25 per Share as quoted on the Stock Exchange on 12 November 2020, being the last trading day immediately preceding the date of the Announcement;
- (d) a premium of approximately 22.32% over the average closing price of approximately HK\$3.27 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 31.36% over the average closing price of approximately HK\$3.05 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 52.17% over the average closing price of approximately HK\$2.63 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 55.79% over the average closing price of approximately HK\$2.57 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day; and

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- (h) a premium of approximately 102.88% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$1.97 per Share as at 30 June 2020, calculated based on the interim report of the Company for the six months ended 30 June 2020 and a RMB/HK\$ exchange rate of RMB1:HK\$1.0970 (being the rate published by Bloomberg on 30 June 2020).

Highest and Lowest Share Prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$3.99 on 29 January 2021, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.73 on 26 May 2020.

4. THE OPTION OFFER

As at the Latest Practicable Date, there are 127,204,004 Options outstanding, consisting of the following:

- (a) 6,049,090 Pre-IPO Tranche A Options with an exercise price of US\$0.058,
- (b) 10,199,316 Pre-IPO Tranche B Options with an exercise price of US\$0.174,
- (c) 8,714,190 Pre-IPO Tranche C Options with an exercise price US\$0.174, and
- (d) 102,241,408 Post-IPO Options with an exercise price of HK\$6.360 (of which 31,122,788 Options are currently unvested, and will become exercisable if the Share Offer is made and becomes unconditional).

As each Option entitles the Optionholder to subscribe for one new Share, the exercise of all Options in full would result in the issue of 127,204,004 new Shares, representing approximately 5.99% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.65% of the issued share capital of the Company as enlarged by the issue of such new Shares.

The Financial Advisers, on behalf of the Offeror, will make appropriate offers to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Options in exchange for cash on the following basis:

- (A) *In respect of the Pre-IPO Tranche A Options with an exercise price of US\$0.058:*

For cancellation of each such Pre-IPO Tranche A Option HK\$3.550 in cash

- (B) *In respect of the Pre-IPO Tranche B Options with an exercise price of US\$0.174:*

For cancellation of each such Pre-IPO Tranche B Option HK\$2.651 in cash

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(C) *In respect of the Pre-IPO Tranche C Options with an exercise price of US\$0.174:*

For cancellation of each such Pre-IPO Tranche C Option HK\$2.651 in cash

(D) *In respect of the Post-IPO Options with an exercise price of HK\$6.360*

For cancellation of each such Post-IPO Option. HK\$0.001 in cash

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 to the Takeovers Code, the Option Cancellation Price would normally represent the difference between the exercise price of the Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Post-IPO Options is above the Share Offer Price, the outstanding Post-IPO Options are out-of-money and the Option Cancellation Price for the cancellation of each outstanding Post-IPO Option is set at a nominal value of HK\$0.001. As the Pre-IPO Tranche A Options, Pre-IPO Tranche B Options, and Pre-IPO Tranche C Options have their exercise prices in US\$, we have determined the cancellation price on the basis of a US\$ to HK\$ exchange rate of US\$1:HK\$7.7537, being the spot rate quoted at 5:00 p.m. on the Last Trading Day on Bloomberg.

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects.

Subject to the Option Offer becoming unconditional and following acceptance of the Option Offer, the relevant Options tendered in acceptance of the Option Offer will be cancelled, and all Options which have not been exercised or tendered in acceptance of the Option Offer by 4:00 p.m. on the Offer Closing Date will lapse (following which the holder of such Options will not be able to accept the Option Offer in respect of such Options).

If the Option Offer is withdrawn or lapses, any outstanding Options (to the extent not exercised) will remain valid and exercisable in accordance with the Share Option Schemes.

Optionholders are encouraged to read the Option Offer Letter for further information on the Option Offer.

5. VALUE OF THE OFFERS

As at the Latest Practicable Date, there are 2,122,454,581 Shares in issue and 127,204,004 outstanding Options, amongst which the Offeror held 442,656,855 Shares.

- i. Based on the Share Offer Price of HK\$4.00 per Share and assuming that there is no change in the issued share capital of the Company, no outstanding Options are exercised and the Share Offer and the Option Offer are accepted in full:
 - a. the value of the Share Offer will be HK\$6,719,190,904; and
 - b. the total amount to satisfy the cancellation of all outstanding Options will be HK\$72 million.

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- ii. Based on the Share Offer Price of HK\$4.00 per Share and assuming that there is no other change in the issued share capital of the Company, all outstanding Options are exercised in full and the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Options):
 - a. the maximum value of the Share Offer will increase to approximately HK\$7,228.01 million;
 - b. no amount will be payable by the Offeror under the Option Offer and the Company will receive an aggregate subscription price of approximately HK\$678,492,758 from the exercise of all of the Options.

Settlement of consideration

Settlement of consideration in respect of acceptances of the Share Offer or the Option Offer will be made as soon as possible but in any event within seven (7) Business Days following the later of (i) the Offer Unconditional Date and (ii) the date on which the duly completed acceptance of the Share Offer or the Option Offer (as applicable) and the relevant documents of title in respect of such acceptance are received by the Offeror (or its agent).

No fraction of a cent will be payable and the amount of cash consideration payable to a Shareholder or Optionholder (as the case may be) who accepts the Share Offer or the Option Offer (as applicable) will be rounded up to the nearest cent.

Financial Resources Available to the Offeror

If none of the Options are exercised before the closing of the Offers and assuming no Dividend Adjustment is made, the consideration payable under the Share Offer will be approximately HK\$6,719 million and the consideration for the cancellation of all Options under the Option Offer will amount to approximately HK\$72 million, amounting to a total value of approximately HK\$6,791 million, assuming full acceptance of the Share Offer.

If all Options (including the currently unvested Options) are exercised prior to the Offer Closing Date, the Company will have to issue 127,204,004 new Shares, representing approximately 5.65% of the enlarged issued share capital of the Company. Assuming that the Share Offer is then accepted in full (including all Shares issued and allotted as a result of the exercise of the Options), the maximum value of the Share Offer will increase to approximately HK\$7,228.01 million. In that case, no amount will be payable by the Offeror under the Option Offer and the Company will receive an aggregate subscription price of approximately HK\$678,492,758 from the exercise of all of the Options.

The Offeror intends to finance the cash consideration required for the Offers with equity commitments from one or more funds managed by MBK Partners.

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The Financial Advisers are satisfied that sufficient financial resources are available to the Offeror to satisfy its maximum payment obligations on full acceptance of the Offers.

Subsequent to the Announcement, the Offeror entered into certain bridge facility arrangements with affiliates of the Financial Advisers which may be utilized by the Offeror to settle part of the consideration payable under the Offers.

No Other Convertible or Exchangeable Securities

Save as disclosed in the sections headed “The Share Offer” and “The Option Offer” in this letter, there are no other outstanding shares, options, warrants, derivatives or other securities that are convertible or exchangeable into shares or other types of securities in the Company.

6. CONDITIONS TO THE OFFERS

The Share Offer

The Share Offer is subject to the fulfilment of the following Conditions:

- (a) valid acceptances of the Share Offer having been received (and not, where permitted, withdrawn) by 4:00 p.m. on the Offer Closing Date (or such later time or date as the Offeror may decide, subject to the Takeovers Code) in respect of such number of Shares which would result in the Offeror holding more than 50% of the voting rights in the Company;
- (b) the Shares remaining listed and traded on the Stock Exchange up to the Offer Closing Date (or, if earlier, the Offer Unconditional Date) save for any temporary suspension(s) or halt(s) of trading in the Shares and no indication being received on or before the Offer Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offers or anything done or caused by or on behalf of Offeror or the Offeror Concert Parties;
- (c) no event having occurred or existing (including any law, order, action, proceeding, suit or investigation instituted or taken by the Relevant Authorities) which would make the consummation of the Offers void, unenforceable, illegal or impractical (or which would impose any material and adverse conditions or obligations with respect to the Offers);
- (d) since 31 December 2019, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Offers);

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- (e) since the Announcement, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Offers;
- (f) no dividend or other distribution (whether in cash or in kind) during the Offer Period having been declared, made or paid by the Company to the Shareholders; and
- (g) no default occurring (or any event or circumstance occurring that, with the delivery of notice or passage of time, could become a default) under any of the bonds or material debt facilities of the Group which has not been irrevocably consented to or waived by the relevant lenders or bondholders.

The Offeror reserves the right to waive all or any of the Conditions to the Share Offer set out above, either in whole or in part, either generally or in respect of any particular matter, except for Conditions (a) and (c) which may not be waived. If any of the Conditions are not satisfied or waived (as applicable) on or before the Conditions Long Stop Date, the Share Offer will lapse.

With respect to Condition (f), if any dividend or other distribution or return of capital (whether in cash or in kind) is declared, made or paid in respect of the Shares on or before the Offer Closing Date and the Offeror elects to waive this Condition and proceed with the Share Offer, the Share Offer Price will be reduced by the Dividend Adjustment, in which event any reference in the Announcement, this Composite Document or any other announcement or document to the Share Offer Price will be deemed to be a reference to the Share Offer Price as so reduced.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Share Offer if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Share Offer.

In addition to the Conditions set out above, the Offers are made on the basis that acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the Offer Shares acquired under the Share Offer are sold by such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them or subsequently becoming attached to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the Share Offer becomes unconditional.

The Option Offer

The Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Share Offer becomes unconditional as to acceptances and when the Offers become unconditional in all respects. The Share Offer must also remain open for acceptance for at least 14 days after the Offers becomes unconditional in all respects. Shareholders are reminded that the Offeror does not have any obligation to keep the Offers open for acceptance beyond this 14-day period.

WARNING: Shareholders, Optionholders and potential investors should be aware that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions, and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

Accordingly, the Offers may or may not become unconditional. Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Shares, exercising the Options or other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

7. UCAR SHARE PURCHASE AGREEMENT

The Offeror acquired from the UCAR Sellers 442,656,855 Shares (representing approximately 20.86% of the issued capital of the Company as at the Latest Practicable Date) on 15 December 2020. Such acquisition was made pursuant to the share purchase agreement between the Offeror and the UCAR Sellers dated 10 November 2020 at a price of HK\$4.00 per Share for a total consideration of HK\$1,770,627,420.

8. CB SUBSCRIPTION AGREEMENT

The Company and the CB Investor, which is an associate of the Offeror, entered into the CB Subscription Agreement on 3 December 2020 in connection with the subscription for US\$175,000,000 (equivalent to HK\$1,356,250,000) in principal amount of Convertible Bonds at the initial conversion price of HK\$4.0 per conversion share. Completion of the CB Subscription took place on 15 January 2021.

9. IRREVOCABLE UNDERTAKING

On 13 November 2020, the Offeror and the IU Shareholders entered into the Irrevocable Undertaking under which the IU Shareholders irrevocably undertook to accept, or procure the acceptance of, the Offers in respect of all of the IU Shares (being 563,583,025 Shares), representing approximately 26.55% of the issued share capital of the Company as at the Latest Practicable Date.

Each of the IU Shareholders irrevocably undertook to the Offeror (i) to accept the Share Offer in respect of its respective IU Shares at the Share Offer Price; (ii) that it will not, prior to the earlier of the closing or lapsing of the Share Offer, withdraw any acceptance of the Share Offer in respect of its respective IU Shares and will, where applicable, procure that no rights to withdraw any such acceptance are exercised; and (iii) that it will not, prior to the earlier of the closing or lapsing of the Share Offer, sell, transfer, or encumber in any way any of its respective IU Shares or accept any other offer in respect of any IU Shares.

The Irrevocable Undertaking will lapse only if the Share Offer lapses or is withdrawn in accordance with the Takeovers Code and the Offeror announces that it does not intend to proceed with the Share Offer.

In addition, as at the Latest Practicable Date, Mr. Sam Hanhui Sun, an independent non-executive Director, has indicated that he will accept the Share Offer in respect of all of his 510,000 Shares, representing approximately 0.02% of the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, apart from the Irrevocable Undertaking and the indication of Mr. Sam Hanhui Sun as mentioned above, the Offeror and the Offeror Concert Parties have not received any indication or irrevocable commitment from any Qualifying Shareholder to accept or reject the Share Offer.

10. INFORMATION ON THE OFFEROR

The Offeror is a limited liability company incorporated under the laws of the Cayman Islands. The Offeror is wholly-owned by MBK Partners Fund IV, L.P.

MBK Partners Fund IV, L.P. is an exempted limited partnership established under the laws of the Cayman Islands, and is a private investment fund managed by MBK Partners GP 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 one of Asia's largest private equity sponsors, MBK Partners.

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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. MBK Partners was founded by Michael ByungJu Kim, Jay H. Bu, Teck Chien Kong, Jong Ha Yoon, Kuo Chuan Kung and Kensuke Shizunaga. 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.

11. REASONS FOR AND BENEFITS OF THE OFFERS

For the Company: a proposal to facilitate a necessary transformation of the business amid a challenging environment for the car rental industry

As one of the leading companies within the car rental industry in China, the Company has been facing significant challenges including uncertainties in the external environment that resulted in dampened enthusiasm for travelling and consumption. Although the Company has, for example, introduced a number of promotional packages and various digital marketing campaigns to mitigate the historically low car rental demand, the Company's financial performance has remained under pressure.

Despite the current challenges, the Offeror is committed to the Company's long-term prospects. However, in order for the Company to remain competitive in the midst of fierce competition in the car rental sector and the challenges described above, the Company must continue to innovate technologies and explore new and creative business models to ensure the continuous provision of quality auto-related services, which will require significant investment over a number of years. Given the downward trend in the Company's share price and low liquidity in the Shares, however, the listed status of the Company is no longer a viable source of funding for the necessary investments.

Furthermore, the car rental markets in the PRC remain fragmented owing to a large total addressable market (*i.e.*, the revenue opportunities available), high capital intensity and industry disruption from various different service models. The Offeror believes that through MBK Partners' strong industry expertise and strong financial position, the transaction will better position the Company to benefit from the long-term growth trends in the PRC.

This transaction will also bring stability to the Company's shareholder base, which in turn will help stabilise the Company's business operations and support rating agencies' views on the Company's outlook and ability to meet its obligations, which were negatively impacted by movements in the shareholding structure of the Company.

LETTER FROM GOLDMAN SACHS AND J.P. MORGAN

For Qualifying Shareholders: an attractive opportunity to realise their investment in the Company at a compelling premium amid the challenging environment

The Share Offer provides an attractive opportunity for the Qualifying Shareholders to monetize their investment at a compelling premium to the current market price of the Company. The Share Offer Price of HK\$4.00 per Offer Share represents a premium of approximately 17.99% over the closing price of HK\$3.39 per Share as quoted on the Stock Exchange on the Last Trading Day.

The average daily trading volume of the Shares for the 6 months up to and including the Last Trading Day was approximately 11,513,872 Shares per day, representing only approximately 0.54% of the total number of Shares issued and outstanding as at the Last Trading Day. The low trading volume of the Shares makes it difficult for Shareholders to execute substantial sales of Shares on-market without adversely affecting the price of the Shares.

The Share Offer, in contrast, provides an opportunity for Shareholders to monetize their investments in the Company immediately for cash at a compelling premium without any downward pressure on the Share price.

12. INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

The Offeror intends that the Group will continue its existing car rental business, and proposes to leverage MBK Partners' experience in the car rental industry to help the Group strengthen, innovate and develop its business models to ensure the Group's continued ability to offer quality auto-related services and its further growth. This will likely involve further development of the Group's capital structure, improving the Group's operational structure as well as strengthening and deepening the Group's management expertise and personnel, so as to better position the Group to execute such business and growth strategy. The Offeror does not otherwise have any current intention of discontinuing the employment of any employees of the Group, materially changing the Group's existing business operations, or redeploying the fixed assets of the Group (in each case other than as part of the Group's ordinary and usual course of business).

13. COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING OF SHARES

Pursuant to Section 88 of the Cayman Islands Companies Law and Rule 2.11 of the Takeovers Code, if the Offeror, within four (4) months of the posting of this Composite Document, has received valid acceptances in respect of not less than 90% of the Offer Shares (in accordance with Section 88 as aforesaid) and not less than 90% of the Disinterested Shares, the Offeror will privatise the Company by exercising its right to compulsorily acquire those Offer Shares not already acquired by the Offeror under the Share Offer. Upon the Offeror exercising such right and completing the compulsory acquisition, the Company will become a direct wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

LETTER FROM GOLDMAN SACHS AND J.P. MORGAN

If the level of acceptances of the Share Offer reaches the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, dealings in the Shares will be suspended from the Offer Closing Date up to the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

Upon the closing of the Offers, if the level of acceptances of the Share Offer does not reach the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition, the Offeror intends the Company to remain listed on the Stock Exchange.

14. LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage of issued Shares applicable to the Company, being 21.6% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

Upon the closing of the Offers, if the level of acceptances of the Share Offer does not reach the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new directors (if any) to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

15. GENERAL MATTERS RELATING TO THE OFFERS

Effect of accepting the Offers

By validly accepting the Share Offer, Qualifying Shareholders will sell to the Offeror their tendered Shares free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date when the Share Offer becomes unconditional.

Options validly tendered in acceptance of the Option Offer will be cancelled if the Option Offer becomes unconditional. Any Options not exercised or tendered in acceptance of the Option Offer by 4:00 p.m. on the Offer Closing Date will lapse (following which the holder of such Options will not be able to accept the Option Offer in respect of such Options).

Hong Kong stamp duty and taxation

Please see the sections headed “Stamp Duty” and “Taxation” in Appendix I to this Composite Document for information regarding Hong Kong stamp duty and taxation respectively.

Overseas Qualifying Shareholders and Overseas Optionholders

If you are an overseas Qualifying Shareholder or an overseas Optionholder, please see the important information in the section headed “Overseas Qualifying Shareholders and Overseas Optionholders” in Appendix I to this Composite Document.

Forms of Acceptance and Settlement

Information regarding the acceptance of the Offers and settlement of consideration is set out in Appendix I to this Composite Document.

Interests in Shares and relevant securities and dealings

As at the Latest Practicable date:

- (a) save for the Offeror’s interest in the 442,656,855 Shares (representing approximately 20.86% of the issued share capital of the Company as at the Latest Practicable Date) currently owned by the Offeror and the Convertible Bonds, neither the Offeror nor any of the Offeror Concert Parties owns or has control or direction over any voting rights or rights over the Shares, derivatives, convertible securities, warrants or options in the Company;
- (b) save for the acquisition of 442,656,855 Shares (representing approximately 20.86% of the existing issued share capital of the Company as at the Latest Practicable Date) acquired pursuant to the UCAR Share Sale and the Convertible Bonds, neither the Offeror nor any of the Offeror Concert Parties had dealt for value in any Shares or convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period;
- (c) save for the UCAR Share Sale and the Irrevocable Undertaking, there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares;
- (d) there is no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;

LETTER FROM GOLDMAN SACHS AND J.P. MORGAN

- (e) there are no Shares or convertible securities, warrants, options or derivatives in respect of the Shares which the Offeror or any of the Offeror Concert Parties has borrowed or lent;
- (f) save for the Irrevocable Undertaking, neither the Offeror nor the Offeror Concert Parties received any irrevocable commitment to accept or reject the Offers;
- (g) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror or any of the Offeror Concert Parties;
- (h) save for the consideration for the Shares pursuant to the UCAR Share Sale, there is no other consideration, compensation or benefits in whatsoever form paid or to be paid by the Offeror or any of the Offeror Concert Parties to the UCAR Sellers or any party acting in concert with them in connection with the sale and purchase of Shares pursuant to the UCAR Share Sale;
- (i) save for the UCAR Share Sale and the Irrevocable Undertaking, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any Offeror Concert Party or any other person on the one hand, and any Director, recent Director, Shareholder or recent Shareholder on the other hand, having any connection with or conditional on or dependent upon the outcome of the Offer; and
- (j) save for the UCAR Share Sale, the Subscription and the Irrevocable Undertaking, there is no understanding, arrangement or agreement between (1) any Shareholder; and (2)(a) any member of the Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

16. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Board on pages 24 to 31, the letter from the Independent Board Committee on pages 32 to 33 and the letter from the Independent Financial Adviser on pages 34 to 73 of this Composite Document in relation to their respective recommendations and advice with respect to the Offer.

Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,
For and on behalf of
Goldman Sachs (Asia) L.L.C.
Raghav Maliah Weigang Li
Managing Director Managing Director

Yours faithfully,
For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited
David Pak Wai Lau
Managing Director

LETTER FROM THE BOARD



CAR Inc.

神州租車有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 699)

Executive Director:

Ms. Yifan Song

Non-executive Directors:

Mr. Linan Zhu

Mr. Leping Yan

Mr. Hongfei Yu

Mr. Xuan Yan

Mr. Stephen Le Ee Boon

Independent Non-executive Directors:

Mr. Sam Hanhui Sun

Mr. Wei Ding

Mr. Li Zhang

Registered Office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business in Hong Kong:

Level 54

Hopewell Centre

183 Queen's Road East

Hong Kong

1 February 2021

To the Qualifying Shareholders and Optionholders

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY THE
FINANCIAL ADVISERS ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL OF THE ISSUED SHARES OF THE COMPANY HELD BY
QUALIFYING SHAREHOLDERS AND TO CANCEL ALL OF THE
OUTSTANDING OPTIONS OF THE COMPANY**

1. INTRODUCTION

Reference is made to the Announcement pursuant to which the Offeror and the Company jointly announced on 13 November 2020 that the Financial Advisers, on behalf of the Offeror, firmly intend, subject only to the satisfaction or waiver of the Pre-Conditions, to make voluntary conditional cash offers (i) to acquire all of the outstanding Shares in the issued share capital of the Company held by the Qualifying Shareholders; and (ii) to cancel all of the outstanding Options.

LETTER FROM THE BOARD

This letter forms part of this Composite Document and sets out, amongst other things, certain background information of the Group, details of the Offers, the reasons for making the Offers and the intentions of the Offeror in relation to the Group. Further details on the terms of the Offers are set out in the “Letter from Goldman Sachs and J.P. Morgan” and Appendix I – “Further Terms and Procedures for Acceptance of the Offers” to this Composite Document and in the accompanying Forms of Acceptance.

The purpose of this Composite Document is to provide you with, among other things: (i) information relating to the Group, the Offeror and the Offers; (ii) a letter from the Financial Advisers containing, among other things, details of the Offers; (iii) a letter from the Independent Board Committee containing its recommendation and advice to the Qualifying Shareholders and Optionholders in relation to the Offers; and (iv) a letter from Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Offers.

2. PRE-CONDITIONS TO THE OFFERS

The making of the Offers was subject to the satisfaction (or in some cases, the waiver) of the following Pre-Conditions:

- (a) the Offeror having received unconditional PRC antitrust approval necessary for the consummation of the Offers;
- (b) no default having occurred or occurring (or any event or circumstance having occurred or occurring that, with the delivery of notice or passage of time, could become a default) under any of the bonds or material debt facilities of the Group which has not been irrevocably consented to or waived by the relevant lenders or bondholders, and (if applicable) all required consents or waivers having been obtained in respect of any default or any event of default that may have occurred or that may occur under any of the bonds or material debt facilities of the Group, and such consents and waivers not having been rescinded and remaining in full force and effect; and
- (c) the consummation of the Offers not triggering any “Change of Control” (as defined in the relevant bond instrument or material debt facility) or default provision under any bond instrument or material debt facility or breaching any other provision under any of the bond instruments or material debt facilities of the Group which has not been irrevocably consented to or waived by the relevant lenders or bondholders.

On 25 January 2021, the Offeror and the Company jointly announced that all the Pre-Conditions had been satisfied.

LETTER FROM THE BOARD

3. THE SHARE OFFER

As at the Latest Practicable Date, there are 2,122,454,581 Shares in issue. Subject to the Conditions, the Share Offer is made by the Financial Advisers on behalf of the Offeror on the following basis:

For each Offer Share HK\$4.00, less the Dividend Adjustment (if any)

If, after the date of despatch of this Composite Document, any dividend or other distribution or return of capital (whether in cash or in kind) is declared, made or paid in respect of the Shares on or before the Offer Closing Date and the Offeror elects to proceed with the Share Offer, the Share Offer Price will be reduced by the Dividend Adjustment, in which event any reference in the Announcement, this Composite Document or any other announcement or document to the Share Offer Price will be deemed to be a reference to the Share Offer Price as so reduced.

The Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date when the Share Offer becomes unconditional or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date when the Share Offer becomes unconditional.

As at the Latest Practicable Date, the Company confirms that (a) it has not declared, made or paid any dividend or other distribution during the Offer Period; and (b) it does not have any intention to declare, make or pay any future dividend or other distribution until the close of the Offers.

The Share Offer Price

Comparisons of value

The Share Offer Price of HK\$4.00 per Offer Share under the Share Offer (without taking into account the effect of any Dividend Adjustment) represents:

- (a) a premium of approximately 0.25% over the closing price of HK\$3.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 17.99% over the closing price of HK\$3.39 per Share as quoted on the Stock Exchange on the Last Trading Day (i.e. 13 November 2020);
- (c) a premium of approximately 23.08% over the closing price of HK\$3.25 per Share as quoted on the Stock Exchange on 12 November 2020, being the last trading day immediately preceding the date of the Announcement;

LETTER FROM THE BOARD

- (d) a premium of approximately 22.32% over the average closing price of approximately HK\$3.27 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 31.36% over the average closing price of approximately HK\$3.05 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 52.17% over the average closing price of approximately HK\$2.63 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 55.79% over the average closing price of approximately HK\$2.57 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day; and
- (h) a premium of approximately 102.88% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$1.97 per Share as at 30 June 2020, calculated based on the interim report of the Company for the six months ended 30 June 2020 and a RMB/HK\$ exchange rate of RMB1:HK\$1.0970 (being the rate published by Bloomberg on 30 June 2020).

Highest and Lowest Share Prices

During the Relevant Period, the highest closing price of the Shares as quote on the Stock Exchange was HK\$3.99 on 29 January 2021, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.73 on 26 May 2020.

4. THE OPTION OFFER

As at the Latest Practicable Date, there are 127,204,004 Options outstanding, consisting of the following:

- (a) 6,049,090 Pre-IPO Tranche A Options with an exercise price of US\$0.058,
- (b) 10,199,316 Pre-IPO Tranche B Options with an exercise price of US\$0.174,
- (c) 8,714,190 Pre-IPO Tranche C Options with an exercise price US\$0.174, and
- (d) 102,241,408 Post-IPO Options with an exercise price of HK\$6.360 (of which 31,122,788 Options are currently unvested, and will automatically vest if the Share Offer is made and becomes unconditional).

LETTER FROM THE BOARD

As each Option entitles the Optionholder to subscribe for one new Share, the exercise of all Options in full would result in the issue of 127,204,004 new Shares, representing approximately 5.99% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.65% of the issued share capital of the Company as enlarged by the issue of such new Shares.

The Financial Advisers, on behalf of the Offeror, will make appropriate offers to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Options in exchange for cash on the following basis:

(A) *In respect of the Pre-IPO Tranche A Options with an exercise price of US\$0.058:*

For cancellation of each such Pre-IPO Tranche A Option . . . HK\$3.550 in cash

(B) *In respect of the Pre-IPO Tranche B Options with an exercise price of US\$0.174:*

For cancellation of each such Pre-IPO Tranche B Option . . . HK\$2.651 in cash

(C) *In respect of the Pre-IPO Tranche C Options with an exercise price of US\$0.174:*

For cancellation of each such Pre-IPO Tranche C Option . . . HK\$2.651 in cash

(D) *In respect of the Post-IPO Options with an exercise price of HK\$6.360*

For cancellation of each such Post-IPO Option HK\$0.001 in cash

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 to the Takeovers Code, the Option Cancellation Price would normally represent the difference between the exercise price of the Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Post-IPO Options is above the Share Offer Price, the outstanding Post-IPO Options are out-of-money and the Option Cancellation Price for the cancellation of each outstanding Post-IPO Option is set at a nominal value of HK\$0.001. As the Pre-IPO Tranche A Options, Pre-IPO Tranche B Options, and Pre-IPO Tranche C Options have their exercise prices in US\$, the Offeror has determined the cancellation price on the basis of a US\$ to HK\$ exchange rate of US\$1:HK\$7.7537, being the spot rate quoted at 5:00 p.m. Hong Kong time on the Last Trading Day on Bloomberg.

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects.

Subject to the Option Offer becoming unconditional and following acceptance of the Option Offer, the relevant Options tendered in acceptance of the Option Offer will be cancelled, and all Options which have not been tendered in acceptance of the Option Offer shall be cancelled upon the close of the Offers in accordance with the Share Option Schemes.

If the Option Offer is withdrawn or lapses, any outstanding Options (to the extent not exercised) will remain valid and exercisable in accordance with the Share Option Schemes.

LETTER FROM THE BOARD

5. VALUE OF THE OFFERS

Your attention is drawn to the sections headed the “The Share Offer”, the “The Option Offer” and “Value of the Offers” in the “Letter from Goldman Sachs and J.P. Morgan” in this Composite Document which set out the value of the Offers.

6. CONDITIONS TO THE OFFERS

Your attention is drawn to the section headed the “Conditions to the Offers” in the “Letter from Goldman Sachs and J.P. Morgan” in this Composite Document which sets out the conditions to the Offers.

7. REASONS FOR AND BENEFITS OF THE OFFERS

Your attention is drawn to the section headed the “Reasons for and Benefits of the Offers” in the “Letter from Goldman Sachs and J.P. Morgan” in this Composite Document.

8. INFORMATION ON AND INTENTION OF THE OFFEROR

Your attention is drawn to the sections headed the “Information of the Offeror” and “Intentions of the Offeror in relation to the Group” in the “Letter from Goldman Sachs and J.P. Morgan” in this Composite Document.

The Board is pleased to note that, save as disclosed in the section headed “Intentions of the Offeror in relation to the Group” in the “Letter from Goldman Sachs and J.P. Morgan” in this Composite Document, the Offeror does not have any current intention of discontinuing the employment of any employees of the Group, materially changing the Group’s existing business operations, or redeploying the fixed assets of the Group (in each case other than as part of the Group’s ordinary and usual course of business).

9. 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 at 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 at 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 the PRC. 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

LETTER FROM THE BOARD

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 at 31 December 2011 to over 8,700,000 as at 30 June 2020.

10. COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING OF SHARES

Pursuant to Section 88 of the Cayman Islands Companies Law and Rule 2.11 of the Takeovers Code, if the Offeror, within four (4) months of the posting of this Composite Document, has received valid acceptances in respect of not less than 90% of the Offer Shares (in accordance with Section 88 as aforesaid) and not less than 90% of the Disinterested Shares, the Offeror will privatise the Company by exercising its right to compulsorily acquire those Offer Shares not already acquired by the Offeror under the Share Offer. Upon the Offeror exercising such right and completing the compulsory acquisition, the Company will become a direct wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

If the level of acceptances of the Share Offer reaches the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, dealings in the Shares will be suspended from the Offer Closing Date up to the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage of issued Shares applicable to the Company, being 21.6% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

Upon the closing of the Offers, if the level of acceptances of the Share Offer does not reach the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new directors (if any) to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

LETTER FROM THE BOARD

11. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising two of the non-executive Directors, namely Mr. Linan Zhu and Mr. Leping Yan, and all the independent non-executive Directors, namely Mr. Sam Hanhui Sun, Mr. Wei Ding and Mr. Li Zhang, has been established by the Board to make a recommendation to the Qualifying Shareholders and Optionholders in respect of the Offers. As Mr. Hongfei Yu, Mr. Xuan Yan and Mr. Stephen Le Ee Boon are senior employees of MBK Partners, an affiliate of the Offeror, they are regarded as being interested in the Offers and therefore do not form part of the Independent Board Committee.

12. FURTHER INFORMATION

Please refer to the “Letter from Goldman Sachs and J.P. Morgan” set out in this Composite Document, Appendix I to this Composite Document and the accompanying Forms of Acceptance for information relating to the Offers, the acceptance and settlement procedures of the Offers, the making of the Offers to overseas Qualifying Shareholders and overseas Optionholders and taxation.

13. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in this Composite Document, which contains its recommendation to the Qualifying Shareholders and the Optionholders in respect of the Offers. Your attention is also drawn to the letter from the Independent Financial Adviser in this Composite Document, which contains its advice to the Independent Board Committee in respect of the Offers and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee. You are also advised to read this Composite Document and the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers.

Yours faithfully,
By order of the Board of
CAR Inc.
Yifan Song
Executive Director



CAR Inc.

神州租車有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 699)

1 February 2021

To the Qualifying Shareholders and Optionholders

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY THE
FINANCIAL ADVISERS ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL OF THE ISSUED SHARES OF THE COMPANY HELD BY
QUALIFYING SHAREHOLDERS AND TO CANCEL ALL OF THE
OUTSTANDING OPTIONS OF THE COMPANY**

INTRODUCTION

We refer to the Composite Document dated 1 February 2021 jointly issued by the Offeror and the Company, of which this letter forms part, in connection with the Offers. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offers and to make a recommendation to the Qualifying Shareholders and the Optionholders as to whether, in our opinion, (i) the terms of the Share Offer are fair and reasonable so far as the Qualifying Shareholders are concerned and to make a recommendation as to acceptance; and (ii) the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned and to make a recommendation as to acceptance.

Halcyon Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 34 to 73 of the Composite Document.

We also wish to draw your attention to, and advise you to read, the “Letter from the Board” on pages 24 to 31, of the Composite Document, the “Letter from Goldman Sachs and J.P. Morgan” on pages 9 to 23 of the Composite Document and the appendices to the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, being the members of the Independent Board Committee, have declared that, we are independent and do not have any conflict of interest in respect of the Offers or any direct or indirect interest therein and are therefore able to consider the terms of the Offers and to make recommendations to the Qualifying Shareholders and the Optionholders.

RECOMMENDATION

Having taken into account the terms of the Offers, together with the advice and recommendations from the Independent Financial Adviser:

- (a) we consider that the terms of the Share Offer are fair and reasonable so far as the Qualifying Shareholders are concerned, and recommend the Qualifying Shareholders to accept the Share Offer; and
- (b) we consider that the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned, and recommend the Optionholders to accept the Option Offer.

Notwithstanding our recommendation, the Qualifying Shareholders and the Optionholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Qualifying Shareholders and the Optionholders should consult their own professional advisers for professional advice.

Furthermore, the Qualifying Shareholders and the Optionholders who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as detailed in the Composite Document and the accompanying Forms of Acceptance.

Yours faithfully,
For and on behalf of
The Independent Board Committee

Mr. Sam Hanhui Sun
Independent Non-executive Director

Mr. Li Zhang
Independent Non-executive Director

Mr. Leping Yan
Non-executive Director

Mr. Wei Ding
Independent Non-executive Director

Mr. Linan Zhu
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee which has been prepared for the purpose of the inclusion in this Composite Document.



11/F, 8 Wyndham Street
Central
Hong Kong

1 February 2021

To: the Independent Board Committee

Dear Sirs or Madams,

**CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY THE
FINANCIAL ADVISERS ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL OF THE ISSUED SHARES OF THE COMPANY HELD BY
QUALIFYING SHAREHOLDERS AND TO CANCEL ALL OF THE
OUTSTANDING OPTIONS OF THE COMPANY**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee, in relation to the Offers, details of which are contained in the Composite Document dated 1 February 2021 (the “**Composite Document**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Composite Document.

On 13 November 2020, the Offeror and the Company jointly announced that the Financial Advisers, on behalf of the Offeror, firmly intend, subject only to the satisfaction or waiver of the Pre-Conditions, to make voluntary conditional cash offers (i) to acquire all of the outstanding Shares in the issued share capital of the Company held by the Qualifying Shareholders; and (ii) to cancel all of the outstanding Options held by the Optionholders. All the Pre-Conditions have been fulfilled on 22 January 2021.

The Independent Board Committee, comprising two non-executive Directors namely Mr. Linan Zhu and Mr. Leping Yan and three independent non-executive Directors, namely Mr. Sam Hanhui Sun, Mr. Wei Ding and Mr. Li Zhang, has been formed to advise the Qualifying Shareholders and the Optionholders as to whether (i) the terms of the Share Offer are fair and reasonable so far as the Qualifying Shareholders are concerned and to make a recommendation as to acceptance; and (ii) the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned and to make a recommendation as to acceptance. Despite Mr. Hongfei Yu, Mr. Xuan Yan and Mr. Stephen Le Ee Boon being non-executive Directors, as they are also senior employees of MBK Partners, an affiliate of the Offeror, they are regarded as being interested in the Offers and therefore do not form part of the Independent Board Committee. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise it as regards its recommendation on the Offers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the past two years, we have been appointed as the independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the engagements regarding the CB Subscription and certain continuing connected transactions of the Group. Save as disclosed above, we are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, considered ourselves eligible to give independent advice on the Offers. Save as disclosed above, apart from normal professional fees paid/payable to us in connection with those appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them. We are therefore independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Offers.

II. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Group and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcements of the Company dated 10 November 2020 and 13 November 2020, and the Composite Document, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the Directors and/or management of the Group. We have been advised by the Directors and/or the management of the Group that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company and certain published information from the public domain including, the annual reports of the Company for the three years ended 31 December 2017 (the “**2017 Annual Report**”), 2018 (the “**2018 Annual Report**”), and 2019 (the “**2019 Annual Report**”), and the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”) and other information as set out in the Composite Document and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, borrowing and financial position or prospects of the Group, the Offeror, the Financial Advisers and each of their respective associates and parties acting in concert with them.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. TERMS AND CONDITIONS OF THE OFFERS

Set out below are the summary of terms and conditions of the Offers, for details please refer to the “Letter from Goldman Sachs and J.P. Morgan” as contained in the Composite Document.

1. Pre-Conditions to the Offers

The making of the Offers was subject to the satisfaction (or in some cases, the waiver) of the following Pre-Conditions:

- (a) the Offeror having received unconditional PRC antitrust approval necessary for the consummation of the Offers;
- (b) no default having occurred or occurring (or any event or circumstance having occurred or occurring that, with the delivery of notice or passage of time, could become a default) under any of the bonds or material debt facilities of the Group which has not been irrevocably consented to or waived by the relevant lenders or bondholders, and (if applicable) all required consents or waivers having been obtained in respect of any default or any event of default that may have occurred or that may occur under any of the bonds or material debt facilities of the Group, and such consents and waivers not having been rescinded and remaining in full force and effect; and
- (c) the consummation of the Offers not triggering any “Change of Control” (as defined in the relevant bond instrument or material debt facility) or default provision under any bond instrument or material debt facility or breaching any other provision under any of the bond instruments or material debt facilities of the Group which has not been irrevocably consented to or waived by the relevant lenders or bondholders.

On 25 January 2021, the Offeror and the Company jointly announced that all the Pre-Conditions had been satisfied.

2. The Share Offer

As at the Latest Practicable Date, there are 2,122,454,581 Shares in issue, amongst which the Offeror held 442,656,855 Shares. Subject to the Conditions, the Share Offer will be made by the Financial Advisers on behalf of the Offeror on the following basis:

For each Offer Share HK\$4.00, less the Dividend Adjustment, if any.

If, after the date of despatch of this Composite Document, any dividend or other distribution or return of capital (whether in cash or in kind) is declared, made or paid in respect of the Shares on or before the Offer Closing Date and the Offeror elects to proceed with the Share Offer, the Share Offer Price will be reduced by an amount equal to all or any part of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

amount or value of such dividend, distribution and/or return of capital (such amount or value, “**Dividend Adjustment**”), in which event any reference in the Announcement, this Composite Document or any other announcement or document to the Share Offer Price will be deemed to be a reference to the Share Offer Price as so reduced.

The Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date when the Share Offer becomes unconditional or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date when the Share Offer becomes unconditional.

As at the Latest Practicable Date, the Company confirms that (a) it has not declared, made or paid any dividend or other distribution during the Offer Period; and (b) it does not have any intention to declare, make or pay any future dividend or other distribution until the close of the Offers.

3. The Option Offer

As at the Latest Practicable Date, there are 127,204,004 Options outstanding, consisting of the following:

- (a) 6,049,090 Pre-IPO Tranche A Options with an exercise price of US\$0.058,
- (b) 10,199,316 Pre-IPO Tranche B Options with an exercise price of US\$0.174,
- (c) 8,714,190 Pre-IPO Tranche C Options with an exercise price US\$0.174, and
- (d) 102,241,408 Post-IPO Options with an exercise price of HK\$6.360 (of which 31,122,788 Options are currently unvested, and will become exercisable if the Share Offer is made and becomes unconditional).

As each Option entitles the Optionholder to subscribe for one new Share, the exercise of all Options in full would result in the issue of 127,204,004 new Shares, representing approximately 5.99% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.65% of the issued share capital of the Company as enlarged by the issue of such new Shares from the exercise of these Options. The Financial Advisers, on behalf of the Offeror, will make appropriate offers to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Options in exchange for cash on the following basis:

(A) *In respect of the Pre-IPO Tranche A Options with an exercise price of US\$0.058:*

For cancellation of each such Pre-IPO Tranche A OptionHK\$3.550 in cash

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(B) In respect of the Pre-IPO Tranche B Options with an exercise price of US\$0.174:

For cancellation of each such Pre-IPO Tranche B OptionHK\$2.651 in cash

(C) In respect of the Pre-IPO Tranche C Options with an exercise price of US\$0.174:

For cancellation of each such Pre-IPO Tranche C OptionHK\$2.651 in cash

(D) In respect of the Post-IPO Options with an exercise price of HK\$6.360

For cancellation of each such Post-IPO OptionHK\$0.001 in cash

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 to the Takeovers Code, the Option Cancellation Price would normally represent the difference between the exercise price of the Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Post-IPO Options is above the Share Offer Price, the outstanding Post-IPO Options are out-of-money and the Option Cancellation Price for the cancellation of each outstanding Post-IPO Option is set at a nominal value of HK\$0.001. As the Pre-IPO Tranche A Options, Pre-IPO Tranche B Options, and Pre-IPO Tranche C Options have their exercise prices in US\$, the Financial Advisers have determined the cancellation price on the basis of a US\$ to HK\$ exchange rate of US\$1:HK\$7.7537, being the spot rate quoted at 5:00 p.m. Hong Kong time on the Last Trading Day as indicated by Bloomberg.

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects.

Subject to the Option Offer becoming unconditional and following acceptance of the Option Offer, the relevant Options tendered in acceptance of the Option Offer will be cancelled, and all Options which have not been exercised or tendered in acceptance of the Option Offer by 4:00 p.m. on the Offer Closing Date will lapse (following which the holder of such Options will not be able to accept the Option Offer in respect of such Options).

If the Option Offer is withdrawn or lapses, any outstanding Options (to the extent not exercised) will remain valid and exercisable in accordance with the Share Option Schemes. Optionholders are encouraged to read the Option Offer Letter for further information on the Option Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Conditions to the Offers

The Share Offer

The Share Offer is subject to the fulfilment of the following Conditions:

- (a) valid acceptances of the Share Offer having been received (and not, where permitted, withdrawn) by 4:00 p.m. on the Offer Closing Date (or such later time or date as the Offeror may decide, subject to the Takeovers Code) in respect of such number of Shares which would result in the Offeror holding more than 50% of the voting rights in the Company;
- (b) the Shares remaining listed and traded on the Stock Exchange up to the Offer Closing Date (or, if earlier, the Offer Unconditional Date) save for any temporary suspension(s) or halt(s) of trading in the Shares and no indication being received on or before the Offer Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offers or anything done or caused by or on behalf of Offeror or the Offeror Concert Parties;
- (c) no event having occurred or existing (including any law, order, action, proceeding, suit or investigation instituted or taken by the Relevant Authorities) which would make the consummation of the Offers void, unenforceable, illegal or impractical (or which would impose any material and adverse conditions or obligations with respect to the Offers);
- (d) since 31 December 2019, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Offers);
- (e) since the Announcement, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Offers;

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- (f) no dividend or other distribution (whether in cash or in kind) during the Offer Period having been declared, made or paid by the Company to the Shareholders; and
- (g) no default occurring (or any event or circumstance occurring that, with the delivery of notice or passage of time, could become a default) under any of the bonds or material debt facilities of the Group which has not been irrevocably consented to or waived by the relevant lenders or bondholders.

The Offeror reserves the right to waive all or any of the Conditions to the Share Offer set out above, either in whole or in part, either generally or in respect of any particular matter, except for Conditions (a) and (c) which may not be waived. If any of the Conditions are not satisfied or waived (as applicable) on or before the Conditions Long Stop Date, the Share Offer will lapse.

With respect to Condition (f), if any dividend or other distribution or return of capital (whether in cash or in kind) is declared, made or paid in respect of the Shares on or before the Offer Closing Date and the Offeror elects to waive this Condition and proceed with the Share Offer, the Share Offer Price will be reduced by the Dividend Adjustment, in which event any reference in the Announcement, this Composite Document or any other announcement or document to the Share Offer Price will be deemed to be a reference to the Share Offer Price as so reduced.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Share Offer if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Share Offer.

In addition to the Conditions set out above, the Offers are made on the basis that acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the Offer Shares acquired under the Share Offer are sold by such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them or subsequently becoming attached to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the Share Offer becomes unconditional.

The Option Offer

The Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Share Offer becomes unconditional as to acceptances and when the Offers become unconditional in all respects. The Share Offer must also remain open for acceptance for at least 14 days after the Offers becomes unconditional in all respects. Shareholders are reminded that the Offeror does not have any obligation to keep the Offers open for acceptance beyond this 14-day period.

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The Shareholders and the Optionholders should be aware that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions, and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not become unconditional. The Shareholders and the Optionholders should therefore exercise caution when dealing in the Shares, exercising the Options or other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

IV. INFORMATION ON THE OFFEROR

The Offeror is a limited liability company incorporated under the laws of the Cayman Islands. The Offeror is wholly-owned by MBK Partners Fund IV, L.P.

MBK Partners Fund IV, L.P. is an exempted limited partnership established under the laws of the Cayman Islands, and is a private investment fund managed by MBK Partners GP 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 one of Asia's largest private equity sponsors, 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. MBK Partners was founded by Michael ByungJu Kim, Jay H. Bu, Teck Chien Kong, Jong Ha Yoon, Kuo Chuan Kung and Kensuke Shizunaga. 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.

The Company and the CB Investor, which is an associate of the Offeror, entered into the CB Subscription Agreement on 3 December 2020 in connection with the subscription for US\$175,000,000 (equivalent to approximately HK\$1,356,250,000) in principal amount of the Convertible Bonds at the initial conversion price of HK\$4.0 per conversion share. Completion of the CB Subscription took place on 15 January 2021.

V. IRREVOCABLE UNDERTAKING

On 13 November 2020, the Offeror and the IU Shareholders entered into the Irrevocable Undertaking under which the IU Shareholders have irrevocably undertook to accept, or procure the acceptance of, the Offers in respect of all of the IU Shares (being 563,583,025 Shares), representing approximately 26.55% of the issued share capital of the Company as at the Latest Practicable Date.

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Each of the IU Shareholders has irrevocably undertaken to the Offeror (i) to accept the Share Offer in respect of its respective IU Shares at the Share Offer Price; (ii) that it will not, prior to the earlier of the closing or lapsing of the Share Offer, withdraw any acceptance of the Share Offer in respect of its respective IU Shares and will, where applicable, procure that no rights to withdraw any such acceptance are exercised; and (iii) that it will not, prior to the earlier of the closing or lapsing of the Share Offer, sell, transfer, or encumber in any way any of its respective IU Shares or accept any other offer in respect of any IU Shares.

The Irrevocable Undertaking will lapse only if the Share Offer lapses or is withdrawn in accordance with the Takeovers Code and the Offeror announces that it does not intend to proceed with the Share Offer.

In addition, as at the Latest Practicable Date, Mr. Sam Hanhui Sun, an independent non-executive Director, has indicated that he will accept the Share Offer in respect of all of his 510,000 Shares, representing approximately 0.02% of the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, apart from the Irrevocable Undertaking and the indication of Mr. Sam Hanhui Sun as mentioned above, the Offeror and the Offeror Concert Parties have not received any indication or irrevocable commitment from any Qualifying Shareholder to accept or reject the Share Offer.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the Offers, we have considered the following principal factors and reasons:

1. Background information of 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 31 December 2011 to over 8,700,000 as of 30 June 2020.

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Set out below is a summary of the total fleet size of the Group as at 31 December 2019 and 30 June 2020:

	As at 31 December 2019	As at 30 June 2020
Total fleet size	148,894	132,221

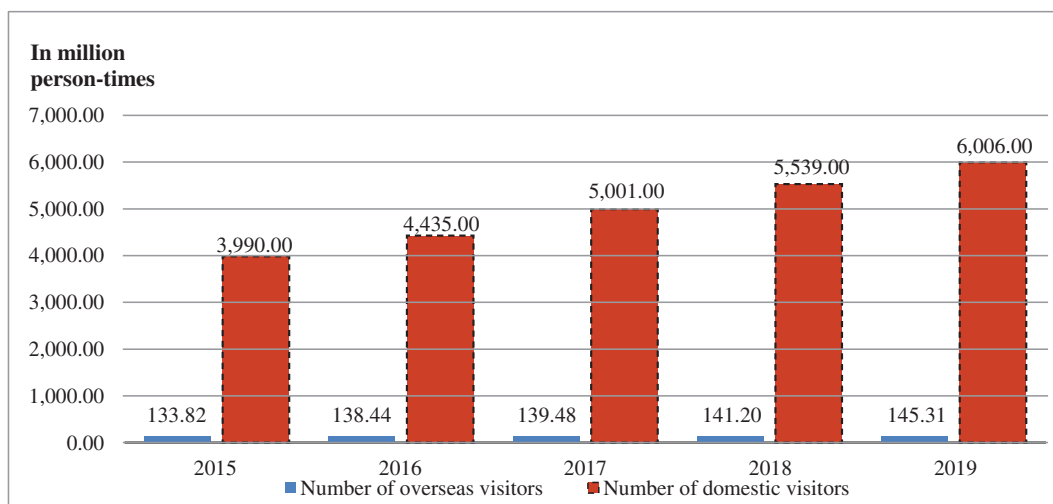
The first half of 2020 was very challenging for the Group. The Group recorded a very significant decline in rental demand during the outbreak of the novel coronavirus (“COVID-19”), followed by gradual recovery but interrupted by a regional second outbreak of COVID-19 in Beijing in June 2020. Strict restrictions on travel and domestic activities nationwide led to a sharp decline in car rental demand. During such period, the Company also experienced uncertainty on the change of shareholding structure (for details please refer to the announcement of the Company dated 16 April 2020). As a result of the challenges that the Group was facing, the Group recorded a decrease in total revenue by 26.3% from approximately RMB3,741.0 million for the six months ended 30 June 2019 to approximately RMB2,758.9 million for the six months ended 30 June 2020, the Group also recorded a net loss of approximately RMB4,337.7 million during the six months ended 30 June 2020, compared with a net profit of approximately RMB279.2 million for the six months ended 30 June 2019.

Despite the abovementioned adverse impact, the business operation of Company was on track again and progressing steadily and the Group had been committed on maintaining strong liquidity. During the six months ended 30 June 2020, the Company has disposed of 15,451 used vehicles as the business performance was slightly below the Company’s expectation due to the second outbreak in Beijing. The Company generated an inflow of approximately RMB1,932.2 million for the six months ended 30 June 2020, as compared with an inflow of approximately RMB450.4 million for the six months ended 30 June 2019, which was mainly due to the significant decrease in new vehicle purchase. Purchased rental vehicles was valued at approximately RMB14.2 million, as compared with rental vehicles valued at approximately RMB1,884.6 million for the six months ended 30 June 2019.

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Prospects of the Group's businesses

Over 70% of the Group's revenue was derived from car rental business, of which according to the Directors, the key revenue driver would be the demand from leisure travelers and business travelers. Set out below are the tourist developments of the PRC with reference to the date announced in the China Statistical Year Book published by the National Bureau of Statistics China:



Source: National Bureau of Statistics China

The tourism industry in the PRC has experienced significant growth with the number of domestic tourists increasing by 50.5% from 3,990 million in 2015 to 6,006 million in 2019 and the number of international tourists increasing by 8.6% from 133.82 million in 2015 to 145.31 million in 2019.

The tourism industry had continued to grow in 2019 until the outbreak of COVID-19 since late January 2020. According to the Directors, the outbreak of COVID-19 had a significant impact on the car rental industry, with various types of lockdowns and travel restrictions have led to a sharp decline in car rental demand. The social activities only started to recover meaningfully from mid-March 2020 yet interrupted by a regional second outbreak of COVID-19 in Beijing in June 2020 and a number of travel restrictions had still continued to be in place, resulting in a decrease in travelers and hence affected the car rental demand. According to the announcement of the Ministry of Culture and Tourism of the PRC, in the first half of 2020, the number of domestic travelers has decreased by 62% as compared to first half of 2019.

Pursuant to the data from the National Bureau of Statistics China, despite the number of volume of travelers showed an increasing trend since March 2020, the volume of travelers had yet to recover to the pre-COVID-19 level.

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With COVID-19 continuing to linger throughout 2020 and into 2021, the Directors considered that and we concur, uncertainty does exist in the future business environment of the car rental industry, and recovery momentum will continue to be hindered by on-going uphold of travel restrictions.

2. Reasons for and benefits of the Offers

For the Company: a proposal to facilitate a necessary transformation of the business amid a challenging environment for the car rental industry

As one of the leading companies within the car rental industry in China, the Company has been facing significant challenges including uncertainties in the external environment that resulted in dampened enthusiasm for travelling and consumption. Although the Company has, for example, introduced a number of promotional packages and various digital marketing campaigns to mitigate the historically low car rental demand, the Company's financial performance has remained under pressure.

Despite the current challenges, according to the Composite Document, the Offeror is committed to the Company's long-term prospects. However, in order for the Company to remain competitive in the midst of fierce competition in the car rental sector in the challenges described above, the Company must continue to innovate technologies and explore new and creative business models to ensure continuous provision of quality auto-related services, which will require significant investment over a number of years. Given the downward trend in the Company's share price and low liquidity in the Shares, however, the listed status of the Company is no longer a viable source of funding for the necessary investments.

Furthermore, the car rental market in the PRC remains fragmented owing to a large total addressable market (i.e., the revenue opportunities available), high capital intensity and industry disruption from various service models. The Offeror believes through MBK Partners' strong industry expertise and strong financial position and being the substantial/controlling shareholder of the Company will allow the Company to be well-positioned to benefit from the long-term growth trends in the PRC.

Having MBK Partners as the substantial/controlling shareholder of the Company will also bring the Group's shareholding uncertainty (since April 2020) to an end, which in turn will help stabilize the Company's business operations and support rating agencies' views on the Company's outlook and further strengthen the ability of the Group to meet its obligations.

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For Qualifying Shareholders: an opportunity to realize their investment in the Company at a compelling premium amid the challenging environment

The Share Offer provides an opportunity for the Qualifying Shareholders to monetize their investment at a compelling premium to the current market price of the Company. The Share Offer Price of HK\$4.00 per Offer Share represents a premium of (i) approximately 17.99% over the closing price of HK\$3.39 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) approximately 22.32% over the average closing price of approximately HK\$3.27 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day; (iii) approximately 31.36% over the average closing price of approximately HK\$3.05 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day; (iv) approximately 52.17% over the average closing price of approximately HK\$2.63 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day; (v) approximately 55.79% over the average closing price of approximately HK\$2.57 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day; and (vi) approximately 102.88% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$1.97 per Share as at 30 June 2020, calculated based on the interim report of the Company for the six months ended 30 June 2020 and a RMB/HK\$ exchange rate of RMB1:HK\$1.0970 (being the rate published by Bloomberg on 30 June 2020).

The average daily trading volume of the Shares for the 6 months up to and including the Last Trading Day was approximately 11,513,872 Shares per day, representing only approximately 0.54% of the total number of Shares issued and outstanding as at the Last Trading Day. The low trading volume of the Shares makes it difficult for Shareholders to execute substantial sales of Shares on-market without adversely affecting the price of the Shares.

The Share Offer, in contrast, provides an opportunity for Shareholders to monetize their investments in the Company immediately for cash at a compelling premium without any downward pressure on the Share price.

Since April 2020, UCAR Inc. entered into sale and purchase agreements with different parties to dispose of its equity interest in the Company but the transactions were not closed, resulting in uncertain shareholding structure of the Company. We concur with the Directors' view that, with the uncertainty in change in shareholding structure as mentioned above will result in the limited usefulness of a listed platform to raise funds for financing business development of the Group as well as for the Group to obtain any debt financing from financial institutions. Having MBK Partners' strong industry expertise and strong financial position, being the substantial/controllering shareholder of the Company would provide the required funding for the Group's development in the meantime as MBK Partners had entered into the CB Subscription Agreement on 3

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December 2020 with the Company regarding the subscription for US\$175,000,000 (equivalent to approximately HK\$1,356,250,000) in principal amount of the Convertible Bonds to provide a source of funding to the Group to fulfil its' determination in assisting the Group's business development.

We concur with Directors that, from the Shareholders' perspective, the Offers provide an opportunity to the Shareholders and Optionholders to monetize their investment/potential interest in the Company at a premium to the recent closing prices of the Shares. The low trading volume of the Shares makes it difficult for Shareholders to execute substantial sales of Shares on-market without adversely affecting the price of the Shares, and as such the Share Offers would present an immediate opportunity for holders of the Offer Shares to realise their investments in the Offer Shares for cash and redeploy the cash received from accepting the Offers into other investment opportunities.

3. Analysis of the financial information of the Group

(i) Financial performance of the Group

The following table summarises the consolidated financial results of the Group for the years ended 31 December 2017, 2018, 2019 and for the six months ended 30 June 2019 and 30 June 2020, which are extracted from the 2018 Annual Report, 2019 Annual Report and 2020 Interim Report:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the six months ended 30 June 2019	For the six months ended 30 June 2020
	<i>(in RMB millions)</i>				
Total rental revenue	5,048	5,340	5,559	2,877	1,807
Revenue from sales of used vehicles	2,669	1,104	2,132	864	952
Total costs of rental business	(3,075)	(3,213)	(3,665)	(1,663)	(1,810)
Cost of sales of used vehicles	(2,697)	(1,147)	(2,189)	(901)	(978)
Total gross (loss)/profit	1,945	2,084	1,837	1,177	(29)
Selling and distribution expenses	(30)	(78)	(28)	(17)	(64)
Administrative expenses	(470)	(468)	(607)	(274)	(988)
Other income and (expenses), net	383	(170)	48	66	(2,807)
Finance costs	(653)	(782)	(984)	(501)	(400)
Share of (loss)/profit of associates	–	9	6	1	(8)
Net profit/(loss)	881	290	31	279	(4,338)

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For the six months ended 30 June 2020 vs 30 June 2019

The decrease in total rental revenue was mainly contributed by the decrease in car rentals revenue by 34.1% year-over-year to RMB1,650 million for the six months ended 30 June 2020, mainly due to the decrease in average daily rental revenue per car rental vehicle (“**RevPAC**”) (calculated by multiplying the average daily rental rate in a given period by the car utilization rate in that same period) as a result of the outbreak of COVID-19. Revenue from fleet rentals and others decreased by 57.9% year-over-year to RMB157.0 million for the six months ended 30 June 2020, mainly due to the decrease in fleet rented by UCAR. Although the Group recorded a decrease in rental revenue, total cost of rental business recorded an increase as a result of the increase in depreciation cost during the six months ended 30 June 2020 which was mainly due to the decrease in the residual values of Borgward and other vehicle models.

The Company disposed of 15,451 used vehicles for the six months ended 30 June 2020, compared with 10,473 used vehicles for the six months ended 30 June 2019. The average price for disposed vehicle was lower as a result of (i) fewer higher priced ride hailing vehicles and (ii) the disposal of certain vehicle models with lower sales prices.

As a result of the above, the Group recorded a slight gross loss for the six months ended 30 June 2020, compared with a gross profit for the six months ended 30 June 2019.

Selling and distribution expenses were RMB64.3 million for the six months ended 30 June 2020, which represented a substantial increase of 286.8% as compared to first half of 2019. Such increase was mainly due to increased advertising and promotion activities to stimulate demand, including marketing on short video sharing platform, search engine traffic optimization, etc.

Administrative expenses increased by 260.1% year-over-year to RMB988.1 million for the six months ended 30 June 2020. Such increase was mainly due to the increase in other expenses, which include total impairments of approximately RMB612.3 million on the trade receivables from UCAR and other customers, finance lease receivables, prepayment of the subscription price of the shares and convertible bonds, and the increase in share-based compensation to incentivize growth.

Other net loss was RMB2,807.0 million for the six months ended 30 June 2020, compared with another net gain of RMB66.3 million for the six months ended 30 June 2019. The substantial decrease was mainly due to the fair value loss on equity investment in UCAR and the increase of unrealized exchange loss related to USD-denominated liabilities due to depreciation in aggregate amounted to RMB2,869.1 million.

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As a result of the aforementioned factors, the net loss was RMB4,337.7 million for the six months ended 30 June 2020, compared with a net profit of RMB279.2 million for the corresponding period last year.

For the year ended 31 December 2019 vs 31 December 2018

The increase in total rental revenue was mainly contributed by the increase in car rentals revenue by 9.6% year-over-year to RMB4,916.4 million for the year ended 31 December 2019, mainly driven by 14% rental days growth and offset by the decrease in RevPAC. The RevPAC decrease was mainly driven by lower car utilization rate. The car utilization rate was 57.5%, which was lower than in 2018 due to the weaker demand in tourist cities and enlarged fleet. During 2019, the average daily fleet increased by 21.6% year-over-year to 111,636. Such increase was offset by the decrease in revenue from fleet rentals and others by 24.9% year-over-year to RMB642.3 million for the year ended 31 December 2019, mainly due to the decrease in fleet rented by UCAR.

Total costs of rental business increased by 14.1% which was primarily driven by (i) reduced estimations of the residual values for most of the vehicle models to promote used vehicles sales except models which are subject to the repurchase agreement; (ii) the decrease in car rental RevPAC; and (iii) the increase in direct operating expenses of rental services driven by the increase in parking costs as a result of the increased number of self-served service locations to increase network density but offset by savings in payroll after the application of the smart assistant management system.

The Company disposed of 29,203 used vehicles for the year ended 31 December 2019, compared with 12,596 used vehicles for the year ended 31 December 2018 which resulted in an increase in revenue from sales of used vehicles by 93.1%.

Cost of sales of used vehicles was 102.7% of revenue from the sales of used vehicles for the year ended 31 December 2019, compared with 103.9% for the year ended 31 December 2018, due to further adjustment of estimated residual values as an effort to dispose more used vehicles, resulting in a higher depreciation cost.

Gross profit decreased by 11.9% for the year ended 31 December 2019, which was mainly due to the increase in depreciation costs and loss from the sales of used vehicles.

Selling and distribution expenses decreased by 64.5% to RMB27.8 million from RMB78.3 million, such decrease was mainly due to the decreased commissions paid for the disposal of the Company's used vehicles and decrease in advertising expenses due to higher brand recognition.

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Administrative expenses increased by 29.7% year-over-year to RMB607.4 million for the year ended 31 December 2019, such increase was mainly due to the increase in share-based compensation to incentivize growth.

Net other gain was RMB47.9 million for the year ended 31 December 2019, compared with a net other loss of RMB170.0 million for the year ended 31 December 2018. The net other gain for the year of 2019 was mainly due to the decrease in exchange loss related to USD-denominated liabilities.

As a result of the aforementioned factors, the net profit decreased by 89.3% year-over-year to RMB30.8 million for the year ended 31 December 2019.

For the year ended 31 December 2018 vs 31 December 2017

The Company's total rental revenue increased by 5.8% year-over-year to RMB5,340.1 million for the year ended 31 December 2018. Revenue from car rentals increased by 18.3% year-over-year to RMB4,484.8 million for the year ended 31 December 2018, as result of growth in rental days while offset by decrease in RevPAC The utilization rate was 61.5%, which was lower than last year due to the enlarged fleet availability for the car sharing business. Revenue from fleet rentals and others also decreased by 31.9% year-over-year to RMB855.3 million for the year ended 31 December 2018, mainly due to the decrease in UCAR Ride-hailing.

Total costs of rental business recorded an increased slightly by 4.5%, which was mainly contributed by the slight increase in depreciation expenses while offset by the decrease in repair and maintenance fees.

Revenue from sales of used vehicles decreased as the Company disposed 12,596 used vehicles for the year ended 31 December 2018, compared with 36,912 for the year ended 31 December 2017.

Cost of sales of used vehicles increased as a result of a larger mix of higher end vehicles disposed, which incurred larger loss amount.

As a result of the above, total gross profit increased by 7.1% year-over-year to RMB2,083.8 million for the year ended 31 December 2018.

Selling and distribution expenses were RMB78.3 million for the year ended 31 December 2018, compared with RMB30.0 million for the year ended 31 December 2017. The increase was mainly due to the commission paid for disposing the Company's used vehicles, after the increase of used car disposal through platform which charges commission based on number of cars sold.

Administrative expenses decreased from RMB470.0 million for the year ended 31 December 2017 to RMB468.2 million for the year ended 31 December 2018 which was primarily due to improved management efficiency.

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Net other loss was RMB170.0 million for the year ended 31 December 2018, compared with a net other gain of RMB383.1 million for the year ended 31 December 2017. The other net loss during the year ended 31 December 2018 was mainly due to the unrealized foreign exchange loss cost by the depreciation of RMB for USD-denominated liabilities.

Net profit decreased by 67.1% year-over-year to RMB289.8 million for the year ended 31 December 2018 mainly due to the unrealized foreign exchange loss related to USD-denominated liabilities due to RMB depreciation.

(ii) Financial position of the Group

A summary of the financial position of the Group as at 31 December 2019, and 30 June 2020, as extracted from the 2019 Annual Report and the 2020 Interim Report respectively, is set out below:

	As at 31 December 2019 <i>(in RMB' millions)</i>	As at 30 June 2020 <i>(in RMB' millions)</i>
Rental vehicles	10,792	9,010
Others	5,462	2,412
Total non-current assets	16,254	11,422
Cash and cash equivalents	5,361	919
Others	3,018	1,544
Total current assets	8,379	2,463
Interest-bearing bank and other borrowings – current	(3,554)	(2,312)
Senior notes – current	(2,285)	(2,861)
Others	(1,451)	(1,244)
Total current liabilities	(7,290)	(6,417)
Senior notes – non-current	(5,427)	(2,643)
Corporate bonds	(1,024)	–
Interest-bearing bank and other borrowings – non-current	(2,589)	(746)
Others	(211)	(264)
Total non-current liabilities	(9,251)	(3,653)
Net assets	8,093	3,815

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Total assets of the Group amounted to approximately RMB13,885 million as at 30 June 2020. As the principal business of the Group is car rental, major assets of the Group are rental vehicles which accounted for 64.9% of the Group's total assets. As at 30 June 2020, cash and cash equivalents amounted to RMB919 million accounting for 6.6% of the Group's total assets. Comparing to 31 December 2019, the Group's cash and cash equivalents balance decreased substantially from RMB5,361 million to RMB919 million. Such decrease was mainly contributed by the repayment of corporate bonds, bank and other borrowings and senior notes amounted to RMB6,789 million offset by the net operating cash inflow of RMB1,978 million.

The total liabilities of the Group amounted to approximately RMB10,070 million as at 30 June 2020 which mainly comprised corporate bonds, bank and other borrowings and senior notes, which in aggregate amounted to 85% of the liabilities of the Group. According to the management of the Group, to strengthen the financial position of the Company, the Group was in the process of deleveraging and a repayment of RMB6,789 million has been made in the first half of 2020 to reduce the outstanding debt balance.

One of the preliminary objectives of the Group's capital management policies is to safeguard the Group's ability to maintain healthy capital ratios in order to support its business and maximise Shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust its finance sources, dividend policies, return capital to Shareholders or issue new shares.

The Group had been profit making since 2014 and only until the recent outbreak of COVID-19 which significantly affected the Group's car rental and sales of used vehicles operation which therefore resulted in a gross loss in during the six-months ended 30 June 2020. The Group also recorded substantial decrease in the level of cash and cash equivalent from approximately RMB5,361 million as at 31 December 2019 to approximately RMB919 million as at 30 June 2020. On 3 December 2020, the Group announced a conditional issuance of US\$175 million convertible bonds to Mcqueen SS Ltd., which is wholly-owned by MBK Partners Special Situations I, L.P, to help the Group fulfill its near-term debt maturities and general operations of which completion took place on 15 January 2021. However, amidst the slowing of vehicle rental market, it is uncertain when the Group's business will return to pre-COVID-19 level.

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4. Analysis of market price of the Shares

(a) *Historical price performance compared to the Share Offer Price of HK\$4.0 per Offer Share*

The chart below illustrates the daily closing price of the Shares as quoted on the Stock Exchange for the period from 13 November 2019 to the Latest Practicable Date, being the period of approximately 12 months prior to the date of the Announcement and up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period represents a reasonable period of time within which the prevailing market price of the Shares can be illustrated.



Source: Website of the Stock Exchange

During the period between 13 November 2019 to 17 March 2020, the Company announced its voluntary results announcement for the nine months ended 30 September 2019 on 25 November 2019, profit warning announcement on 21 February 2020 and annual results announcement for the year ended 31 December 2019 on 17 March 2020, while the closing price of the Shares gradually dropped from HK\$5.92 on 13 November 2019 to HK\$4.35 on 17 March 2020. On 17 March 2020, the Company announced its results for the year ended 31 December 2019 which showed that the Group recorded a decrease in net profit by approximately 89.3% year-over-year to approximately RMB30.8 million for the year ended 31 December 2019. Since 18 March 2020 to 2 April 2020, the Shares were closed at a range between HK\$4.30 and HK\$4.87. We noted that at the request of the Company, trading in the Shares on the Stock Exchange has been halted on 3 April 2020 until the Company published its announcement of inside information and resumption of trading on 7 April 2020 regarding a filing made by Luckin Coffee Inc. to

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the United States Securities and Exchange Commission, which disclosed that it has launched an internal investigation into fabricated transactions (the “**Incident**”). The chairman of Luckin Coffee Inc.’s board was also the executive chairman of UCAR Inc., the Company’s largest Shareholder at that time. The closing price of the Shares significant dropped below the Share Offer Price of HK\$4.00 from HK\$4.30 on 2 April 2020 to HK\$1.96 on 3 April 2020, and since then, the Shares were closed below the Share Offer Price. On 7 April 2020, being the date of resumption of trading, the Shares surged and closed at HK\$2.63. However, such Share price increase was not sustained, with the Share price experienced continuous downward pressure and the closing price of the Shares reached HK\$1.8 on 29 May 2020, being the last business day before the Group published its results announcement for the three months ended 31 March 2020 on 31 May 2020 and inside information in relation to update on acquisition and disposal of existing shares between substantial shareholders on 1 June 2020. Subsequent to the surge in the closing price of the Shares to HK\$2.22 on 1 June 2020, the closing price of the Shares was relatively stable and ranged from HK\$1.97 to HK\$2.33 during 2 June 2020 to 30 June 2020. Then the trading price of the Shares experienced bounces and closed at HK\$3.08 on 17 July 2020, being the last business day before the Company requested for a trading halt. On the same date after the Company requested for a trading halt (i.e. 20 July 2020), the Company published an inside information announcement in relation to acquisition and disposal of existing shares between substantial shareholders and applied for a resumption of trading. The Share price dropped and remained relatively stable and ranged from HK\$2.27 to HK\$2.67 during 21 July 2020 to 3 November 2020. We noted that on 3 November 2020, the Company announced the appointment of member of the audit and compliance committee of the Company and the resignation of then non-executive director of the Company. Following such announcement, the closing price of the Shares showed an upward trend in general and reached HK\$3.39 on 13 November 2020, being the date of Announcement.

The closing price of the Shares surged to HK\$3.76 on 16 November 2020, which was the first trading day immediately following the publication of the Announcement. Since then, the closing price of the Shares remained relatively stable in the range of HK\$3.55 to HK\$3.99 and closed at HK\$3.99 as at the Latest Practicable Date.

During the Review Period, the closing price of the Shares ranged between HK\$1.73 and HK\$5.95. We noted that since 3 April 2020, the trading price of the Shares was closed at price below the Share Offer Price and the average closing price of the Shares during the review period was approximately HK\$3.53 which was also below the Share Offer Price. Based on the above, we noted that since 3 April 2020, the Shares were closed at price below the Share Offer Price. The Share Offer Price represents a discount of approximately 32.8% over the highest closing price of the Shares and premium of approximately 131.2% and 13.2% over the lowest closing price and the average closing price of the Shares during the Review Period, respectively.

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Furthermore, the Share Offer Price also represented:

- (a) a premium of approximately 0.25% over the closing price of HK\$3.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 17.99% over the closing price of HK\$3.39 per Share as quoted on the Stock Exchange on the Last Trading Day (i.e. 13 November 2020);
- (c) a premium of approximately 23.08% over the closing price of HK\$3.25 per Share as quoted on the Stock Exchange on 12 November 2020, being the last trading day immediately preceding the date of the Announcement;
- (d) a premium of approximately 22.32% over the average closing price of approximately HK\$3.27 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 31.36% over the average closing price of approximately HK\$3.05 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 52.17% over the average closing price of approximately HK\$2.63 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 55.79% over the average closing price of approximately HK\$2.57 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day; and
- (h) a premium of approximately 102.88% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$1.97 per Share as at 30 June 2020, calculated based on the interim report of the Company for the six months ended 30 June 2020 and a RMB/HK\$ exchange rate of RMB1:HK\$1.0970 (being the rate published by Bloomberg on 30 June 2020).

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(b) Trading volume

We have also reviewed the trading liquidity of the Shares during the Review Period. The table below sets out the trading volume of the Shares on the Stock Exchange during the Review Period:

	Number of trading days in the relevant month/period	Total trading volume for the month/period ^(Note 1)	Average daily volume for the month/period ^(Note 2)	Percentage of average daily trading volume to the issued Shares as at the end of each month/period ^(Note 3)	Percentage of average daily trading volume to the total number of Shares held by public Shareholders as at the Latest Practicable Date ^(Note 4)
2019					
From 13 November to 30 November	13	6,384,000	491,077	0.0232%	0.0440%
December	20	23,308,175	1,165,409	0.0550%	0.1045%
2020					
January	20	20,350,167	1,017,508	0.0480%	0.0912%
February	20	38,242,292	1,912,115	0.0902%	0.1714%
March	22	58,161,252	2,643,693	0.1247%	0.2370%
April	18	1,097,596,171	60,977,565	2.8760%	5.4654%
May	20	132,307,308	6,615,365	0.3120%	0.5929%
June	21	310,885,336	14,804,064	0.6980%	1.3269%
July	22	513,737,951	23,351,725	1.1007%	2.0930%
August	21	176,041,244	8,382,916	0.3951%	0.7514%
September	22	71,870,460	3,266,839	0.1540%	0.2928%
October	18	64,856,420	3,603,134	0.1698%	0.3229%
November	21	537,824,084	25,610,671	1.2067%	2.2955%
December	22	507,318,308	23,059,923	1.0865%	2.0668%
2021					
From 1 January to Latest Practicable Date	20	337,135,934	16,856,797	0.7942%	1.5109%
Average				0.6089%	1.1578%

Source: Website of the Stock Exchange

Notes:

- Total trading volume is expressed in terms of number of Shares being traded.
- Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.
- Based on the number of Shares outstanding as at the end of each month/period or at the Latest Practicable Date.
- Based on 1,115,704,701 Shares held by public as at the Latest Practicable Date.

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We note from the above table that average daily trading volume ranged from approximately 491,077 Shares to 60,977,565 Shares, representing approximately 0.0232% to 2.8760% of the total number of Shares in issue as at the end of the respective month/period or as at the Latest Practicable Date, and approximately 0.0440% to 5.4654% of the total number of Shares held by public Shareholders as at the Latest Practicable Date. We noted that the trading volume, during April 2020 was exceptionally high, which as disclosed in the Stock Exchanges official website, was related to the publication of inside information announcement and resumption of trading on 7 April 2020 in relation the Incident.

In our view, in general, although the trading of the Shares increased in April 2020 since the publication of inside information on 7 April 2020 regarding the Incident, the closing price of the Shares also dropped significantly since then. In light of this, there may not be sufficient liquidity in the Shares and an active market for the Shareholders to dispose of considerable amount of their Shares in the open market without having an adverse impact on the price level of the Shares.

(c) Comparison against comparable companies

In order to assess the fairness and reasonableness of the Share Offer Price, we consider the reference to price-to-earnings multiple (“**PE Ratio**”) and price-to-book multiple (“**PB Ratio**”) which are all common valuation methods, would be relevant. The Share Offer Price represents a PE Ratio of approximately 250.0 times calculated based on the basic earnings per Share of approximately RMB0.015 (equivalent to approximately HK\$0.016 based on an exchange rate of RMB1=HK\$1.0970 as published by Bloomberg on 30 June 2020) for the year ended 31 December 2019; and a PB Ratio of approximately 2.03 times calculated based on the unaudited consolidated net assets value per Share of approximately RMB1.80 per Share (equivalent to approximately HK\$1.97 based on an exchange rate of RMB1=HK\$1.0970 as published by Bloomberg on 30 June 2020) as at 30 June 2020.

As set out in the 2018 Annual Report and 2019 Annual Report, for the three years ended 31 December 2019, the rental revenue generated from car rentals were approximately RMB5,048 million, RMB5,340 million and RMB5,559 million, which accounted for approximately 65.4%, 82.9% and 72.3% of the total revenue of the Group, respectively.

To assess the fairness and reasonableness of the Share Offer Price and Option Offer Price by comparison of the PE Ratio and PB Ratio, and by taking into account of the business model of the Group, we have been identifying comparable companies whose principal business included car rental business in the PRC with over 50% of its revenue derived from such business during its latest financial year. From our research, we were only able to identify one Hong Kong listed company, National United Resources Holdings Limited (stock code: 254) (the “**Comparable Company**”) of which trading had been suspended since 5 August 2016, with over 50% of its revenue derived from car rental business in the PRC during its latest financial year, which we consider it as exhaustive comparable based on the search results from Bloomberg.

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The PE Ratio of the Comparable Company of 14.79 times which is based on the closing price of the Comparable Company prior suspension and the basic earnings per share for the year ended 31 December 2019 as extracted from its latest published annual report. Given the Comparable Company had a net liability of approximately HK\$573.5 million as at 30 June 2020, we consider the PB Ratio of the Comparable Company irrelevant. As the Comparable Company has been suspended in trading since 5 August 2016 up till the Latest Practicable Date and we have not been able to identify any more listed companies in Hong Kong which are principally engaged in car rental business in the PRC, accordingly, in the absence of sufficient number of comparable companies, we have focused our analysis of the Share Offer Price on the share price and trading performance and underlying fundamentals of the Company as discussed above. The above information regarding the Comparable Company would be for general reference only.

(d) Comparison against takeover precedents

For the purpose of our analysis of the Share Offer Price, we have also identified recent takeover precedents in the market from the website of the Stock Exchange (the “**Takeover Precedents**”) based on the following criteria: (i) the company subject to the offer is publicly listed on the Stock Exchange; (ii) the relevant offer is a voluntary general offer (comparison with privatisation proposals is set out in section headed “4. Analysis of market price of the Shares – (e) Comparison against privatisation precedents” below); (iii) the relevant offer price involves cash consideration only; and (iv) the takeover proposal was first announced during the period from 13 November 2019 to the date of the Announcement, being the period of approximately 12 months prior to the date of the Announcement (the “**Comparison Period**”). The list of Takeover Precedents set out below is exhaustive based on the aforesaid criteria and is considered sufficient to provide a fair and representative sample to be taken as a general reference of the prevailing market practices in relation to the terms of the Share Offer.

Date of announcement	Company name and stock code	Principal businesses	Offer price/initial offer price HK\$	closing price per share on the last trading day %	Premium or (discount) to the		
					average closing price per share for the last 5 trading days up to and including the last trading day %	average closing price per share for the last 10 trading days up to and including the last trading day %	average closing price per share for the last 30 trading days up to and including the last trading day %
8 January 2020	AV Concepts Holdings Limited (stock code: 595)	Semiconductor businesses	0.35	12.9	14.0	19.9	27.3

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Date of announcement	Company name and stock code	Principal businesses	Offer price/initial offer price HK\$	closing price per share on the last trading day %	Premium or (discount) to the average closing price per share		
					for the last 5 trading days up to and including the last trading day %	for the last 10 trading days up to and including the last trading day %	for the last 30 trading days up to and including the last trading day %
3 February 2020	ICO Group Limited (stock code: 1460)	Information technology related businesses	0.05	25.0	17.9	14.4	7.3
21 February 2020	Lai Fung Holdings Limited (stock code: 1125)	Property development business	8.99	(7.6)	(8.8)	(9.3)	(6.7)
15 March 2020	Easy Repay Finance & Investment Limited (stock code: 8079)	Money lending, wholesale and retail of groceries	0.29	(27.5)	(22.3)	(20.1)	(20.1)
30 March 2020	Clear Media Limited (stock code: 100)	Outdoor media businesses	7.12	39.6	41.3	40.4	43.2
15 May 2020	The Sincere Company, Limited (stock code: 244)	Department store businesses and securities trading	0.3806	8.7	20.4	24.0	38.4
17 July 2020	CST Group Limited (stock code: 985)	Mining businesses, investment in financial instruments, property investment, money lending businesses and operation of e-logistics platform	0.028	12.0	16.7	21.7	25.6
6 September 2020	YuanShengTai Dairy Farm Limited (stock code: 1431)	Production and sales of raw milk	0.63	1.6	6.1	8.4	17.5

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Date of announcement	Company name and stock code	Principal businesses	Offer price/initial offer price <i>HK\$</i>	closing price per share on the last trading day <i>%</i>	Premium or (discount) to the		
					average closing price per share for the last 5 trading days up to and including the last trading day <i>%</i>	average closing price per share for the last 10 trading days up to and including the last trading day <i>%</i>	average closing price per share for the last 30 trading days up to and including the last trading day <i>%</i>
17 September 2020	The Cross-Harbour (Holdings) Limited (stock code: 32)	Transport-related businesses	14	42.4	44.5	41.6	34.9
			<i>Average</i>	<i>11.9</i>	<i>14.4</i>	<i>15.7</i>	<i>18.6</i>
			<i>Median</i>	<i>12.0</i>	<i>16.7</i>	<i>19.9</i>	<i>25.6</i>
			<i>Maximum</i>	<i>42.4</i>	<i>44.5</i>	<i>41.6</i>	<i>43.2</i>
			<i>Minimum</i>	<i>(27.5)</i>	<i>(22.3)</i>	<i>(20.1)</i>	<i>(20.1)</i>
13 November 2020	The Share Offer		4.0	18.0	22.3	31.4	52.2

Source: Website of the Stock Exchange

As illustrated in the table above, the premium of the Share Offer Price over (i) the closing price of the Shares on the Last Trading Day; and (ii) the average closing prices of the Shares for the 5, 10 and 30 consecutive trading days up to and including the Last Trading Day were approximately 18.0%, 22.3%, 31.4% and 52.2%, respectively, which were all above the average and median premium of the Takeover Precedents.

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(e) Comparison against privatisation precedents

Furthermore, we have also identified recent privatisation proposals of other companies listed on the Stock Exchange first announced during the Comparison Period from the website of the Stock Exchange (excluding the privatisation proposals announced by Huarong Investment Stock Corporation Limited (stock code: 2277) and Hengxing Gold Holding Company Limited (stock code: 2303) announced on 6 July 2020 and 30 September 2020, respectively, as the proposals involving only share exchange offer without cash alternative) (the “**Privatisation Precedents**”). The list of Privatisation Precedents set out below is exhaustive based on the aforesaid criteria and is considered sufficient to provide a fair and representative sample to be taken as a general reference of the prevailing market practices in relation to the terms of the Share Offer.

Date of announcement	Company name and stock code	Principal businesses	Method of privatisation	Offer price/initial offer price HK\$	closing price per share on the last trading day %	Premium or (discount) to the		
						average closing price per share for the last 5 trading days up to and including the last trading day %	average closing price per share for the last 10 trading days up to and including the last trading day %	average closing price per share for the last 30 trading days up to and including the last trading day %
27 November 2019	China Agri-Industries Holdings Limited (stock code: 606)	Oilseeds processing, rice processing and trading, wheat processing and brewing materials	Scheme of arrangement	4.25	34.1	35.6	40.9	53.2
12 December 2019	Joyce Boutique Group Limited (stock code: 647)	Retail fashion goods, cosmetics, beauty products, and other products	Scheme of arrangement	0.28	91.8	91.3	95.8	82.2
20 January 2020	BBI Life Sciences Corporation (stock code: 1035)	Provision of DNA synthesis products, genetic engineering services, life sciences research consumables and protein and antibody related products and services	Scheme of arrangement	3.50	16.3	23.8	31.4	42.5
29 January 2020	Kingsley Edugroup Limited (stock code: 8105)	Provision of private education service in Malaysia	Scheme of arrangement	0.54	12.5	8.4	7.6	4.3

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Date of announcement	Company name and stock code	Principal businesses	Method of privatisation	Offer price/initial offer price HK\$	closing price per share on the last trading day %	Premium or (discount) to the		
						average closing price per share for the last 5 trading days up to and including the last trading day %	average closing price per share for the last 10 trading days up to and including the last trading day %	average closing price per share for the last 30 trading days up to and including the last trading day %
27 February 2020	Wheelock and Company Limited (stock code: 20)	Property investment, property development, property management and agency, and investment holding	Scheme of arrangement	71.9	52.2	49.1	49.2	45.2
20 March 2020	Li & Fung Limited (stock code: 494)	Design, development, sourcing and logistics of consumer goods	Scheme of arrangement	1.25	150.0	157.7	135.6	95.2
3 April 2020	Elec & Eltek International Company Limited (stock code: 1151)	Design, development, manufacture and distribution of high-density, double-sided and multi-layered printed circuit boards	Voluntary general offer	18.07	70.5	49.1	46.8	41.5
20 April 2020	Allied Properties (H.K.) Limited (stock code: 56)	Property investment and development, hospitality related activities and the provision of finance and investments in listed and unlisted securities	Scheme of arrangement	1.92	34.3	36.2	40.1	39.1

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Date of announcement	Company name and stock code	Principal businesses	Method of privatisation	Offer price/initial offer price HK\$	Premium or (discount) to the			
					closing price per share for the last 5 trading days up to and including the last trading day %	average closing price per share for the last 10 trading days up to and including the last trading day %	average closing price per share for the last 30 trading days up to and including the last trading day %	average closing price per share for the last 30 trading days up to and including the last trading day %
4 May 2020	Easy One Financial Group Limited (stock code: 221)	Provision of finance services; provision of brokerage services; rental from property investments in Dongguan, Guangdong Province; and investment in China Agri-Products Exchange Limited	Scheme of arrangement	0.924	44.4	80.5	94.5	90.1
1 June 2020	Huadian Fuxin Energy Corporation Ltd. (stock code: 816)	Development, management and operation of hydropower projects and coal-fired power plants in Fujian province and wind power and other clean energy projects throughout China	Merge by absorption	2.50	65.6	82.2	85.9	87.9
5 June 2020	Vietnam Manufacturing and Export Processing (Holdings) Limited (stock code: 422)	Manufacturing and sale of scooters, cub motor bikes, engines and related parts	Scheme of arrangement	0.45	163.2	165.6	167.1	161.4
5 June 2020	Capxon International Electronic Company Limited (stock code: 469)	Manufacturing and selling capacitors	Scheme of arrangement	0.60	79.1	89.3	94.2	88.1

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Date of announcement	Company name and stock code	Principal businesses	Method of privatisation	Offer price/initial offer price HK\$	closing price per share on the last trading day %	Premium or (discount) to the		
						average closing price per share for the last 5 trading days up to and including the last trading day %	average closing price per share for the last 10 trading days up to and including the last trading day %	average closing price per share for the last 30 trading days up to and including the last trading day %
12 June 2020	Jinmao (China) Hotel Investments and Management Limited (stock code: 6139)	Own and invest in a portfolio of hotels and commercial properties	Scheme of arrangement	4.80	30.4	57.9	72.7	82.5
17 June 2020	Golden Meditech Holdings Limited (stock code: 801)	Manufacture and sale of medical devices and related medical device accessories; the provision of hospital management service and hospital operation; the provision of medical insurance administration service; the research and development, manufacture and sale of Chinese herbal medicines; and the provision of cells and tissues storage and genetic testing services	Scheme of arrangement	0.88	41.9	49.2	54.4	60.0
21 June 2020	China Baofeng (International) Limited (stock code: 3966)	Photovoltaic power generation business and the lighting products business	Scheme of arrangement	2.60	27.5	57.6	61.5	52.0

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Date of announcement	Company name and stock code	Principal businesses	Method of privatisation	Offer price/initial offer price <i>HK\$</i>	closing price per share on the last trading day <i>%</i>	Premium or (discount) to the		
						average closing price per share for the last 5 trading days up to and including the last trading day <i>%</i>	average closing price per share for the last 10 trading days up to and including the last trading day <i>%</i>	average closing price per share for the last 30 trading days up to and including the last trading day <i>%</i>
22 June 2020	EVOC Intelligent Technology Company Ltd. (stock code: 2308)	Research, development, manufacture and distribution of special computer products and the trading of electronic products and accessories	Voluntary general offer	1.50	70.5	82.9	94.8	100.0
2 July 2020	Vantage International (Holdings) Limited (stock code: 15)	Contract works business, the property investment and development business and the provision of finance business in Hong Kong	Scheme of arrangement	0.90	80.0	90.7	103.6	119.5
8 July 2020	O-Net Technologies (Group) Limited (stock code: 877)	Design, manufacturing and sale of optical networking products for the high-speed telecommunications and data communications systems as well as machine vision systems and sensors for smart manufacturing market	Scheme of arrangement	6.50	23.6	24.7	25.7	24.6
29 July 2020	Xinhua Port Holdings Ltd. (stock code: 1990)	Own and operate in the PRC two multi-purpose ports	Voluntary general offer	2.597	29.9	31.6	27.9	58.4

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Date of announcement	Company name and stock code	Principal businesses	Method of privatisation	Offer price/initial offer price <i>HK\$</i>	Premium or (discount) to the average closing price per share for the last trading days up to and including the last trading day			
					closing price per share on the last trading day <i>%</i>	including the last trading day <i>%</i>	including the last trading day <i>%</i>	including the last trading day <i>%</i>
31 July 2020	Haier Electronics Group Co., Ltd. (stock code: 1169)	Research, development, manufacture and wholesale of washing machines and water heaters and the distribution of electronics products of Haier Group in the PRC	Scheme of arrangement	31.51	44.2	46.3	45.6	42.7
7 September 2020	Changshouhua Food Company Limited (stock code: 1006)	Corn oil business, the production and sales of refined edible sunflower seed oil, olive oil, peanut oil and rice germ oil, and the production and sales of corn meal	Scheme of arrangement	4.19	16.4	22.2	24.7	43.2
22 September 2020	TEM Holdings Limited (stock code: 8346)	Manufacture and sale of wire/cable harnesses and power supply cords assembled products, with its manufacturing operations in Malaysia and the PRC; and trading of terminals, connectors and others	Scheme of arrangement	0.0855	50.0	65.7	67.0	59.5

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Date of announcement	Company name and stock code	Principal businesses	Method of privatisation	Offer price/initial offer price HK\$	closing price per share on the last trading day %	Premium or (discount) to the		
						average closing price per share for the last 5 trading days up to and including the last trading day %	average closing price per share for the last 10 trading days up to and including the last trading day %	average closing price per share for the last 30 trading days up to and including the last trading day %
4 October 2020	CIMC-TianDa Holdings Company Limited (stock code: 445)	Manufacture and sale of airport facilities which comprises; the provision of engineering and computer software solutions; and manufacture and sale of fire engines and fire equipment and mobile fire stations and rescue stations	Scheme of arrangement	0.266	20.4	22.0	21.5	18.2
15 October 2020	Shanghai Prime Machinery Company Limited (stock code: 2345)	Design, manufacture and sale of turbine blades, bearings, fasteners, cutting tools and others, the provision of related technical services and investment holding	Merge by absorption	1.6	68.4	100.0	107.8	110.5
19 October 2020	Powerleader Science & Technology Group Limited (stock code: 8236)	Provision of cloud computing solutions with proprietary innovation capability which operates in the PRC and in Hong Kong	Merge by absorption	3.92	14.6	10.1	10.1	10.1

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Date of announcement	Company name and stock code	Principal businesses	Method of privatisation	Offer price/initial offer price <i>HK\$</i>	Premium or (discount) to the					
					closing price per share for the last 5 trading days up to and including the last trading day <i>%</i>	average closing price per share for the last 10 trading days up to and including the last trading day <i>%</i>	average closing price per share for the last 30 trading days up to and including the last trading day <i>%</i>	closing price per share for the last 5 trading days up to and including the last trading day <i>%</i>	closing price per share for the last 10 trading days up to and including the last trading day <i>%</i>	closing price per share for the last 30 trading days up to and including the last trading day <i>%</i>
30 October 2020	Tonly Electronics Holdings Limited (stock code: 1249)	Research and development, manufacture and sales of audiovisual products (excluding TV sets) for third parties' brands on an ODM (original design manufacture) basis	Scheme of arrangement	12.0	19.0	19.7	21.2	28.0		
					<i>Average</i>	52.0	59.6	62.6	63.1	
					<i>Median</i>	43.1	49.2	51.8	55.8	
					<i>Maximum</i>	163.2	165.6	167.1	161.4	
					<i>Minimum</i>	12.5	8.4	7.6	4.3	
13 November 2020	The Share Offer			4.0	18.0	22.3	31.4	52.2		

Source: Website of the Stock Exchange

As illustrated in the table above, the premium of the Share Offer Price over (i) the closing price of the Shares on the Last Trading Day; and (ii) the average closing prices of the Shares for the 5, 10 and 30 consecutive trading days up to and including the Last Trading Day were approximately 18.0%, 22.3%, 31.4% and 52.2%, respectively, which were within the range of premium of the Privatisation Precedents.

Given the level of discount or premium in each of the particular Takeover Precedents and Privatisation Precedents differs due to, among other things, (i) the principal business; (ii) trading price; and (iii) the performance of each of the listed companies in respect of the Takeover Precedents and Privatisation Precedents, the above information regarding the Takeover Precedents and Privatisation Precedents would be for general reference only.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Intention of the Offeror on the Group, listing status, compulsory acquisition and withdrawal of listing of the Shares

As at the Latest Practicable Date, the Offeror intends that the Group will continue its existing car rental business, and proposes to leverage MBK Partners' experience in the car rental industry to help the Group strengthen, innovate and develop its business models to ensure the Group's continued ability to offer quality auto-related services and its further growth. This will likely involve further development of the Group's capital structure, improving the Group's operational structure as well as strengthening and deepening the Group's management expertise and personnel, so as to better position the Group to execute such business and growth strategy. The Offeror does not otherwise have any current intention of discontinuing the employment of any employees of the Group, materially changing the Group's existing business operation or redeploying the fixed assets of the Group (in each case other than as part of the Group's ordinary and usual course of business).

Pursuant to Section 88 of the Cayman Islands Companies Law and Rule 2.11 of the Takeovers Code, if the Offeror, within four (4) months of the posting of the Composite Document, has received valid acceptances in respect of not less than 90% of the Offers Shares (in accordance with Section 88 as aforesaid) and not less than 90% of the Disinterested Shares, the Offeror will privatise the Company by exercising its right to compulsorily acquire those Offer Shares not already acquired by the Offeror under the Share Offer. Upon the Offeror exercising such right and completing the compulsory acquisition, the Company will become a direct wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

If the level of acceptances of the Share Offer reaches the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, dealings in the Shares will be suspended from the Offer Closing Date up to the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, being 21.6% of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

Upon the closing of the Offers, if the level of acceptances of the Share Offer does not reach the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new directors (if any) to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

VII. DISCUSSION AND ANALYSIS

In forming our opinion and recommendation below, we have taken into account the factors set out under the section headed “VI. Principal factors and reasons considered” above, none of which can be considered in isolation. We would like to draw the attention in particular to the points summarised below:

The Share Offer

(a) Premium over recent share price and net asset value of the Group

We noted that since 3 April 2020, after the announcement of the Incident, trading price of the Shares were closed at prices below the Share Offer Price at all times. The Share Offer Price of HK\$4.0 per Offer Share also represented a premium over the recent average trading price of the Company including the Last Trading Day and the 5, 10, 30 and 60 consecutive trading days as quoted on the Stock Exchange as well as the unaudited consolidated net asset value per Share of the Company as at 30 June 2020.

(b) Profitability, financial position and competitive operating environment

The Group had been profit making since 2014 and only until the recent outbreak of COVID-19 which significantly affected the Group’s car rental and sales of used vehicles operation which therefore resulted in a gross loss in during the six-months ended 30 June 2020. The Group also recorded substantial decrease in the level of cash and cash equivalent. Although the Company entered into the CB Subscription Agreement in respect of the issue of the Convertible Bonds to the CB Investor which would provide funding to finance the Group’s fulfillment of repayment obligation, amidst the slowing of vehicle rental market under the travel restriction of the COVID-19 outbreak currently in place, it is uncertain when will the business operation of the Group recover.

(c) The Share Offer presents an opportunity to realise the Shares given the low trading volume

The Share Offers provides an opportunity to the Shareholders to monetize their investment in the Company at a premium to the recent closing prices of the Shares. As a result of the low trading volume of the Shares, this makes it difficult for Shareholders to execute substantial sales of Shares on-market without adversely affecting the price of the Shares, as such the Share Offers would presents an immediate opportunity for holders of the Offer Shares to realise their investments in the Offer Shares for cash and redeploy the cash received from accepting the Offers into other investment opportunities.

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(d) The intentions of the Offeror

According to the Letter from Goldman Sachs and J.P. Morgan included in the Composite Document, the Offeror had received irrevocable undertaking to accept the Share Offers as at the Latest Practicable Date and the Offers, if successfully completed, will result in the Offeror becoming the single largest Shareholder upon close thereof. The Offeror intends to maintain the existing principal activities of the Group. Nevertheless, pursuant to Section 88 of the Cayman Islands Companies Law and Rule 2.11 of the Takeovers Code, if the Offeror, within four (4) months of the posting of the Composite Document, has received valid acceptances in respect of not less than 90% of the Offers Shares (in accordance with Section 88 as aforesaid) and not less than 90% of the Disinterested Shares, the Offeror will privatise the Company by exercising its right to compulsorily acquire those Offer Shares not already acquired by the Offeror under the Share Offer. If the Offeror decides to exercise such right and completes the compulsory acquisition, the Company will become a direct wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

The Option Offer

The price for the cancellation of each Option accepted under the Option Offer is the see-through price which represents the excess of the Share Offer Price over the exercise price of each Option. Given that the exercise price of the outstanding Post-IPO Options is above the Share Offer Price, the outstanding Post-IPO Options are out-of-money and the Option Cancellation Price for the cancellation of each outstanding Post-IPO Option is set at a nominal value of HK\$0.001 in cash for the cancellation of each of such outstanding Options. The Option Offer will be conditional upon the Share Offer becoming unconditional in all respects.

VIII. RECOMMENDATION

Having taken into account the principal factors and reasons set out in this letter, we consider that the Offers are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend the Qualifying Shareholders and the Optionholders **to accept the Share Offer and the Option Offer** (as the case may be).

For those Qualifying Shareholders who are considering realizing all or part of their investment in the Company they should monitor the Share price performance until the end of the Offer Period. If the market price of the Shares exceeds the Share Offer Price and the sale proceeds net of transaction costs exceed the net proceeds receivable under the Share Offer, the Qualifying Shareholders should consider to sell their Shares on the open market instead of accepting the Share Offer. Likewise, the Optionholders are advised to exercise their in-the-money Options and dispose of the Shares issued to them on the open market if the market price of the Shares exceeds the Share Offer Price and the sale proceeds net of transaction costs (inclusive of the exercise price paid for the Options exercised) exceed the proceeds receivable under the Option Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Qualifying Shareholders who are considering realizing all or part of their investment in the Company should also note that, in the event that the Offers are successfully completed, it is envisaged that the Offeror will have at least 50% control of the Group's business and affairs. Accordingly, should any Qualifying Shareholders consider retaining part of their investment in the Group should also consider, among other things:

- the uncertainty exist in the future business environment of the car rental industry, and the possible hindrance on the recovery momentum by on-going uphold of travel restriction as a result of the COVID-19 outbreak;
- the uncertainty as to whether there will be a change of the future composition of the Board, and the extent of such change, if any;
- the possible prolonged suspension of trading in the Shares if the public float cannot be restored in the event of less than 21.6% of the Shares being held by the public at the close of the Share Offer (please refer to the waiver obtained by the Company in relation to public float from the Company's annual report); and
- the possible privatization pursuant to Section 88 of the Cayman Islands Companies Law and Rule 2.11 of the Takeovers Code, if the Offeror, within four (4) months of the posting of the Composite Document, has received valid acceptances in respect of not less than 90% of the Offers Shares (in accordance with Section 88 as aforesaid) and not less than 90% of the Disinterested Shares, the Offeror will be able to privatise the Company by exercising its right to compulsorily acquire those Offer Shares not already acquired by the Offeror under the Share Offer.

The Shareholders and the Optionholders should be aware that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not become unconditional.

The Shareholders and the Optionholders should therefore exercise caution when dealing in the Shares or exercising the Options or other rights in respect of any of them.

The Shareholders and the Optionholders should read carefully the procedures for acceptance of the Share Offer and the Option Offer (as the case may be) as set out in Appendix I – “Further Terms and Procedures for Acceptance of the Offers” to the Composite Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Yours faithfully,

For and on behalf of

HALCYON CAPITAL LIMITED

Derek Chan

Chairman

Terry Chu

Managing Director

Mr. Chan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Chan has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

Mr. Chu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Chu has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

To accept any of the Offers, you should complete and sign the relevant accompanying Forms of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the relevant Offer.

1.1 The Share Offer

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must deliver the accompanying **WHITE** Form of Share Offer Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Share Registrar, Tricor Investor Services Limited, by post or by hand, marked “CAR Inc. – Share Offer” on the envelope, as soon as possible and in any event reach the Share Registrar no later than 4:00 p.m. on the Offer Closing Date.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offers on your behalf and requesting it to deliver the accompanying **WHITE** Form of Share Offer Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer to the Share Registrar in an envelope marked “CAR Inc. – Share Offer”; or
 - (ii) arrange for the Share(s) to be registered in your name through the Share Registrar and deliver the accompanying **WHITE** Form of Share Offer Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Share Registrar in an envelope marked “CAR Inc. – Share Offer”.

- (d) If your Share(s) have been lodged with your licensed securities dealer (or other registered dealer in securities)/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the Offers on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them.
- (e) If your Share(s) have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (f) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered in an envelope marked "CAR Inc. – Share Offer" to the Share Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available and any satisfactory indemnity required in respect thereof. If you subsequently find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Share Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Share Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Share Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.
- (g) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s) and you wish to accept the Offer, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it in an envelope marked "CAR Inc. – Share Offer" to the Share Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to each of the Financial Advisers and/or the Offeror and/or any of their respective agent(s) to collect from or the Share Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Share Registrar and to authorise and instruct the Share Registrar to hold such share certificate(s), subject to the terms and conditions to the Offer, as if it/they were delivered to the Share Registrar with the **WHITE** Form of Share Offer Acceptance.

- (h) Acceptance of the Share Offer will be treated as valid only if the completed and signed **WHITE** Form of Share Offer Acceptance is received by the Share Registrar by no later than 4:00 p.m. on the Offer Closing Date, and the Share Registrar has recorded the **WHITE** Form of Share Offer Acceptance and any relevant documents required under paragraph (i) below have been so received.
- (i) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed **WHITE** Form of Share Offer Acceptance is received by the Share Registrar by no later than 4:00 p.m. on the Offer Closing Date, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Share(s); or
 - (ii) from a registered Qualifying Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share(s) which are not taken into account under another sub-paragraph of this paragraph (i)); or
 - (iii) certified by the Share Registrar or the Stock Exchange.

If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Qualifying Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Share Registrar must be produced.

- (j) No acknowledgement of receipt for any Form(s) of Acceptance, share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (k) If the Share Offer does not become, or is not declared, unconditional within the time permitted by the Takeovers Code, the Share Offer will lapse and the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Share Registrar will be returned to the Qualifying Shareholders who have accepted the Share Offer by ordinary post at the Qualifying Shareholders' own risk as soon as possible but in any event within 10 days after the Share Offer has lapsed.

1.2 The Option Offer

- (a) To accept the Option Offer, you should complete the **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer. Please refer to the Option Offer Letter for further information related to the Option Offer and the acceptance thereof.
- (b) No stamp duty will be deducted from the amount paid or payable to Optionholder(s) who accept(s) the Option Offer.
- (c) No acknowledgement of receipt of any **PINK** Form(s) of Option Offer Acceptance, certificate(s) of the Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) will be given.
- (d) If the Share Offer is withdrawn or lapses, the Option Offer will be withdrawn or lapse too. In such case, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the relevant certificate(s) of the Options (if applicable) and/or other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) lodged with the **PINK** Form of Option Offer Acceptance to the company secretary of the Company for collection of the relevant Optionholders.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offers, the **WHITE** Form of Share Offer Acceptance and **PINK** Form of Option Offer Acceptance must be received by the Share Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer) by 4:00 p.m. on the Offer Closing Date in accordance with the instructions printed thereon, or any other time/date as extended or revised with the consent of the Executive and in accordance with the Takeovers Code. The Offers are conditional upon the Offeror having received acceptances in respect of the Shares which, together with the Shares the Offeror held as at the Latest Practicable Date, will result in the Offeror and the Offeror Concert Parties holding more than 50% of the total issued share capital of the Company.
- (b) If the Offers are extended or revised, an announcement of such extension or revision will state the next closing date or, if the Offers have become unconditional, the announcement may contain a statement that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to the Qualifying Shareholders and the Optionholders who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least 14 days thereafter.

- (c) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Qualifying Shareholders and the Optionholders who accept the Offers become entitled to withdraw their acceptance under the section headed “Right of Withdrawal” of this Appendix below and duly do so.

3. SETTLEMENT

3.1 The Share Offer

Subject to the Share Offer becoming or being declared unconditional and provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Share Registrar no later than the latest time for acceptance on the Offer Closing Date, a cheque for the amount due to each of the Qualifying Shareholders who accepts the Share Offer less seller’s ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Share Offer will be despatched to such Qualifying Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days following the later of the date of on which the Share Offer becomes or is declared unconditional and the receipt of all the relevant documents by the Share Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Qualifying Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller’s ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Qualifying Shareholder.

No fractions of a cent will be payable and the amount of consideration payable to a Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

3.2 The Option Offer

Subject to the Share Offer becoming or being declared unconditional and provided that a valid **PINK** Form of Option Offer Acceptance and the relevant certificate(s) and/or other document(s) of title in respect of the Options (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the company secretary of the Company no later than the latest time for acceptance on the Offer Closing Date, a cheque for the amount due to each of the Optionholders who accepts the Option Offer in respect of the Options tendered by it/him/her under the Option Offer will be despatched to the company secretary of the Company for such Optionholders’ collection at the Company’s Hong Kong office at Room 507, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui, Hong Kong by ordinary post at its/his/her own risk as soon as possible but in

any event within seven (7) Business Days following the later of the date on which the Share Offer becomes or is declared unconditional and the receipt of all the relevant documents by the company secretary of the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder.

No fractions of a cent will be payable and the amount of consideration payable to an Optionholder who accepts the Option Offer will be rounded up to the nearest cent.

4. EXERCISE OF OPTIONS

Optionholders who wish to accept the Share Offer may (i) exercise his/her/its Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to the company secretary of the Company before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Offer Closing Date, complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Share Registrar together with a copy of the set of documents delivered to the Company for exercising the Options. Exercise of the Options is subject to the respective terms and conditions of the Share Option Schemes and the terms attaching to the grant of the relevant Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Share Registrar will not serve to complete the exercise of the Options but will only be deemed to be an irrevocable authority to each of the Financial Advisers and/or the Offeror and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Share Registrar on his/her/its behalf the relevant share certificate(s) when issued on exercise of the Options as if it/they were delivered to the Share Registrar with the **WHITE** Form of Share Offer Acceptance. If the Optionholder fails to exercise his/her/its Options as aforesaid and in accordance with the respective terms and conditions of the Share Option Schemes, there is no guarantee that the Company may issue the relevant share certificate in respect of the Shares allotted.

5. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Offer Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Offer Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offers have been revised, extended, or have expired or have become or been declared unconditional.

The announcement will state the total number of Shares and Options:

- (i) for which acceptances of the Offers have been received;
- (ii) held, controlled or directed by the Offeror or the Offeror Concert Parties before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or the Offeror Concert Parties.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and its Offeror Concert Parties have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

In computing the total number or principal amount of Shares and Options represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in section headed “Procedures for Acceptance of the Offers” of this Appendix, and which have been received by the Share Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer) respectively no later than 4:00 p.m. on the Offer Closing Date shall be included.

- (b) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the Qualifying Shareholders and the Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offers shall be entitled to withdraw its/his/her acceptance after 21 days from the First Closing Date if the Offers have not by then become unconditional as to acceptances. An acceptor of the Offers may withdraw its/his/her acceptance by lodging a notice in writing signed by the acceptor (or its/his/her agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Share Registrar or the company secretary of the Company, as the case may be.

- (b) If the Company is unable to comply with the requirements set out in the section headed “Announcements” of this Appendix above, the Executive may require that the Qualifying Shareholders and the Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that section are met.

In such case, when any Shareholder(s) and Optionholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post at its/his/her own risk the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **WHITE** Form of Share Offer Acceptance to the relevant Shareholder(s) and return the relevant certificate(s) in respect of the Option(s) lodged with the **PINK** Form of Option Offer Acceptance to the company secretary of the Company for collection by Optionholder(s).

7. NOMINEE REGISTRATION

To ensure equality of treatment of all Qualifying Shareholders and Optionholders, those Qualifying Shareholders and Optionholders who hold Shares and Options as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. In order for beneficial owners of Shares and Options, whose investments are registered in the names of nominees, to accept the Offers, it is essential that they provide instructions of their intentions with regard to the Offers to their nominees.

8. STAMP DUTY

The seller’s Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to the Qualifying Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the relevant Qualifying Shareholders accepting the Share Offer and will pay its respective portion of the buyer’s ad valorem stamp duty (being 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares) in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.

**9. OVERSEAS QUALIFYING SHAREHOLDERS AND OVERSEAS
OPTIONHOLDERS**

- (a) The making of (i) the Share Offer to Qualifying Shareholders; and (ii) the Option Offer to Optionholders, who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such overseas Qualifying Shareholders and overseas Optionholders may be prohibited or affected by the laws and regulations of the relevant jurisdictions and it is the responsibility of each such overseas Qualifying Shareholder who wishes to accept the Share Offer and each such overseas Optionholder who wishes to accept the Option Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such overseas Qualifying Shareholder or overseas Optionholder in such relevant jurisdictions.
- (b) Any acceptance by such overseas Qualifying Shareholders or overseas Optionholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror, and their respective advisers, including the Financial Advisers, that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.
- (c) Notice to U.S. Qualifying Shareholders

The Share Offer will be made for the securities of a Cayman Islands company and is subject to Hong Kong disclosure and other procedural requirements, which are different from those of the United States securities laws. In addition, US holders of Shares should be aware that this document has been prepared in accordance with Hong Kong format and style, which differs from United States format and style. The Share Offer will be extended into the United States pursuant to the applicable US tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong). Accordingly, the Share Offer will be subject to Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which differ from those applicable under US domestic tender offer procedures and law.

The receipt of cash pursuant to the Share Offer by a US holder of Shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Share Offer.

It may be difficult for US holders of Shares to enforce their rights and any claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their respective officers and directors may be residents of a country other than the United States. In addition, most of the assets of the Offeror and the Group are located outside the United States. US holders of Shares may not be able to sue a non-US company or its officers or directors in a non-US court for any violations of the securities laws of the United States. Further, it may be difficult for US holders of Shares to effect service of process within the United States upon the Offeror or the Company or their respective officers or directors or to enforce against them a judgment of a US court predicated upon the federal or state securities laws of the United States.

In accordance with the normal Hong Kong practice and pursuant to Rule 14e-5(b) of the US Exchange Act, the Offeror hereby discloses that it or its affiliates or its nominees, or their respective brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Share Offer, before or during the period in which the Share Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) if applicable the Share Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the SFC website at <http://www.sfc.hk/>.

10. TAXATION

Qualifying Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Share Offer or the Option Offer. None of the Offeror and/or the Offeror Concert Parties, the Company, the Financial Advisers or their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Share Offer or the Option Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer or the Option Offer.

11. GENERAL

- (a) All communications, notices, Forms of Acceptance, share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Qualifying Shareholders and/or the Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, the Financial Advisers or any of their respective directors nor the Share Registrar or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the **WHITE** Form of Share Offer Acceptance and **PINK** Form of Option Offer Acceptance form part of the terms and conditions of the Share Offer and the Option Offer, respectively.
- (c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror, the Financial Advisers or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror (or such person or persons as they may direct) the Shares, or the cancellation of Options in respect of which such person or persons has/have accepted the Offers.
- (f) Acceptance of the Offers by any Qualifying Shareholders or Optionholders will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that their Shares or Options under the Offers (as the case may be) are free from all liens, claims, encumbrances and all third party rights and with all rights attached or accrued thereto as at the date of this Composite Document, including in the case of the Shares, the right to receive in full all dividends and other distributions, if any, declared, paid or made on or after the date of this Composite Document.

- (g) The making of the Offers to a person with a registered address in a jurisdiction outside Hong Kong or who is a citizen, resident or national of a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Such Qualifying Shareholders or Optionholders with registered addresses in jurisdictions outside Hong Kong or who are citizens, residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.
- (h) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Options held by such nominee for such beneficial owner who is accepting the Offers.
- (i) Any Qualifying Shareholders or Optionholders accepting the Offers will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (j) All acceptances, instructions, authorities and undertakings given by the Qualifying Shareholders and the Optionholders in the Forms of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (k) In making their decision, Qualifying Shareholders and Optionholders must rely on their own examination of the Group and the terms of the Share Offer and the Option Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, the Financial Advisers or their respective professional advisers. Qualifying Shareholders should consult their own professional advisers for professional advice.
- (l) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Share Offer and the Option Offer in Hong Kong and the operating rules of the Stock Exchange.

12. INTERPRETATION

- (a) A reference in this Composite Document to a Qualifying Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a **WHITE** Form of Share Offer Acceptance and in the event of more than one person executing a **WHITE** Form of Share Offer Acceptance, the provisions of this Composite Document apply to them jointly and severally.
- (b) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension or revision thereof.
- (c) A reference in this Composite Document and the Forms of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.
- (d) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

1. FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial information of the Group for each of the three years ended 31 December 2019, 31 December 2018 and 31 December 2017 and for the six months ended 30 June 2020 extracted from the annual reports of the Company for the years ended 31 December 2019, 31 December 2018 and 31 December 2017, and the interim report of the Company for the six months ended 30 June 2020, respectively.

The auditors' reports issued by the auditors of the Company, Ernst & Young, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2019, 31 December 2018 and 31 December 2017 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
RESULTS				
Total revenue	<u>7,717,338</u>	<u>6,443,698</u>	<u>7,690,660</u>	<u>2,758,896</u>
Profit/(loss) before tax	1,175,306	594,555	272,043	(4,296,722)
Income tax expenses	<u>(294,195)</u>	<u>(304,710)</u>	<u>(241,267)</u>	<u>(40,953)</u>
Profit/(loss) for the year/period	<u>881,111</u>	<u>289,845</u>	<u>30,776</u>	<u>(4,337,675)</u>
Attributable to:				
Owners of the parent	881,111	289,845	30,776	(4,337,675)
Non-controlling interests	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
	<u>881,111</u>	<u>289,845</u>	<u>30,776</u>	<u>(4,337,675)</u>
Earnings/(loss) per share				
attributable to ordinary equity holders of the parent				
Basic (RMB)	0.391	0.135	0.015	(2.046)
Diluted (RMB)	0.386	0.134	0.014	(2.156)

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Total comprehensive income/(loss) for the year/period	881,111	289,845	30,776	(4,337,675)
Attributable to:				
Owners of the parent	881,111	289,845	30,776	(4,337,675)
Non-controlling interests	Nil	Nil	Nil	Nil
	<u>881,111</u>	<u>289,845</u>	<u>30,776</u>	<u>(4,337,675)</u>
Dividends attributable to owners of the Company	Nil	Nil	Nil	Nil
Dividend per Share	Nil	Nil	Nil	Nil

Save as disclosed above, there was no item of any income or expense which was material in respect of the consolidated financial results of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020.

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”), and (ii) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 (the “**2020 Interim Financial Statements**”), together with the notes to the relevant published financial statements and significant accounting policies which are of major relevance to the appreciation of the above financial information.

The 2020 Interim Financial Statements are set out on pages 30 to 83 of the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report 2020**”), which was published on 29 September 2020. The Interim Report 2020 is posted on the Company’s website <https://zuche.com/> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Interim Report 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0929/2020092900301.pdf>

The 2019 Financial Statements are set out on pages 104 to 257 of the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report 2019**”), which was published on 1 April 2020. The Annual Report 2019 is posted on the Company’s website <https://zuche.com/> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Annual Report 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0401/2020040101309.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”) are set out on pages 109 to 249 of the annual report of the Company for the year ended 31 December 2018 (the “**Annual Report 2018**”), which was published on 8 April 2019. The Annual Report 2018 is posted on the Company’s website <https://zuche.com/> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Annual Report 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0408/lt20190408515.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 Financial Statements**”) are set out on pages 106 to 231 of the annual report of the Company for the year ended 31 December 2017 (the “**Annual Report 2017**”), which was published on 20 March 2018. The Annual Report 2017 is posted on the Company’s website <https://zuche.com/> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Annual Report 2017:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0320/lt20180320327.pdf>

The 2020 Interim Financial Statements (but not any other part of the Interim Report 2020), the 2019 Financial Statements (but not any other part of the Annual Report 2019), the 2018 Financial Statements (but not any other part of the Annual Report 2018) and the 2017 Financial Statements (but not any other part of the Annual Report 2017) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

As at the close of business on 31 October 2020, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had total indebtedness as summarised below:

	As at 31 October 2020 RMB'000
Bank loans and long-term senior notes:	
Current	
Short-term loans – unsecured and unguaranteed	185,000
Current portion of long-term bank loans – guaranteed	477,805
Current portion of long-term bank loans – unsecured and unguaranteed	30,000
Current portion of long-term other loans – guaranteed	290,000
Current portion of sale and leaseback obligations – secured	194,995
Current portion of long-term senior notes – unsecured	2,760,800
Non-current	
Long-term bank loans – guaranteed	336,487
Long-term other loans – guaranteed	360,000
Long-term senior notes – unsecured	<u>2,508,609</u>
Total bank loans and long-term senior notes:	7,143,696
Lease liabilities:	
Current portion of lease liabilities	160,107
Non-current portion of lease liabilities	<u>187,596</u>
Total	<u><u>7,491,399</u></u>

The Group has been using multiple cash-pooling arrangements to improve liquidity and minimize interest expenses. Cash pooling balances are reported based on the net amounts at day end.

The total indebtedness (including lease liabilities) as at 31 December 2019 was approximately RMB14,879,549,000 and decreased to approximately RMB7,491,399,000 as at 31 October 2020 due to repayment of matured debts.

Compared with 31 October 2019, the total indebtedness decreased by RMB7,137,096,000.

Contingent liabilities and guarantees

As at the close of business on 31 October 2020, the Group did not have any outstanding contingent liabilities and guarantees.

4. MATERIAL CHANGE

The Directors confirmed that as at the Latest Practicable Date, save as disclosed below, there had been no material changes in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date:

1. As disclosed in an announcement of the Company dated 7 April 2020, in April 2020, a filing was made by Luckin Coffee Inc. to the United States Securities and Exchange Commission, which disclosed that it had launched an internal investigation into fabricated transactions. Mr. Charles Zhengyao Lu (“**Mr. Lu**”) was the chairman of Luckin Coffee Inc.’s board and he was also the executive chairman of UCAR Inc. (“**UCAR**”), which was the Company’s largest Shareholder at that time. UCAR entered into sale and purchase agreements with different parties to dispose of its equity interest in the Company but the transactions were not closed, resulting in uncertain shareholding structure of the Company. The uncertainty in shareholding structure of the Company 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.
2. As disclosed in an announcement of the Company dated 10 June 2020, Mr. Lu had resigned from his offices as the chairman of the Board and a non-executive Director with effect from 9 June 2020 to devote more of his time to fulfil his commitments with UCAR and other businesses. Upon Mr. Lu’s resignation, he would cease to be a member of the nomination committee of the Company (the “**Nomination Committee**”). Pursuant to the terms of the facility agreements entered into between the Group and certain financial institutions (the “**Lenders**”), if Mr. Lu ceases to be a director of the Company, the Lenders may declare the outstanding principal amount, accrued interest and other sums payable under the loans (the “**Loans**”) immediately due and payable. As at 10 June 2020, the aggregate outstanding principal amount of such Loans owed by the Group amounted to approximately US\$168 million and the Company had not received any demand from the Lenders for immediate repayment of such Loans. The management of the Company subsequently obtained waivers from the Lenders and with effect from 12 June 2020, as disclosed in an announcement of the Company dated 12 June 2020, Mr. Leping Yan had been appointed as a non-executive Director and Mr. Linan Zhu had been appointed as a member of the Nomination Committee.

3. As disclosed in an announcement of the Company dated 24 July 2020 and as further supplemented by the announcement of the Company dated 10 August 2020 as well as from the interim results announcement of the Company published on 28 August 2020 and the interim report published on 29 September 2020, based on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2020, among other things, (i) the Group incurred a net loss for the six months ended 30 June 2020 of approximately RMB4,337.7 million, compared to the net profit of approximately RMB279.2 million for the six months ended 30 June 2019; (ii) total revenue of the Group for the six months ended 30 June 2020 was approximately RMB2,758.9 million, compared with approximately RMB3,741.0 million for the six months ended 30 June 2019, representing a year-over-year decrease of approximately 26.3%; and (iii) net asset value of the Group was approximately RMB3,814.7 million as at 30 June 2020, representing a decrease of approximately 52.9% as compared to the net asset value approximately RMB8,092.7 million as at 31 December 2019. The loss and decrease in net asset value was primarily attributable to the significant decrease in rental demand as a result of the outbreak of the novel coronavirus (COVID-19) in the PRC in the first half of 2020, which has adversely affected the rental revenue of the Group, and the impairment of (a) the equity investment in UCAR; (b) trade receivables from related parties and other customers; (c) the prepayment of the subscription price of the shares and convertible bonds to be issued by FDG Electric Vehicles Limited (a company listed on the Stock Exchange, stock code: 729); and (d) adjustment of the residual values of vehicles manufactured by Beijing Borgward Auto Co., Ltd. with repurchase arrangements. For the remaining months of 2020, operation of the Group remained comparable to the first half of 2020 and had yet to recover to the pre-COVID-19 level.
4. As disclosed in an announcement of the Company dated 10 November 2020, the Board was informed by UCAR on 10 November 2020 that the Offeror conditionally agreed to acquire from the UCAR Sellers 442,656,855 Shares at a price of HK\$4.0 per Share for a total consideration of HK\$1,770,627,420, pursuant to a share purchase agreement entered into on 10 November 2020. As disclosed in the announcements of the Company dated 15 December 2020, the UCAR Share Sale was completed on 15 December 2020 and Mr. Hongfei Yu and Mr. Xuan Yan were appointed non-executive Directors with effect from 15 December 2020.
5. As disclosed in an announcement of the Company dated 3 December 2020, the Company entered into the CB Subscription Agreement with the CB Investor on 3 December 2020 (after trading hours), pursuant to which the CB Investor 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 approximately HK\$1,356,250,000) with conversion price of HK\$4.0 per conversion shares. As disclosed in the announcements of the Company dated 15 January 2021, the CB Subscription was completed on 15 January 2021 and Mr. Stephen Le Ee Boon was appointed non-executive Director with effect from 15 January 2021.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offers, the Offeror and the Company.

The information contained in this Composite Document relating to the Offeror has been supplied by the Offeror. As at the date of this Composite Document, the sole director of the Offeror is Mr. Kenichiro Kagasa, and the sole director of MBK GP IV, Inc. (the general partner of the limited partnership which wholly owns the Offeror) is Mr. Michael ByungJu Kim. Mr. Kenichiro Kagasa, being the sole director of the Offeror, and Mr. Michael ByungJu Kim, being the sole director of MBK GP IV, Inc. (the general partner of the limited partnership which wholly owns the Offeror), jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The information contained in this Composite Document relating to the Group has been supplied by the Company. As at the Latest Practicable Date, the executive Director is Ms. Yifan Song; the non-executive Directors are Mr. Linan Zhu, Mr. Leping Yan, Mr. Hongfei Yu, Mr. Xuan Yan and Mr. Stephen Le Ee Boon; and the independent non-executive Directors are Mr. Sam Hanhui Sun, Mr. Wei Ding and Mr. Li Zhang. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to the Group and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document by the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was US\$260,000 divided into 26,000,000,000 Shares;
- (b) the issued and paid-up share capital of the Company comprised 2,122,454,581 Shares;
- (c) all of the Shares currently in issue ranked *pari passu* in all respects including as to capital, dividends and voting;
- (d) save for the allotment and issue of 2,574,170 Shares as a result of exercise of Options by the Optionholders, no new Shares had been issued by the Company since 31 December 2019 (being the end of the last financial year of the Company); and

- (e) other than the 6,049,090 outstanding Pre-IPO Tranche A Options, the 10,199,316 outstanding Pre-IPO Tranche B Options, the 8,714,190 outstanding Pre-IPO Tranche C Options and the 102,241,408 outstanding Post-IPO Options as disclosed in the section headed “The Option Offer” in the “Letter from the Board”, and the 339,062,500 underlying conversion shares to be issued upon full conversion of the Convertible Bonds based on the conversion price of HK\$4.0 per conversion share as disclosed in the Company’s announcement dated 15 January 2021, there were no outstanding options, warrants or conversion rights affecting the Shares.

3. DISCLOSURE OF INTERESTS IN THE SHARES

(a) Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules are listed as follows:

Long position in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Sam Hanhui Sun	Beneficial owner	510,000	0.02%

Long position in the underlying Shares – physically settled unlisted equity derivatives (share options)

Name of Director	Capacity in which interests were held	Number of underlying shares in respect of the share options granted	Option Period	Exercise Price	Total interests as to% of the total number of Shares in issue as at the Latest Practicable Date (approximately)
Ms. Yifan Song	Beneficial owner	730	10 years from 20 December 2013	US\$0.058	0.00%
	Beneficial owner	1,197,510	10 years from 20 December 2013	US\$0.174	0.06%
	Beneficial owner	1,691,000	10 years from 31 July 2014	US\$0.174	0.08%
	Beneficial owner	20,433,308	10 years from 18 October 2019	HK\$6.360	0.96%
		23,322,548			1.10%

Save as disclosed above, none of the Directors or the chief executive of the Company has any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, the following persons or entities (other than the Directors and chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in the Shares

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Legend Holdings Corporation ⁽¹⁾	Interest in controlled corporations	563,583,025	26.55%
Right Lane Limited ⁽¹⁾	Interest in controlled corporations	563,583,025	26.55%
The Offeror ⁽²⁾	Beneficial owner	442,656,855	20.86%
Indigo Glamour Holdings Limited ⁽²⁾	Interest in controlled corporations	442,656,855	20.86%
Michael ByungJu Kim ⁽²⁾	Interest in controlled corporations	442,656,855	20.86%
Teck Chien Kong ⁽²⁾	Interest in controlled corporations	442,656,855	20.86%
MBK GP IV, Inc. ⁽²⁾	Interest in controlled corporations	442,656,855	20.86%
MBK Partners Fund IV, L.P. ⁽²⁾	Interest in controlled corporations	442,656,855	20.86%

Name	Capacity	Number of Shares	Approximate percentage of shareholding
MBK Partners GP IV, L.P. ⁽²⁾	Interest in controlled corporations	442,656,855	20.86%
MBK Partners JC IV GP, Inc. ⁽²⁾	Interest in controlled corporations	442,656,855	20.86%
MBK Partners JC IV GP, L.P. ⁽²⁾	Interest in controlled corporations	442,656,855	20.86%
MBK Partners JC IV, L.P. ⁽²⁾	Interest in controlled corporations	442,656,855	20.86%
UBS AG ⁽³⁾	Beneficial owner	111,296,442	5.24%
UBS O'Connor LLC ⁽³⁾	Beneficial owner	18,855,000	0.89%
UBS Group AG ⁽³⁾	Interest in controlled corporations	130,151,442	6.13%

Notes:

- (1) Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), Grand Union Investment Fund, L.P. 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 Corporation. Legion Elite Limited is a wholly-owned subsidiary of Right Lane Limited. Thus, Legend Holdings Corporation and Right Lane Limited were deemed to be interested in 562,668,025 Shares and 915,000 Shares held by Grand Union Investment Fund, L.P. and Legion Elite Limited respectively. Infinity Wealth Limited was deemed to be interested in 562,668,025 Shares held by Grand Union Investment Fund, L.P..
- (2) Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), the Offeror is an indirect wholly-owned subsidiary of Indigo Glamour Holdings Limited. Indigo Glamour Holdings Limited is wholly-owned by MBK Partners JC IV, L.P. In respect of MBK Partners JC IV, L.P. (which indirectly owns 100% of the Offeror): (i) Michael ByungJu Kim controls MBK GP IV, Inc., which in turn controls MBK Partners GP IV, L.P. which in turn controls MBK Partners Fund IV, L.P., which is the sole limited partner of MBK Partners JC IV, L.P.; and (ii) Teck Chien Kong controls MBK Partners JC IV GP, Inc., which in turn controls MBK Partners JC IV GP, L.P., which in turn controls MBK Partners JC IV, L.P. Thus, Michael ByungJu Kim, Teck Chien Kong, MBK GP IV, Inc., MBK Partners Fund IV, L.P., MBK Partners GP IV, L.P., MBK Partners JC IV GP, Inc., MBK Partners JC IV GP, L.P., MBK Partners JC IV, L.P. and Indigo Glamour Holdings Limited were deemed to be interested in 442,656,855 Shares held by the Offeror.
- (3) Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), UBS AG and UBS O'Connor LLC are both wholly-owned subsidiaries of UBS Group AG. Thus, UBS Group AG was deemed to be interested in 111,296,442 Shares and 18,855,000 Shares held by UBS AG and UBS O'Connor LLC, respectively.

Long position in the underlying Shares – unlisted derivatives (convertible instruments)

Name	Capacity in which interests were held	Number of underlying shares in respect of the convertible instruments	Total interests as to % of the total number of Shares in issue as at the Latest Practicable Date (approximately)
CB Investor ⁽¹⁾	Beneficial Owner	339,062,500	15.98%
Michael ByungJu Kim ⁽¹⁾	Interest in controlled corporations	339,062,500	15.98%
MBKSS GP I, Inc. ⁽¹⁾	Interest in controlled corporations	339,062,500	15.98%
MBK Partners Special Situations GP I, L.P. ⁽¹⁾	Interest in controlled corporations	339,062,500	15.98%
MBK Partners Special Situations I, L.P. ⁽¹⁾	Interest in a controlled corporation	339,062,500	15.98%
British Columbia Investment Management Corporation ⁽²⁾	Interest in controlled corporations	339,062,500	15.98%

Notes:

- (1) Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), the CB Investor is indirectly wholly-owned by MBK Partners Special Situations I, L.P. MBK Partners Special Situations I, L.P. is controlled by MBK Partners Special Situations GP I, L.P., which is controlled by MBKSS GP I, Inc., which in turn is controlled by Michael ByungJu Kim. Thus, MBK Partners Special Situations I, L.P., MBK Partners Special Situations GP I, L.P., MBKSS GP I, Inc. and Michael ByungJu Kim were deemed to be interested in 339,062,500 underlying shares in respect of convertible instruments of the Company held by the CB Investor.
- (2) Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), the CB Investor is indirectly wholly-owned by MBK Partners Special Situations I, L.P., which, in turn, is owned by bcIMC PEPL 2017 WSAF Inc. and bcIMC PEPL 2017 Inc. in the proportions of 5.54% and 32.69% respectively. bcIMC PEPL 2017 WSAF Inc. and bcIMC PEPL 2017 Inc. are wholly-owned by British Columbia Investment Management Corporation. Thus, British Columbia Investment Management Corporation, bcIMC PEPL 2017 Inc., bcIMC PEPL 2017 WSAF Inc. and MBK Partners Special Situations I, L.P. were deemed to be interested in 339,062,500 underlying shares in respect of convertible instruments of the Company held by the CB Investor.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any party who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the proposed Directors of the Company was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

(c) Other Interests

As at the Latest Practicable Date, save as disclosed in sections 3(a) and (b) above:

- (a) None of the Offeror and the Offeror Concert Parties had any interest in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (b) None of the Directors were interested in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (c) The sole director of the Offeror was not interested in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (d) No subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (e) There was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person.
- (f) No fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis; and
- (g) Neither the Company nor any Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares save for any borrowed shares which have been either on-lent or sold.

4. INDICATION AS TO ACCEPTANCE

As at the Latest Practicable Date, (i) Mr. Sam Hanhui Sun, an independent non-executive Director holding 510,000 Shares, has indicated that he will accept the Share Offer in respect of his shareholding in the Company; and (ii) Ms. Yifan Song, the executive Director holding 23,322,548 Options, has indicated that she will accept the Option Offer in respect of her Options.

As at the Latest Practicable Date, save for Mr. Sam Hanhui Sun and Ms. Yifan Song, no Director held any Shares or Options.

5. DISCLOSURE OF INTEREST IN OFFEROR'S SHARES

As at the Latest Practicable Date, the Company did not own or control, and no Director had any interest, in any shares or any convertible securities, warrants, options or derivatives in respect of any shares in the Offeror.

6. DEALINGS IN SECURITIES

(a) During the Relevant Period:

- (i) Save for the UCAR Share Sale and the Convertible Bonds, neither the Offeror, director of the Offeror nor any of the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (ii) No person who had irrevocably committed themselves to accept or reject the Offers had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (iii) None of the Offeror and the Offeror Concert Parties who had borrowed or lent the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for any borrowed Shares which had been either on-lent or sold, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

- (iv) Save as disclosed in this sub-paragraph, no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and

Transfer Date	Name of Director	Number of Shares bought (sold)	Transfer price per Share (HK\$)			On exchange/ off exchange
			Average	Lowest	Highest	
10 June 2020 (Note)	Ms. Yifan Song (an executive Director)	(38,498,464)	2.14	N/A	N/A	Off exchange

Note: Upon transfer of the 38,498,464 Shares to a third party on 10 June 2020, the options under the financing arrangement in respect of such Shares have also been cancelled.

- (v) Neither the Company nor any of the Directors had dealt for value in any shares or any convertible securities, warrants, options or derivatives in respect of any shares in the Offeror.

(b) During the Offer Period and up to the Latest Practicable Date:

- (i) No subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (ii) Except for the Irrevocable Undertaking and the UCAR Share Sale, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (iii) No fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

7. ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date:

- (a) There was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offers.
- (b) There was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.
- (c) No agreement or arrangement existed between the Offeror and any person which relate to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to its offer and the consequences of its doing so; and
- (d) Except for the Irrevocable Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any Offeror Concert Party or any other person on the one hand, and any Director, recent Director, Shareholder or recent Shareholder on the other hand, having any connection with or conditional on or dependent upon the outcome of the Offer.

8. DIRECTORS' SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

Name	Date of letter of appointment	Expiry date of letter of appointment	Position and Employer	Remuneration
Ms. Yifan Song	11 April 2019	10 April 2022	Executive Director, the Company	Remuneration is determined by the Board with reference to the Director's duties, responsibilities and performance and the results of the Group

Name	Date of letter of appointment	Expiry date of letter of appointment	Position and Employer	Remuneration
Mr. Linan Zhu	16 May 2020	15 May 2023	Non-executive Director, the Company	Remuneration is determined by the Board with reference to the Director's duties, responsibilities and performance and the results of the Group
	1 January 2020	the annual general meeting where the third board of directors of Legend Holdings Corporation is elected	Non-executive director, Legend Holdings Corporation ¹	Remuneration is negotiated between the employer and Mr. Linan Zhu and approved by the general meeting
	13 August 2014	the date of 2023 annual general meeting of Lenovo Group Limited	Non-executive director, Lenovo Group Limited ²	Remuneration is determined by the board of Lenovo Group Limited
Mr. Leping Yan	12 June 2020	11 June 2023	Non-executive Director, the Company	Remuneration is determined by the Board with reference to the Director's duties, responsibilities and performance and the results of the Group
	14 October 2019	13 October 2022	Assistant president, Legend Holdings Corporation ¹	Remuneration is determined by Legend Holdings Corporation
Mr. Hongfei Yu	15 December 2020	14 December 2023	Non-executive Director, the Company	Not entitled to receive any director's remuneration
Mr. Xuan Yan	15 December 2020	14 December 2023	Non-executive Director, the Company	Not entitled to receive any director's remuneration

Name	Date of letter of appointment	Expiry date of letter of appointment	Position and Employer	Remuneration
Mr. Stephen Le Ee Boon	15 January 2021	14 January 2024	Non-executive Director, the Company	Not entitled to receive any director's remuneration
Mr. Sam Hanhui Sun	19 August 2020	18 August 2023	Independent non-executive Director, the Company	Fixed annual remuneration of US\$100,000 ³
Mr. Wei Ding	19 August 2020	18 August 2023	Independent non-executive Director, the Company	Fixed annual remuneration of US\$100,000 ³
Mr. Li Zhang	27 February 2018	26 February 2021	Independent non-executive Director, the Company	Fixed annual remuneration of US\$100,000 ³

Notes:

1. Legend Holdings Corporation is a listed company on the Stock Exchange (stock code: 3396) and an associated company (as defined in the Takeovers Code) of the Company.
2. Lenovo Group Limited is a listed company on the Stock Exchange (stock code: 992) and an associated company (as defined in the Takeovers Code) of the Company.
3. In consideration of the workload and work complexity of each Independent Non-executive Director, in August 2020, the Board approved an increase in the remuneration of Mr. Sam Hanhui Sun of US\$10,000 and an increase in the remuneration of Mr. Wei Ding and Mr. Li Zhang, of US\$6,000 for the third quarter and the fourth quarter of 2020.

9. MARKET PRICES

The table below shows the closing price per Share as quoted on the Stock Exchange on (a) the Latest Practicable Date; (b) the Last Trading Day (being the last trading date immediately preceding the date of the Announcement); and (c) the last trading date at or before the end of each of the calendar months during the Relevant Period.

Date	Closing price per Share HK\$
29 May 2020	1.80
30 June 2020	2.33
31 July 2020	2.35
31 August 2020	2.47
30 September 2020	2.50
30 October 2020	2.48
12 November 2020	3.25
13 November 2020, being the Last Trading Day	3.39
30 November 2020	3.77
31 December 2020	3.74
29 January 2021, being the Latest Practicable Date	3.99

10. HIGHEST AND LOWEST SHARE PRICE

During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK\$3.99 per Share on 29 January 2021, and the lowest closing price of Shares as quoted on the Stock Exchange was HK\$1.73 per Share on 26 May 2020.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

12. CONTACT DETAILS IN THE EVENT OF FURTHER QUERIES

If you have any queries regarding the Offers, please reach out via the following ways:

by phone: (852) 3468 8427
(852) 6992 8984
(852) 6679 7008
(86) 177 2150 8561
(86) 173 2875 1725
Working hours: Monday to Friday, 09:30-19:00
(GMT+8)

by email: investorinfo@everbloom.com.cn

For the avoidance of doubt, the designated phone lines or email account cannot and will not (i) provide any information not available in the public domain nor any advice on the merits or risks of the Offers or (ii) give any financial or legal advice. If you are in doubt as to any aspect of this Composite Document or action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

13. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts entered into by the Company or any of its subsidiaries after the date which was two years before commencement of the Offer Period up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries:

- (a) the subscription agreement dated 3 December 2020 entered into between the Company and CB Investor pursuant to which, the Company conditionally agreed to issue, and CB Investor agreed to subscribe for, or procure other investors to subscribe for, the convertible bonds of the Company in the aggregate principal amount of US\$175 million, details of which are set out in the announcement of the Company dated 3 December 2020 and the Convertible Bonds Circular, and the supplemental agreement entered into between the Company and CB Investor dated 16 December 2020; and
- (b) the purchase agreement dated 7 May 2019 entered into between the Company, China International Capital Corporation Hong Kong Securities Limited and Credit Suisse (Hong Kong) Limited in connection with the issue of the 8.875% senior notes due 2022 in the aggregate principal amount of US\$200 million by the Company, details of which are set out in the announcement of the Company dated 8 May 2019.

As at the Latest Practicable Date, there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

14. EXPERTS AND CONSENTS

The following are the qualifications of the experts which have given advice which is contained in this Composite Document:

Name	Qualification
Goldman Sachs	a company incorporated in Delaware with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
J.P. Morgan	a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
Halcyon Capital Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee on the Offers

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of the opinions, reports and/or letters and/or the references to its name and/or opinions, reports and/or letters in the form and context in which they respectively appear.

15. MISCELLANEOUS

The registered office of the Offeror is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The correspondence address of the Offeror is at Suite 1707-1708, One Exchange Square, 8 Connaught Place, Central, Hong Kong.

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Financial Advisers are making the Offers for and on behalf of the Offeror. The address of Goldman Sachs is at 68/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong. The address of J.P. Morgan is at 28/F Chater House, 8 Connaught Road Central, Hong Kong. The Independent Financial Adviser is Halcyon Capital Limited whose address is at 11/F, 8 Wyndham Street, Central, Hong Kong.

The branch share registrar and transfer office of the Company is Tricor Investor Services Limited whose address is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

As at the Latest Practicable Date, the Offeror had no agreement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offers to any other persons.

The Offeror confirms that it does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Group.

In case of inconsistency, the English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours between 9:00 a.m. and 5:30 p.m. (except public holidays) at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong; (ii) on the website of the Company at www.zuche.com; and (iii) on the website of the SFC at www.sfc.hk from the date of this Composite Document until the end of the Offer Period:

- (1) the memorandum and articles of association of the Offeror;
- (2) the memorandum and articles of association of the Company;
- (3) the annual reports of the Company for the two financial years ended 31 December 2018 and 31 December 2019, respectively;
- (4) the letter from Goldman Sachs and J.P. Morgan, the text of which is set out on pages 9 to 23 of this Composite Document;
- (5) the letter from the Board, the text of which is set out on pages 24 to 31 of this Composite Document;
- (6) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this Composite Document;

- (7) the letter from Halcyon Capital Limited, the text of which is set out on pages 34 to 73 of this Composite Document;
- (8) the service contracts as referred to in the section headed “Directors’ Service Contracts” in this Appendix III;
- (9) the written consents as referred to in the section headed “Experts and Consents” in this Appendix III;
- (10) the material contracts referred to in the section headed “Material Contracts” in this Appendix III; and
- (11) the Irrevocable Undertaking.

The following is the form of the Option Offer Letter being sent to the Optionholders in connection with the Option Offer.

**Goldman
Sachs**

Goldman Sachs (Asia) L.L.C.

J.P.Morgan

**J.P. Morgan Securities
(Asia Pacific) Limited**

1 February 2021

To the Optionholders

Dear Sir or Madam,

OPTION OFFER

**IN RELATION TO THE CONDITIONAL VOLUNTARY
GENERAL CASH OFFER BY THE FINANCIAL ADVISERS ON BEHALF OF
INDIGO GLAMOUR COMPANY LIMITED TO ACQUIRE
ALL OF THE ISSUED SHARES OF CAR INC. AND FOR THE
CANCELLATION OF ALL OF THE OUTSTANDING OPTIONS OF CAR INC.**

A composite offer and response document dated the same date as this letter jointly issued by Indigo Glamour Company Limited (the “**Offeror**”) and CAR Inc. (the “**Company**”) (the “**Composite Document**”) is enclosed with this letter. Terms used but not defined in this letter shall have the same meanings and construction as in the Composite Document. This letter should be read in conjunction with the Composite Document and the **PINK** Form of Option Offer Acceptance.

The Offeror and the Company issued a joint announcement dated 13 November 2020 (the “**Joint Announcement**”) which stated that, among others, Goldman Sachs and J.P. Morgan, on behalf of the Offeror, intended to make a voluntary conditional cash offers (i) to acquire all of the outstanding Shares in the issued share capital of the Company held by the Qualifying Shareholders; and (ii) to cancel all of the outstanding Options. As stated in the Joint Announcement, as part of the Offers, the Offeror would make an appropriate offer, namely the Option Offer, to the Optionholders for the cancellation of all outstanding Options in accordance with Rule 13 of the Takeovers Code. The Option Offer will be subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

This letter explains the actions you may take in relation to your outstanding Options. You are advised to refer to the Composite Document and the **PINK** Form of Option Offer Acceptance when considering them.

Your attention is also drawn to the terms and conditions of the Share Option Schemes.

TERMS OF THE OPTION OFFER

In accordance with Rule 13 of the Takeovers Code and on behalf of the Offeror, we are making the Option Offer to you at the Option Cancellation Price in cash for the cancellation of every Option, pursuant to Rule 13 of the Takeovers Code.

The Option Cancellation Price represents the difference between the exercise price of the Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Post-IPO Options is above the Share Offer Price, the outstanding Post-IPO Options are out-of-money and the Option Cancellation Price for the cancellation of each outstanding Post-IPO Option is set at a nominal value of HK\$0.001. As the Pre-IPO Tranche A Options, Pre-IPO Tranche B Options, and Pre-IPO Tranche C Options have their exercise prices in US\$, the cancellation price is determined on the basis of a US\$ to HK\$ exchange rate of US\$1:HK\$7.7537, being the spot rate quoted at 5:00 p.m. on the Last Trading Day on Bloomberg.

Pre-IPO Share Option Scheme

Option exercise price per Share (US\$)	Option Cancellation Price per Share (unless otherwise indicated) (HK\$)	Number of Options as at the Latest Practicable Date (each carrying the right to subscribe for one new Share)	Exercise period of the Options (dd/mm/yyyy)
0.058	3.550	6,049,090	20/12/2013 to 20/12/2023
0.174	2.651	10,199,316	20/12/2013 to 20/12/2023
0.174	2.651	8,714,190	31/07/2014 to 31/07/2024

Post-IPO Share Option Scheme

Option exercise price per Share (HK\$)	Option Cancellation Price per Share (unless otherwise indicated) (HK\$)	Number of Options as at the Latest Practicable Date (each carrying the right to subscribe for one new Share)	Exercise period of the Options (dd/mm/yyyy)
6.360	0.001	102,241,408	18/10/2019 to 18/10/2029

As at the Latest Practicable Date, all Options granted under the Pre-IPO Share Option Scheme are currently exercisable.

Pursuant to the terms of the Post-IPO Share Option Scheme, if the Share Offer is made and becomes unconditional, holders of the Post-IPO Options will be entitled to exercise such Options in full (to the extent not already exercised) no later than 4:00 p.m. (Hong Kong time) on the Offer Closing Date and any Options not so exercised will lapse (following which the holder of such Options will not be able to accept the Option Offer in respect of such Options).

As disclosed in the “Expected Timetable” in the Composite Document, the first possible Offer Closing Date (being the First Closing Date) is 22 February 2021. Further announcement(s) will be made in the event that there is any change to the Offer Closing Date.

The Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. The Conditions are set out in the section headed “Conditions to the Offers” in the “Letter from Goldman Sachs and J.P. Morgan” in the Composite Document. In addition, all payments in respect of the Option Cancellation Price will be made by cheques in Hong Kong dollars (unless otherwise agreed between the Offeror and the relevant Optionholder(s)).

You are further advised to refer to the sections headed “Overseas Qualifying Shareholders and Overseas Optionholders” and “Hong Kong stamp duty and taxation” in the “Letter from Goldman Sachs and J.P. Morgan” in the Composite Document, and the section headed “Nominee Registration” in “Appendix I – Further Terms and Procedures for Acceptance of the Offers” to the Composite Document.

Your attention is drawn to the “Letter from the Independent Board Committee” to the Qualifying Shareholders and the Optionholders set out in this Composite Document and the “Letter from the Independent Financial Adviser” set out in this Composite Document, which contain the recommendations of the Independent Board Committee and of the Independent Financial Adviser, respectively, in relation to the Offers.

COURSES OF ACTION AVAILABLE TO THE OPTIONHOLDERS

You may take any of the following courses of action with respect to your outstanding Options:

- (a) to the extent any of your outstanding Options are not exercised on or prior to the Offer Closing Date, you may accept the Option Offer in accordance with its terms (as set out in this Composite Document and the **PINK** Form of Option Offer Acceptance) and receive the Option Cancellation Price (if the Offers become or are declared unconditional in all respects) by returning the duly completed and signed **PINK** Form of Option Offer Acceptance enclosed together with the relevant document(s) as soon as possible and in any event by no later than 4:00 p.m. (Hong Kong time) on the Offer Closing Date to the company secretary of the Company at

3F, Block B, Lead International Building, 2A Zhonghuan South Road, Wangjing, Chaoyang District, Beijing, the PRC, marked “CAR Inc. – Option Offer, Attention: Investor Relations” on the envelope;

- (b) you may in accordance with the terms of the Share Option Schemes exercise some or all of your outstanding vested Options (to the extent not already exercised), by submitting a notice for exercising the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to the company secretary of the Company no later than 4:00 p.m. (Hong Kong time) on the Offer Closing Date, and the Shares issued as a result of the exercise of such Options will be subject to and eligible to participate in the Share Offer. Please refer to the Composite Document for the details of the Share Offer and the acceptance thereof; or
- (c) you may do nothing, and in which case, if the Offers become unconditional in all respects, your unexercised Options will lapse automatically after the Offer Closing Date and you will not receive the Option Cancellation Price.

Each outstanding Option you hold is independent and you should make a separate decision for each one.

For further details, please refer to the remaining sections of this letter, the Composite Document, the **PINK** Form of Option Offer Acceptance and the terms and conditions of the Share Option Schemes.

LAPSED OPTIONS

Please note that nothing in this letter or the Composite Document serves to extend the life of an Option which has lapsed or will lapse under the terms of the Share Option Schemes. You cannot exercise or accept the Option Offer in respect of an Option once it lapses.

PROFESSIONAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

If you are in any doubt as to any aspect of this letter, the Composite Document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

GENERAL

- (a) All communications, notices, the **PINK** Form of Option Offer Acceptance, cheques, certificates and other documents of any nature, if delivered by or sent to or from you as an Optionholder or your designated agents by post, shall be posted at your own risk, and none of the Offeror, the Company, the Financial Advisers or any of their respective directors, the Share Registrar and other parties involved in the Offers or any of their respective agents accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in this Composite Document and the **PINK** Form of Option Offer Acceptance form part of the terms of the Option Offer.
- (c) The Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (d) The due execution of a **PINK** Form of Option Offer Acceptance in respect of the Option Offer will constitute an authority to the Offeror, Goldman Sachs, J.P. Morgan or such person(s) as any of them may direct (i) to complete on behalf of the accepting Optionholder the **PINK** Form of Option Offer Acceptance and any other document(s) and (ii) to do any other act that may be necessary or expedient for the purpose of cancelling all rights of the Optionholders in respect of the outstanding Options which are the subject of such acceptance.
- (e) By completing the **PINK** Form of Option Offer Acceptance in respect of a particular outstanding Option, you irrevocably authorise the Offeror, Goldman Sachs, J.P. Morgan and/or their respective agents to send a cheque for collection at the office of the Company in Hong Kong specified in the Composite Document.

ACTIONS TO BE TAKEN FOR ACCEPTING THE OPTION OFFER

In order to accept the Option Offer, you must deliver the duly completed and signed **PINK** Form of Option Offer Acceptance together with the relevant certificate(s), document(s) of title or entitlement in respect of the Options, and/or any other document(s) (if applicable) evidencing the grant of the Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) for your holding of Options (or if applicable, for not less than the number of Options in respect of which you intend to accept the Option Offer), by post or by hand, to the company secretary of the Company at 3F, Block B, Lead International Building, 2A Zhonghuan South Road, Wangjing, Chaoyang District, Beijing, the PRC marked "CAR Inc. – Option Offer, Attention: Investor Relations" on the envelope so as to reach the company secretary of the Company as soon as possible but in any event by 4:00 p.m. (Hong Kong time) on the Offer Closing Date. If you do not return a duly completed and signed **PINK** Form of Option Offer Acceptance or exercise your Options by 4:00 p.m. (Hong Kong time) on the Offer Closing Date, subject to and conditional upon the Offers becoming unconditional in all respects, your outstanding Options (whether vested or unvested) will lapse automatically after the Offer Closing Date.

Before delivering the **PINK** Form of Option Offer Acceptance to the company secretary of the Company, please ensure that you have signed the **PINK** Form of Option Offer Acceptance and that your signature has been witnessed.

Payment of the Option Cancellation Price is expected to be made within seven (7) Business Days following the later of (i) the date on which the Offers become or are declared unconditional in all respects; and (ii) the date of receipt of the duly completed **PINK** Form of Option Offer Acceptance and all relevant document(s) by the company secretary to render such acceptance, surrender and cancellation under the Option Offer valid.

No acknowledgment of receipt of any **PINK** Form of Option Offer Acceptance and/or Options relevant certificate(s) (if applicable) and/or any other document(s) evidencing the grant of the outstanding Options and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this letter relating to the Group and the Directors and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter by the Company or the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this letter the omission of which would make any statement in this letter misleading.

(a) Mr. Kenichiro Kagasa, being the sole director of the Offeror, and (b) Mr. Michael ByungJu Kim, being the sole director of MBK GP IV, Inc. (the general partner of the limited partnership which wholly owns the Offeror), jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Group and the Directors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

Yours faithfully,
For and on behalf of
Goldman Sachs (Asia) L.L.C.
Raghav Maliah Weigang Li
Managing Director Managing Director

Yours faithfully,
For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited
David Pak Wai Lau
Managing Director

Goldman Sachs (Asia) L.L.C. is a company incorporated in Delaware with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.

J.P. Morgan Securities (Asia Pacific) Limited is a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO.