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CAR Inc.

神州租車有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 699)

2020 ANNUAL RESULTS ANNOUNCEMENT

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

2020 ANNUAL RESULTS HIGHLIGHTS

- For the year ended 31 December 2020, car rental revenue was RMB3,755 million, compared with RMB4,917 million for the same period last year. For the six months ended 31 December 2020, car rental revenue was RMB2,105 million, representing an increase of 28% over the first half of 2020.
- For the year ended 31 December 2020, revenue from sales of used vehicles was RMB2,131 million, compared with RMB2,132 million for the same period last year. For the six months ended 31 December 2020, revenue from sales of used vehicles was RMB1,179 million, representing an increase of 24% over the first half of 2020.
- For the year ended 31 December 2020, Adjusted EBITDA was RMB2,019 million, compared with RMB3,464 million for the same period last year. For the six months ended 31 December 2020, adjusted EBITDA was RMB1,202 million, representing an increase of 47% over the first half of 2020.
- For the year ended 31 December 2020, free cash flow was an inflow of RMB4,929 million, compared with RMB1,516 million for the same period last year. For the six months ended 31 December 2020, free cash flow was an inflow of RMB2,997 million, representing an increase of 55% over the first half of 2020.
- As at 31 December 2020, total debt to adjusted EBITDA was 3.3x, compared with 4.3x as of 31 December 2019.
- As at 31 December 2020, net debt to adjusted EBITDA was 2.2x, compared with 2.6x as of 31 December 2019.
- In the fourth quarter of 2020, 99% of the car rental reservations were made through the Company’s mobile APP.
- In December 2020, self-served transactions accounted for 91% of the total transactions.

I. BUSINESS OVERVIEW

2020 ended with a promising start. Towards the end of 2020, the Company moved several big steps ahead. The Company ultimately brought in a reputable shareholder and subsequently raised a sizeable funding to strengthen liquidity. In December 2020, MBK Partners, through its affiliate Indigo Glamour Company Limited (the “Offeror”), completed the acquisition of approximately 21% of the total issued share capital of the Company. In the following month, Mcqueen SS Ltd., an affiliate of MBK Partners, subscribed for an aggregate of USD175 million convertible bonds of the Company. The two milestones signalled a reboot of the Company after the prolonged impact of novel coronavirus (“COVID-19”) and uncertainty of shareholding structure.

Despite the periodic disruption of mobility activities by the outbreak of COVID-19 throughout 2020 and the normal seasonal declines in the fourth quarter, the Company experienced an increasing pace of recovery in the second half of the year. During the Reporting Period, the Company recorded a recovered adjusted EBITDA of approximately RMB2,019 million, RMB1,202 million of which was generated in the second half of 2020, representing an increase of 47.2% as compared with that in the first half of 2020. Rental revenue and revenue from sales of used vehicles also showed a meaningful rebound at the same time. For the six months ended 31 December 2020, rental revenue was RMB2,187 million, representing an increase of 21.1% over the first half of 2020, revenue from sales of used vehicles was RMB1,179 million, representing an increase of 23.8% over the first half of 2020. In 2020, the Company generated a record high inflow of free cash flow of RMB4,929 million, safeguarding the Company against the outbreak of the COVID-19 pandemic and temporal financing limitations resulted from delicate shareholding structure at the time. In the difficult year of 2020, the Company has repaid all interests and maturities on time, and proactively communicated with lenders from time to time to prepay loans before maturities in a manageable manner to relieve lenders’ concerns in order to support long term relationship. During the Reporting Period, the Company repaid a total of over RMB8 billion to lenders.

Looking back to the year of 2020, since early 2020, the outbreak of COVID-19 has caused an unprecedented decline in rental demand, which materially affected the Company’s business performance. For the year of 2020, the Company’s total revenue, which includes rental revenue and revenue from sales of used vehicles, was RMB6,124 million, representing a decrease of 20.4% year-over-year. During the Reporting Period, the Company recorded a net loss of RMB4,163 million, compared with a net profit of RMB31 million during the year ended 31 December 2019, mainly due to a decrease of 28.2% in rental revenue to RMB3,994 million, mostly attributed to the outbreak of COVID-19, the significant impairments of (a) the equity investment in UCAR Inc. (“UCAR”) of approximately RMB2,801 million; (b) trade receivables from related parties and other customers, who were mostly customers leasing vehicles from the Company, of approximately RMB593 million; (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 main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), stock code: 729, “FDG”) of approximately RMB86 million; and (d) adjustment of approximately RMB499 million of the residual values of all vehicles manufactured by Beijing Borgward Auto Co., Ltd. (“Borgward”).

During the Reporting Period, car rental revenue was RMB3,755 million, representing a decrease of 23.6% year-over-year due to the significant impact of the outbreak of COVID-19. ADRR decreased by 13.8% year-over-year to RMB181, as a result of pricing initiatives to stimulate demand. Utilization rate was 53.3% due to weak demand as a result of the outbreak of COVID-19. Digital and paperless operations have continued to evolve. In December 2020, the Company's self-served transactions increased to 91% of total reservations. In the fourth quarter, 99% of the Company's car rental reservations were made through the Company's mobile APP.

As at 31 December 2020, the total fleet size was 109,688⁽¹⁾. During the Reporting Period, the Company disposed of 38,378 used vehicles, compared with 29,203 vehicles for the same period of 2019. The sales of used vehicles generated a revenue of RMB2,131 million. The cost-to-sales ratio of used vehicles was 103.7%.

II. STRATEGIC HIGHLIGHTS

Since the outbreak of COVID-19 in early 2020, the government of the People's Republic of China (the "PRC") has continued to implement a variety of measures to contain the spread of COVID-19, including travel restrictions, quarantine advisories, required closure of business units, practice of social distancing, etc. The strain of COVID-19 and the resulting economic conditions, coupled by financing constrains, have placed the Company in the most difficult time ever. Now this is all behind and the Company is ready to move in to a new year.

Sustaining the business through 2020 has proven that efficient asset management is a crucial protection to the Company. The proven track record of strong operation capability and cost discipline allowed the Company to react swiftly to different market conditions. Looking into 2021, the Company is committed to getting back on track to recovery, restoring stable business performance, and improving profitability.

On the operational side, the Company aims to increase revenue by optimizing pricing mechanism, new customer acquisition, and fleet network redeployment. On the cost end, the Company will focus on improving cost structure through further upgrade of used car sales program and control of costs. The Company will continue to focus on digitalization across various aspects, through developing various mobile APPs, i.e. the car rental APP to serve customers with hassle free experience, the Smart Assistant APP to increase the efficiency of store operation and management, and new APPs for other programs.

At the management level, the Company will introduce new incentive schemes to incentivise business performance, strengthen succession planning at each level to identify the best-fit talent for different positions, and further elevate corporate governance.

The health and safety of customers and staff will continue to be the Company's priority post COVID-19. Cleanliness and disinfection of rental facilities and vehicles are the top focuses of store operation. The Company will continue to enhance business performance while keeping customers and staff safe.

Note:

(1) The total fleet size was 109,688, including 5,000 vehicles leased from a financial institution.

On 4 March 2021, the Offeror and the Company jointly announced the closure of the conditional voluntary general cash offers (the “Offer”) to acquire all of the issued shares of the Company, after receiving a valid acceptance of approximately 92% of the disinterested shares in respect of the Offer. The acceptance results in the Offeror holding over 94% of the issued shares of the Company. Having MBK Partners as the controlling shareholder of the Company will bring the shareholding uncertainty (since April 2020) to an end, which in turn will help to stabilize the Company’s business operations and support positive views on the Company’s outlook and further strengthen the ability of the Company to meet its obligations.

III. MANAGEMENT DISCUSSION AND ANALYSIS

| | Year ended 31 December | | Year-over- |
|--|---|-------------|--------------------|
| | 2020 | 2019 | year change |
| | <i>(in RMB millions, except otherwise stated)</i> | | |
| Total rental revenue | 3,994 | 5,559 | (28.2)% |
| – Car rental | 3,755 | 4,917 | (23.6)% |
| – Fleet rental & others | 239 | 642 | (62.8)% |
| Net (loss)/profit | (4,163) | 31 | (13,529.0)% |
| Adjusted net (loss)/profit ⁽¹⁾ | (1,626) | 292 | (656.8)% |
| Adjusted net (loss)/profit margin ⁽²⁾ | (40.7)% | 5.3% | (46.0)pp |
| Adjusted EBITDA ⁽¹⁾ | 2,019 | 3,464 | (41.7)% |
| Adjusted EBITDA margin ⁽²⁾ | 50.6% | 62.3% | (11.7)pp |
| Free cash flow ⁽¹⁾ | 4,929 | 1,516 | 225.1% |

Notes:

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

1. Revenues and Profitability Analysis

Rental revenue

| | Year ended 31 December | | Year-over- |
|------------------------------|---|------------------|----------------|
| | 2020 | 2019 | year change |
| | RMB | RMB | |
| | <i>(in thousands, except percentages)</i> | | |
| Car rental revenue | 3,755,109 | 4,916,440 | (23.6)% |
| Fleet rental & other revenue | 238,670 | 642,262 | (62.8)% |
| Total rental revenue | 3,993,779 | 5,558,702 | (28.2)% |

Car rental metrics

| | FY'19 | FY'20 | 1Q'19 | 2Q'19 | 3Q'19 | 4Q'19 | 1Q'20 | 2Q'20 | 3Q'20 | 4Q'20 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| Average daily fleet ⁽¹⁾ | 111,636 | 105,769 | 103,384 | 109,047 | 118,104 | 115,799 | 113,325 | 108,147 | 105,382 | 96,332 |
| ADRR ⁽²⁾ (RMB) | 210 | 181 | 226 | 208 | 213 | 193 | 176 | 157 | 195 | 196 |
| Utilization rate ⁽³⁾ (%) | 57.5% | 53.3% | 60.4% | 60.2% | 60.0% | 50.1% | 48.4% | 50.0% | 56.9% | 58.8% |
| RevPAC ⁽⁴⁾ (RMB) | 121 | 97 | 136 | 125 | 128 | 97 | 85 | 79 | 111 | 115 |

Notes:

- (1) Average daily car rental fleet is calculated by dividing the aggregate days of our car rental vehicles in operation in a given period by the aggregate days of that period. "Car rental vehicles in operation" refers to our entire car rental fleet, including those temporarily unavailable for customer use due to repair or maintenance and those that are being transported.
- (2) Average daily rental rate or ADRR is calculated by dividing our car rental revenue in a given period by the rental days in that period. Rental days are the total rental days for all vehicles in our car rental fleet in a given period.
- (3) Car utilization rate is calculated by dividing the aggregate days that our vehicles are rented out for car rentals by the aggregate days that our car rental vehicles are in operation.
- (4) RevPAC refers to average daily rental revenue per car rental vehicle, which is calculated by multiplying the average daily rental rate in a given period by the car utilization rate in that same period.

The Company's total rental revenue decreased by 28.2% year-over-year to RMB3,993.8 million for the year ended 31 December 2020.

- **Car rentals.** Revenue from car rentals decreased by 23.6% year-over-year to RMB3,755.1 million for the year ended 31 December 2020, mainly due to the decrease in RevPAC as a result of the outbreak of COVID-19. The car utilization rate was 53.3%, compared with 57.5% for the year ended 31 December 2019, mainly due to the sharp decline in rental demand in the first half of 2020, which recovered steadily in the second half of 2020. During the Reporting Period, the average daily fleet decreased by 5.3% year-over-year to 105,769.
- **Fleet rentals and others.** Revenue from fleet rentals and others decreased by 62.8% year-over-year to RMB238.7 million for the year ended 31 December 2020, mainly due to the decrease in fleet rented by UCAR.

Depreciation of rental vehicles and direct operating expenses of rental services

| | Year ended 31 December | | | |
|--|---|---------------------|------------------|---------------------|
| | 2020 | % of rental revenue | 2019 | % of rental revenue |
| | RMB | | RMB | |
| | <i>(in thousands, except percentages)</i> | | | |
| Depreciation of rental vehicles | 2,011,190 | 50.4% | 1,835,717 | 33.0% |
| Direct operating expenses | | | | |
| – Payroll costs | 388,201 | 9.7% | 501,314 | 9.0% |
| – Store expenses | 298,234 | 7.5% | 339,297 | 6.1% |
| – Insurance fees | 193,188 | 4.8% | 272,502 | 4.9% |
| – Repair and maintenance fees | 211,506 | 5.3% | 264,598 | 4.8% |
| – Fuel and transportation expenses | 96,041 | 2.4% | 124,602 | 2.2% |
| – Others | 281,386 | 7.0% | 327,132 | 5.9% |
| Total direct operating expenses | 1,468,556 | 36.8% | 1,829,445 | 32.9% |
| Total costs of rental business | 3,479,746 | 87.1% | 3,665,162 | 65.9% |

Depreciation of rental vehicles. Depreciation expenses increased by 9.6% to RMB2,011.2 million for the year ended 31 December 2020, mainly due to the decrease in the residual values of Borgward vehicles. The depreciation expenses as a percentage of rental revenue increased mainly as a result of (i) the decrease in car rental RevPAC due to the outbreak of COVID-19 (ii) the decreased residual value of Borgward vehicles.

Direct operating expenses of rental services. Total direct operating expenses decreased by 19.7% year-over-year to RMB1,468.6 million for the year ended 31 December 2020. The decrease was mainly due to the reduction of the social security contributions under the government's COVID-19 relief policy, reduced insurance fees and less repair and maintenance costs due to the outbreak of COVID-19. Total direct operating expenses as a percentage of rental revenue increased as a result of the decrease in car rental RevPAC due to the outbreak of COVID-19.

Sales of used vehicles (revenue & cost)

| | Year ended 31 December | |
|--|---|----------------------|
| | 2020 | 2019 |
| | <i>RMB</i> | <i>RMB</i> |
| | <i>(in thousands, except percentages)</i> | |
| Revenue from sales of used vehicles | 2,130,629 | 2,131,958 |
| Cost of sales of used vehicles | <u>2,209,908</u> | <u>2,188,531</u> |
| Cost as a % of revenue (sales of used vehicles) | <u>103.7%</u> | <u>102.7%</u> |
| Total number of used vehicles disposed | <u><u>38,378</u></u> | <u><u>29,203</u></u> |

The Company disposed of 38,378 used vehicles for the year ended 31 December 2020, compared with 29,203 used vehicles for the year ended 31 December 2019.

Cost of sales of used vehicles was 103.7% of revenue from the sales of used vehicles for the year ended 31 December 2020, compared with 102.7% for the year ended 31 December 2019.

Gross profit

| | Year ended 31 December | |
|---|---|-------------------------|
| | 2020 | 2019 |
| | <i>RMB</i> | <i>RMB</i> |
| | <i>(in thousands, except percentages)</i> | |
| Gross profit of rental business | 514,033 | 1,893,540 |
| <i>Gross profit margin of rental business</i> | 12.9% | 34.1% |
| Gross loss of sales of used vehicles | (79,279) | (56,573) |
| <i>Gross loss margin of sales of used vehicles</i> | <u>(3.7)%</u> | <u>(2.7)%</u> |
| Total gross profit | <u><u>434,754</u></u> | <u><u>1,836,967</u></u> |
| Total gross profit margin as a % of rental revenue | <u><u>10.9%</u></u> | <u><u>33.0%</u></u> |

Total gross profit margin as a percentage of rental revenue was 10.9% for the year ended 31 December 2020, compared with 33.0% for the year ended 31 December 2019, mainly due to the decrease in rental revenue as a result of the outbreak of COVID-19 and the increased depreciation as a result of the adjustment of residual values of Borgward vehicles, offset by decreased direct operating expenses.

Selling and distribution expenses

| | Year ended 31 December | | 2019 | |
|--------------------------|---|-------------|---------------|-------------|
| | 2020 | % of | RMB | % of |
| | | rental | | rental |
| | RMB | revenue | RMB | revenue |
| | <i>(in thousands, except percentages)</i> | | | |
| Payroll costs | 6,899 | 0.2% | 1,350 | 0.0% |
| Advertising expenses | 93,765 | 2.3% | 2,341 | 0.0% |
| Share-based compensation | 22 | 0.0% | 146 | 0.0% |
| Others | 27,206 | 0.7% | 23,918 | 0.5% |
| Total | 127,892 | 3.2% | 27,755 | 0.5% |

Selling and distribution expenses increased considerably to RMB127.9 million for the year ended 31 December 2020. As a percentage of rental revenue, selling and distribution expenses were 3.2% for the year ended 31 December 2020. The increase was mainly due to increased advertising and promotion activities to stimulate rental demand, including marketing on short video sharing platform, search engine marketing, etc, and increased payroll costs as a result of more marketing support needs.

Administrative expenses

| | Year ended 31 December | | 2019 | |
|--------------------------|---|--------------|----------------|--------------|
| | 2020 | % of | RMB | % of |
| | | rental | | rental |
| | RMB | revenue | RMB | revenue |
| | <i>(in thousands, except percentages)</i> | | | |
| Payroll costs | 354,397 | 8.9% | 345,965 | 6.2% |
| Office expenses | 74,099 | 1.9% | 47,960 | 0.9% |
| Rental expenses | 30,675 | 0.8% | 26,462 | 0.5% |
| Share-based compensation | 71,047 | 1.8% | 84,351 | 1.5% |
| Others | 831,947 | 20.8% | 102,691 | 1.8% |
| Total | 1,362,165 | 34.1% | 607,429 | 10.9% |

Administrative expenses was RMB1,362.2 million for the year ended 31 December 2020. As a percentage of rental revenue, administrative expenses increased by 23.2 percentage points year-over-year to 34.1%. The increase was mainly due to increased other expenses, including a total impairments of approximately RMB679.7 million on the trade receivables from UCAR and other customers, finance lease receivables, prepayment of the subscription price of the shares and convertible bonds to be issued by FDG.

The Company entered into a non-legally binding memorandum of understanding (the “MOU”) in respect of a possible subscription with FDG on 11 July 2018, and paid a prepayment of the possible subscription. But the subscription was not proceeded subsequently and the MOU lapsed and ceased to have any effect on 10 August 2019. During the Reporting Period, FDG experienced a sequences of liquidation events, and trading in the shares of FDG on the Stock Exchange has been suspended since 2 July 2020. Therefore, the Company is of the view that the chance of recovering the prepayment is low and therefore has recognized 100% impairment loss of the prepayment.

Other income and expenses, net

| | Year ended 31 December | |
|--|----------------------------------|-----------------------------|
| | 2020 | 2019 |
| | <i>(RMB in thousands)</i> | |
| Interest income | 48,352 | 81,449 |
| Unrealized exchange gain/(loss) related to USD-denominated liabilities | 330,192 | (150,031) |
| Realized exchange gain/(loss) | 24,349 | (8,214) |
| Government grants | 63,191 | 69,417 |
| Fair value changes on derivative instrument-transactions not qualifying as hedges | (3,666) | 56,588 |
| Fair value loss from investment in equity shares | (2,800,641) | (9,000) |
| Loss on disposal of items of other property, plant and equipment | (1,329) | (275) |
| Others | (11,628) | 7,980 |
| | <u> </u> | <u> </u> |
| Total | <u><u>(2,351,180)</u></u> | <u><u>47,914</u></u> |

Net loss was RMB2,351.2 million for the year ended 31 December 2020, compared with a net gain of RMB47.9 million for the year ended 31 December 2019. The net loss for the year of 2020 was mainly due to the fair value loss from equity investment in UCAR but offset by the unrealized exchange gain related to USD-denominated liabilities due to appreciation of RMB.

Finance costs. Finance costs decreased by 30.8% to RMB681.2 million for the year ended 31 December 2020 mainly due to decreased debt.

Loss before tax. Loss before tax was RMB4,092.5 million for the year ended 31 December 2020, compared with a profit before tax of RMB272.0 million for the year ended 31 December 2019. It was mainly due to the decreased car rental revenue as a result of the outbreak of COVID-19 and fair value loss from equity investment in UCAR.

Income tax expenses. Income tax expenses was RMB70.7 million for the year ended 31 December 2020, compared with RMB241.3 million for the year ended 31 December 2019.

Net loss. As a result of the aforementioned factors, the net loss was RMB4,163.1 million for the year ended 31 December 2020, compared with a net profit of RMB30.8 million for the year ended 31 December 2019.

Adjusted net loss. As a result of the aforementioned factors, adjusted net loss was RMB1,626.2 million for the year ended 31 December 2020, compared with a net profit of RMB292.3 million for the year ended 31 December 2019.

Adjusted EBITDA. Adjusted EBITDA was RMB2,019.3 million for the year ended 31 December 2020, and the adjusted EBITDA margin was 50.6% for the year ended 31 December 2020.

2. Financial Position

| | As at | |
|--|--------------------------|---------------------|
| | 31 December 2020 | 31 December 2019 |
| | <i>(RMB in millions)</i> | |
| Total assets | 12,103.9 | 24,633.0 |
| Total liabilities | 8,097.4 | 16,540.3 |
| Total equity | 4,006.5 | 8,092.7 |
| Cash and cash equivalents | 2,179.7 | 5,360.5 |
| Restricted cash | 11.9 | 523.8 |
| Total cash | <u>2,191.6</u> | <u>5,884.3</u> |
| Interest bearing bank and other borrowings – current | 871.3 | 3,554.4 |
| Interest bearing bank and other borrowings – non-current | 665.7 | 2,589.3 |
| Senior notes – current | 2,699.2 | 2,284.5 |
| Senior notes – non-current | 2,424.7 | 5,427.1 |
| Corporate bonds | – | 1,024.2 |
| Total debt | <u>6,660.9</u> | <u>14,879.5</u> |
| Net debt (total debt less total cash) | <u>4,469.3</u> | <u>8,995.2</u> |
| Total debt/adjusted EBITDA (times)⁽¹⁾ | 3.3x | 4.3x |
| Net debt/adjusted EBITDA (times)⁽¹⁾ | 2.2x | 2.6x |

Note:

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

Cash

As at 31 December 2020, the Company's total cash balance was RMB2,191.6 million, compared with RMB5,884.3 million as at 31 December 2019.

Trade receivables and due from a related party

Trade receivables were RMB57.4 million and RMB96.8 million as at 31 December 2020 and 31 December 2019, respectively.

Due from a related party, which relates to the receivables from UCAR and its affiliates, was RMB134.2 million and RMB443.9 million as at 31 December 2020 and 31 December 2019, respectively, the decrease was mainly due to the impairments on the trade receivables from UCAR.

The Company's impairment for UCAR was made for prudence as UCAR's business has been significantly affected due to the outbreak of COVID-19, resulting in an uncertainty in recovering the overdue receivables. Furthermore, since UCAR has not published its financial statements for the year of 2019, the first half of 2020 and the year of 2020, the Company is unable to access UCAR's financial conditions. The Company has maintained close communications with the senior management of UCAR to recover receivables and has taken the following measures to collect the overdue receivables from UCAR:

- The Company has consistently communicated with the senior management of UCAR to request for the payment of the receivables.
- Since the outbreak of COVID-19 in January 2020, the Company has followed up with UCAR closely to understand its status of operations and financial position, including but not limited to their current business status, relationship with creditors and refinancing and fund raising progress. UCAR also reconfirmed their intention to repay.
- The management is also aware that UCAR is also engaging in friendly negotiations with its creditors in connection with the payment schedule and the Company believes that, at this stage, commercial negotiation is a more appropriate approach to resolve the issue.

The Company will continue to monitor the business operation and financial position of UCAR closely and continuously assess all the options that could best resolve the issue.

Impairment of the equity investment in UCAR

UCAR has experienced significant decrease in its business and operations due to the outbreak of COVID-19 and change of operational environment during the Reporting Period. The Company is uncertain as to the recovery of UCAR's business. It may bring challenges to UCAR's going concern basis. Trading in the shares of UCAR on NEEQ (as defined below) was suspended on 1 July 2020. The closing price of the shares of UCAR immediately before the suspension was RMB2.25 per share. Trading in the shares of UCAR on NEEQ was resumed on 20 August 2020 with a closing price of RMB 1.06 per share, representing a decrease of 52.89% as compared with the closing price on the date of suspension of trading. The Company had also observed that the trading volume of UCAR was low and, under such circumstance, there is a low chance that the Company could dispose of its equity interest in UCAR in the stock market in near future. Therefore, in light of significant uncertainty of UCAR's operation, the Company has recognized 100% fair value loss on the equity investment in UCAR.

Capital expenditures

The majority of the Company's capital expenditures was RMB84.7 million on purchases of other property, plant and equipment, and other intangible assets during the Reporting Period. For the year ended 31 December 2020, the Company purchased rental vehicles valued at the amount of RMB14.2 million.

Borrowings

As at 31 December 2020, the Company had total debt of RMB6,660.9 million and net debt of RMB4,469.3 million, compared with RMB14,879.5 million and RMB8,995.2 million as at 31 December 2019, respectively. As at 31 December 2020, the current debt portion was RMB3,570.5 million, representing 53.6% of the total debt.

As at 31 December 2020, the gearing ratio of the Company was 37%, compared with the gearing ratio of 37% as at 31 December 2019. The gearing ratio is derived from dividing the net debt by total assets.

Foreign exchange risk management

As at 31 December 2020, the Company had no outstanding foreign exchange contract. The Company had entered into forward currency contracts with an aggregate contractual amount of US\$300.0 million, which has been settled in January 2020.

Free cash flow

The Company generated an inflow of RMB4,929.4 million free cash flow for the year ended 31 December 2020, compared with an inflow of RMB1,516.5 million for the same period of 2019 mainly due to the significant decrease in vehicles purchase, stable operation and efficient used car disposals.

IV. NON-IFRS FINANCIAL RECONCILIATION

| | For the year ended | |
|--|---|------------------|
| | 31 December | |
| | 2020 | 2019 |
| | <i>(RMB in thousands, except percentages)</i> | |
| A. Adjusted net (loss)/profit | | |
| Net (loss)/profit | (4,163,151) | 30,776 |
| Adjusted for: | | |
| Share-based compensation | 74,124 | 87,606 |
| Fair value changes on derivative instrument-transaction not qualifying as hedges | 3,666 | (56,588) |
| Fair value loss from investment in equity shares | 2,800,641 | 9,000 |
| Share of loss/(profit) of associates | 4,796 | (6,286) |
| Foreign exchange (gain)/loss | (354,541) | 158,245 |
| Finance costs (Senior notes exchange offer) | – | 69,513 |
| Impairment on investment in an associate | 8,306 | – |
| | <u>(1,626,159)</u> | <u>292,266</u> |
| Adjusted net (loss)/profit | <u>(1,626,159)</u> | <u>292,266</u> |
| Adjusted net (loss)/profit margin (as a percentage of rental revenue) | (40.7)% | 5.3% |
| B. Adjusted EBITDA | | |
| Reported EBITDA calculation | | |
| (Loss)/profit before tax | (4,092,476) | 272,043 |
| Adjusted for: | | |
| Finance costs | 681,197 | 983,940 |
| Interest income from bank deposit | (30,605) | (50,278) |
| Depreciation of rental vehicles | 2,011,190 | 1,835,717 |
| Depreciation of other property, plant and equipment | 53,932 | 64,728 |
| Depreciation of right-of-use assets (excluding depreciation of rental vehicles) | 144,018 | 158,840 |
| Amortization of other intangible assets | 2,374 | 3,118 |
| Impairment of trade receivables | 55,800 | 4,231 |
| Impairment of amount due from a related party | 410,402 | – |
| Impairment of prepayments | 86,280 | – |
| Impairment of finance lease receivables | 127,189 | – |
| Impairment of rental vehicle | 33,023 | – |
| | <u>(517,676)</u> | <u>3,272,339</u> |
| Reported EBITDA | <u>(517,676)</u> | <u>3,272,339</u> |

| | For the year ended | |
|---|---|------------------|
| | 31 December | |
| | 2020 | 2019 |
| | <i>(RMB in thousands, except percentages)</i> | |
| Reported EBITDA margin (as a percentage of rental revenue) | (13.0)% | 58.9% |
| Adjusted EBITDA calculation | | |
| Reported EBITDA | (517,676) | 3,272,339 |
| Adjusted for: | | |
| Share-based compensation | 74,124 | 87,606 |
| Fair value loss from investment in equity shares | 2,800,641 | 9,000 |
| Fair value changes on derivative instrument-transaction not qualifying as hedges | 3,666 | (56,588) |
| Share of loss/(profit) of associates | 4,796 | (6,286) |
| Impairment on investment in an associate | 8,306 | – |
| Foreign exchange (gain)/loss | (354,541) | 158,245 |
| Adjusted EBITDA | <u>2,019,316</u> | <u>3,464,316</u> |
| Adjusted EBITDA margin (as a percentage of rental revenue) | <u>50.6%</u> | <u>62.3%</u> |
| <i>C. Free cash flow</i> | | |
| <i>Net cash flows generated from operating activities</i> | <u>5,013,914</u> | <u>1,676,026</u> |
| Purchases of other property, plant and equipment | (82,093) | (150,980) |
| Proceeds from disposal of other property, plant and equipment | 98 | 226 |
| Purchases of other intangible assets | (2,566) | (8,820) |
| Net investment activity | <u>(84,561)</u> | <u>(159,574)</u> |
| Free cash flow | <u>4,929,353</u> | <u>1,516,452</u> |

The Group employed certain non-IFRS financial measures in measuring the performance of the Group. The presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. The Group believes that, used in conjunction with IFRS financial measures, these non-IFRS financial measures provide meaningful supplemental information regarding the Group's performance, and both management and investors shall benefit from referring to these non-IFRS financial measures in assessing the Group's performance and for planning and forecasting future periods. The Group's management believes that adjusted net (loss)/profit and adjusted EBITDA are useful financial metrics to assess the Group's operating and financial performance. The adjusted net (loss)/profit is defined as earnings before finance costs of senior notes exchange offer, share-based compensation, foreign exchange (gain)/loss, fair value loss from investment in equity shares, fair value changes on derivative instrument-transaction not qualifying as hedges and share of loss/(profit) of associates and impairment on investment in an associate. The adjusted EBITDA is defined as earnings before interest, income tax expenses, depreciation and amortization, impairment of trade receivables, share-based compensation, foreign exchange (gain)/loss, fair value loss from investment in equity shares and redeemable preference shares, fair value changes on derivative instrument-transaction not qualifying as hedges and share of loss/(profit) of associates. In addition, the non-IFRSs financial measures may not be calculated in the same manner by all companies, therefore they may not be comparable to other similar titled measures used by other companies.

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

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

V. FINANCIAL INFORMATION

Consolidated statement of profit or loss

| | <i>Notes</i> | For the year ended | |
|--|--------------|---------------------------|----------------------|
| | | 31 December | |
| | | 2020 | 2019 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Rental revenue | | 3,993,779 | 5,558,702 |
| Sales of used vehicles | | <u>2,130,629</u> | <u>2,131,958</u> |
| Total revenue | 4 | 6,124,408 | 7,690,660 |
| Depreciation of rental vehicles | | (2,011,190) | (1,835,717) |
| Direct operating expenses of rental services | | (1,468,556) | (1,829,445) |
| Cost of sales of used vehicles | | <u>(2,209,908)</u> | <u>(2,188,531)</u> |
| Gross profit | | 434,754 | 1,836,967 |
| Other income and expenses, net | 4 | (2,351,180) | 47,914 |
| Share of (loss)/profit of associates | | (4,796) | 6,286 |
| Selling and distribution expenses | | (127,892) | (27,755) |
| Administrative expenses | | (682,494) | (603,198) |
| Impairment losses on financial and contract assets | | (679,671) | (4,231) |
| Finance costs | | <u>(681,197)</u> | <u>(983,940)</u> |
| (Loss)/profit before tax | 5 | (4,092,476) | 272,043 |
| Income tax expenses | 6 | <u>(70,675)</u> | <u>(241,267)</u> |
| (Loss)/profit for the year | | <u><u>(4,163,151)</u></u> | <u><u>30,776</u></u> |
| Attributable to: | | | |
| Owners of the parent | | <u><u>(4,163,151)</u></u> | <u><u>30,776</u></u> |
| (Loss)/earnings per share attributable to ordinary equity holders of the parent | | | |
| Basic (RMB) | 7 | <u>(1.963)</u> | <u>0.015</u> |
| Diluted (RMB) | 7 | <u><u>(1.963)</u></u> | <u><u>0.014</u></u> |
| (Loss)/profit for the year | | <u><u>(4,163,151)</u></u> | <u><u>30,776</u></u> |
| Other comprehensive (loss)/income for the year, net of tax | | <u>—</u> | <u>—</u> |
| Total comprehensive (loss)/income for the year, net of tax | | <u><u>(4,163,151)</u></u> | <u><u>30,776</u></u> |

Consolidated statement of financial position

| | | As at | |
|--|-------|---------------------|---------------------|
| | | 31 December 2020 | 31 December 2019 |
| | Notes | RMB' 000 | RMB' 000 |
| NON-CURRENT ASSETS | | | |
| Rental vehicles | 8 | 6,814,459 | 10,792,336 |
| Other property, plant and equipment | 9 | 684,637 | 659,383 |
| Finance lease receivables – non-current | 10 | 182,470 | 855,952 |
| Goodwill | | 6,728 | 6,728 |
| Other intangible assets | | 154,722 | 154,530 |
| Investment in equity shares | 11 | – | 2,800,641 |
| Investments in associates | 12 | 103,946 | 117,048 |
| Restricted cash – non-current | | – | 1,275 |
| Deposits for sale-leaseback borrowings – non-current | | – | 54,250 |
| Deferred tax assets | | 158,540 | 240,595 |
| Right-of-use assets | | 431,796 | 561,175 |
| Other non-current assets | | 18,813 | 9,813 |
| | | <u>8,556,111</u> | <u>16,253,726</u> |
| Current non-current assets | | | |
| CURRENT ASSETS | | | |
| Inventories | | 78,837 | 227,634 |
| Trade receivables | 13 | 57,383 | 96,810 |
| Due from a related party | | 134,211 | 443,861 |
| Prepayments, other receivables and other assets | 14 | 769,318 | 1,343,958 |
| Finance lease receivables – current | 10 | 302,171 | 341,319 |
| Deposits for sales-leaseback borrowing – current | | 14,250 | – |
| Derivative financial instruments – current | 17 | – | 42,693 |
| Restricted cash – current | | 11,949 | 522,510 |
| Cash and cash equivalents | | 2,179,659 | 5,360,520 |
| | | <u>3,547,778</u> | <u>8,379,305</u> |
| Total current assets | | | |

Consolidated statement of financial position (continued)

| | | As at | |
|---|-------|---------------------|---------------------|
| | | 31 December 2020 | 31 December 2019 |
| | Notes | RMB' 000 | RMB' 000 |
| CURRENT LIABILITIES | | | |
| Trade payables | 15 | 66,742 | 86,753 |
| Other payables and accruals | | 681,292 | 964,641 |
| Advances from customers | | 285,135 | 241,943 |
| Interest-bearing bank and other borrowings – current | 16 | 871,294 | 3,554,423 |
| Senior notes – current | 18 | 2,699,231 | 2,284,546 |
| Due to related parties | | 136,615 | 101,831 |
| Income tax payable | | 62,181 | 55,475 |
| | | <u>4,802,490</u> | <u>7,289,612</u> |
| Total current liabilities | | <u>4,802,490</u> | <u>7,289,612</u> |
| NET CURRENT (LIABILITIES)/ASSETS | | <u>(1,254,712)</u> | <u>1,089,693</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>7,301,399</u> | <u>17,343,419</u> |
| NON-CURRENT LIABILITIES | | | |
| Senior notes – non-current | 18 | 2,424,746 | 5,427,090 |
| Corporate bonds | 19 | – | 1,024,221 |
| Interest-bearing bank and other borrowings – non-current | 16 | 665,727 | 2,589,269 |
| Deposits received for rental vehicles | | 400 | 604 |
| Deferred tax liabilities | | 204,056 | 209,555 |
| | | <u>3,294,929</u> | <u>9,250,739</u> |
| Total non-current liabilities | | <u>3,294,929</u> | <u>9,250,739</u> |
| Net assets | | <u>4,006,470</u> | <u>8,092,680</u> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 131 | 131 |
| Reserves | | 4,652,156 | 4,554,351 |
| (Accumulated deficits)/retained earnings | | (645,817) | 3,538,198 |
| | | <u>4,006,470</u> | <u>8,092,680</u> |
| Total equity | | <u>4,006,470</u> | <u>8,092,680</u> |

Consolidated statement of cash flows

| | For the year ended | |
|--|---------------------------|------------------|
| | 31 December | |
| | 2020 | 2019 |
| | <i>RMB' 000</i> | <i>RMB' 000</i> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss)/profit before tax: | (4,092,476) | 272,043 |
| Adjustments for operating activities: | | |
| Finance costs | 681,197 | 983,940 |
| Share of loss/(profit) of associates | 4,796 | (6,286) |
| Interest income | (48,352) | (81,449) |
| Loss on disposal of items of other property, plant and equipment | 1,329 | 275 |
| Fair value loss on investment in equity shares | 2,800,641 | 9,000 |
| Fair value changes on derivative instrument-transactions not qualifying as hedges | 3,666 | (56,588) |
| Depreciation of rental vehicles | 2,011,190 | 1,835,717 |
| Depreciation of other property, plant and equipment | 53,932 | 64,728 |
| Depreciation of right-of-use assets/amortization of prepaid land lease payments | 144,018 | 158,840 |
| Amortization of other intangible assets | 2,374 | 3,118 |
| Impairment of trade receivables | 55,800 | 4,231 |
| Impairment of amount due from a related party | 410,402 | – |
| Impairment of prepayments | 86,280 | – |
| Impairment of finance lease receivables | 127,189 | – |
| Impairment on investment in associate | 8,306 | – |
| Exchange (gain)/loss | (354,541) | 158,245 |
| Equity-settled share option expenses | 74,124 | 87,606 |
| Rental vehicles written off | 29,471 | – |
| | <u>1,999,346</u> | <u>3,433,420</u> |
| Increase in trade receivables | (16,373) | (4,661) |
| Increase in amounts due from a related party | (100,752) | (83,732) |
| Decrease/(increase) in inventories | 148,797 | (36,986) |
| Decrease in prepayments, other receivables and other assets | 579,145 | 226,049 |
| Decrease in trade payables | (20,011) | (25,506) |
| Increase in amounts due to related parties | 34,784 | 101,526 |
| Increase/(decrease) in advances from customers | 43,192 | (8,205) |
| (Decrease)/increase in other payables and accruals | (166,163) | 93,315 |
| Decrease/(increase) in rental vehicles | 1,937,217 | (1,839,681) |
| Decrease in finance lease receivables | 585,441 | 150,498 |
| Tax paid, net | (10,709) | (330,011) |
| Net cash flows generated from operating activities | <u>5,013,914</u> | <u>1,676,026</u> |

Consolidated statement of cash flows (continued)

| | For the year ended | |
|---|---------------------------|------------------|
| | 31 December | |
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of items of other property, plant and equipment | (82,093) | (150,980) |
| Decrease in other current financial assets | – | 522,510 |
| Proceeds from disposal of items of other property, plant and equipment | 98 | 226 |
| Purchases of other intangible assets | (2,566) | (8,820) |
| Proceeds from settlement of derivative financial instruments | 39,027 | – |
| Increase in investments in associates | – | (68,851) |
| Interest received | 39,806 | 76,672 |
| | <hr/> | <hr/> |
| Net cash flows (used in)/generated from investing activities | (5,728) | 370,757 |
| | <hr/> | <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease/(increase) of deposits for borrowings | 40,000 | (24,250) |
| Decrease/(increase) in restricted cash | 511,836 | (272,510) |
| Proceeds from bank and other borrowings | 432,786 | 5,155,654 |
| Repayments of bank and other borrowings | (4,886,041) | (5,045,948) |
| Repayments of senior notes | (2,256,086) | – |
| Repayments of corporate bonds | (1,030,000) | – |
| Proceeds from exercise of share options | 2,817 | 1,270 |
| Principal portion of lease payment | (266,199) | (194,526) |
| Interest paid | (715,901) | (813,442) |
| Proceeds from issuance of senior notes | – | 1,338,656 |
| Compensation of senior notes modification | (15,601) | (17,918) |
| | <hr/> | <hr/> |
| Net cash flows (used in)/generated from financing activities | (8,182,389) | 126,986 |
| | <hr/> | <hr/> |
| Net (decrease)/increase in cash and cash equivalents | (3,174,203) | 2,173,769 |
| Cash and cash equivalents at beginning of year | 5,360,520 | 3,186,401 |
| Effect of foreign exchange rate changes, net | (6,658) | 350 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of year | 2,179,659 | 5,360,520 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2.1 Basis of presentation

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

2.2 Changes in accounting policies and disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

| | |
|--|--|
| Amendments to IFRS 3 | <i>Definition of a Business</i> |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | <i>Interest Rate Benchmark Reform</i> |
| Amendment to IFRS 16 | <i>Covid-19-Related Rent Concessions (early adopted)</i> |
| Amendments to IAS 1 and IAS 8 | <i>Definition of Material</i> |

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the new and revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s office and stores, parking lots have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has elected to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic for the year ended 31 December 2020. At the effective date of modification, lessee remeasured lease liabilities. The difference of RMB29,000 between the carrying amount of the modified liabilities and the lease liabilities immediately before the modification was an adjustment to the right-of-use asset.

- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

Information about geographical area

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

4. REVENUE, OTHER INCOME AND EXPENSES, NET

Revenue mainly represents the value of rental service rendered and the net invoiced value of rental vehicles sold, net of business tax and discounts allowed.

An analysis of revenue, other income and expenses, net is as follows:

| | For the year ended 31 December | |
|--|--------------------------------|------------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Revenue | | |
| Car rental revenue | 3,755,109 | 4,916,440 |
| Fleet rental & other revenue | 238,670 | 642,262 |
| Sales of used rental vehicles | 2,130,629 | 2,131,958 |
| | <u>6,124,408</u> | <u>7,690,660</u> |
| Other income and expenses, net | | |
| Interest income | 48,352 | 81,449 |
| Exchange gain/(loss) | 354,541 | (158,245) |
| Government grants | 63,191 | 69,417 |
| Loss on disposal of items of other property, plant and equipment | (1,329) | (275) |
| Fair value loss from investment in equity shares | (2,800,641) | (9,000) |
| Fair value changes on derivative instrument-transactions not qualifying as hedges | (3,666) | 56,588 |
| Others | (11,628) | 7,980 |
| | <u>(2,351,180)</u> | <u>47,914</u> |

5. (LOSS)/PROFIT BEFORE TAX

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

| | For the year ended 31 December | |
|--|---------------------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of sales of used vehicles | 2,209,908 | 2,188,531 |
| Depreciation of rental vehicles | 2,011,190 | 1,835,717 |
| Depreciation of other property, plant, and equipment | 53,932 | 64,728 |
| Depreciation of right-of-use assets (excluding depreciation of rental vehicles) | 144,018 | 158,840 |
| Amortization of other intangible assets* | 2,374 | 3,118 |
| Lease payments not included in the measurement of lease liabilities | 124,971 | 133,095 |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | |
| Wages and salaries | 642,242 | 676,360 |
| Equity-settled share option expenses | 56,886 | 72,649 |
| Pension scheme contributions** | 102,279 | 170,143 |
| Insurance expenses | 193,188 | 272,502 |
| Repair and maintenance | 211,506 | 264,598 |
| Exchange (gain)/loss | (354,541) | 158,245 |
| Auditors' remuneration | 5,000 | 4,500 |
| Impairment of trade receivables | 55,800 | 4,231 |
| Impairment of amount due from a related party | 410,402 | – |
| Impairment of prepayments | 86,280 | – |
| Impairment of finance lease receivables | 127,189 | – |
| Impairment of Investment in an associate | 8,306 | – |
| Loss on disposal of items of other property, plant and equipment | 1,329 | 275 |
| Advertising and promotion expenses | 93,765 | 2,341 |
| Fair value loss on investment in equity shares | 2,800,641 | 9,000 |
| Fair value changes on derivative instrument-transactions not qualifying as hedges | 3,666 | (56,588) |
| Share of loss/(profit) of associates | 4,796 | (6,286) |
| Finance costs | 681,197 | 983,940 |
| | 681,197 | 983,940 |

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

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

6. INCOME TAX EXPENSES

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

| | For the year ended 31 December | |
|---|--------------------------------|-------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Current income tax: | | |
| Mainland China | 148,715 | 261,209 |
| Overprovision in prior year | (3,731) | (7,817) |
| Refund of income tax payment made in prior years* | (150,865) | – |
| Deferred tax | 76,556 | (12,125) |
| | <hr/> | <hr/> |
| Total tax charge for the year | 70,675 | 241,267 |
| | <hr/> <hr/> | <hr/> <hr/> |

* This amount represented a tax refund received from the local tax bureau during October to December 2020 with regard to income tax paid during 2015 to 2019 on deductible temporary differences.

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

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

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on earnings of non-resident enterprises derived from the operation in Mainland China. The withholding tax derived from inter-company charges of certain overseas subsidiaries to PRC subsidiaries amounted to RMB21,483,000 for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB36,504,000).

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

| | For the year ended 31 December | |
|---|---------------------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| (Loss)/Profit before tax | (4,092,476) | 272,043 |
| Tax at PRC statutory tax rate of 25% | (1,023,119) | 68,011 |
| Tax effect of tax rate difference between PRC and overseas entities | 278,361 | 155,887 |
| Tax losses and temporary difference not recognised | 778,878 | 40,230 |
| True up of income tax in respect of prior year | (3,731) | (7,817) |
| PRC entity with preferential tax rate | 5,905 | (42,664) |
| Expenses not deductible for tax | 16,992 | 3,843 |
| Withholding tax on the deemed income | 21,483 | 36,504 |
| Income not subject to tax | (1,809) | (1,603) |
| Utilisation of unrecognised tax losses and temporary differences | (2,285) | (11,124) |
| Total charge for the year | <u>70,675</u> | <u>241,267</u> |

The effective tax rate of the Group was -1.7% for the year ended 31 December 2020 (for the year ended 31 December 2019: 88.7%).

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

The calculation of the basic (loss)/earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,120,963,983 (for the year ended 31 December 2019: 2,119,511,942) in issue during the year, as adjusted to reflect the rights issue during the year, if any.

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

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

| | For the year ended 31 December | |
|--|---------------------------------------|----------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| (Loss)/earnings | | |
| (Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation | (4,163,151) | 30,776 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation | 2,120,963,983 | 2,119,511,942 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share option | – | 9,047,485 |
| | <u>2,120,963,983</u> | <u>2,128,559,427</u> |

8. RENTAL VEHICLES

| | For the year ended 31 December | |
|---|--------------------------------|-------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| At 1 January: | | |
| Cost | 14,266,149 | 13,769,773 |
| Accumulated depreciation | (3,473,813) | (2,981,401) |
| Net carrying amount | <u>10,792,336</u> | <u>10,788,372</u> |
| At 1 January, net of accumulated depreciation | 10,792,336 | 10,788,372 |
| Additions | 210,537 | 4,075,475 |
| Disposals and transfers to inventories | (2,231,198) | (2,207,455) |
| Transfers to finance leases | – | (70,062) |
| Depreciation provided during the year | (1,927,745) | (1,793,994) |
| Rental vehicles write-off | (29,471) | – |
| At 31 December, net of accumulated depreciation | <u>6,814,459</u> | <u>10,792,336</u> |
| At 31 December: | | |
| Cost | 10,289,933 | 14,266,149 |
| Accumulated depreciation | (3,475,474) | (3,473,813) |
| Net carrying amount | <u>6,814,459</u> | <u>10,792,336</u> |

Vehicles with carrying values of RMB353,369,000 as at 31 December 2020 (31 December 2019: RMB1,570,536,000) had been pledged to secure the Group's certain interest-bearing loans (Note 16).

9. OTHER PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the year ended 31 December 2020, the Group acquired items of other property, plant and equipment with a cost of RMB80,613,000 (for the year ended 31 December 2019: RMB150,968,000); and charged depreciation for items of other property, plant and equipment of RMB53,932,000 (for the year ended 31 December 2019: RMB64,728,000).

During the year ended 31 December 2020, assets with a net book value of RMB1,427,000 were disposed by the Group (for the year ended 31 December 2019: RMB501,000).

During the year ended 31 December 2020, the Group was not in the acquisition of subsidiaries (for the year ended 31 December 2019: Nil).

10. FINANCE LEASE RECEIVABLES

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

| | As at | |
|---------------------------------------|--------------------------------|--------------------------------|
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Net minimum lease payments receivable | 761,822 | 1,639,128 |
| Unearned finance income | (149,992) | (441,857) |
| Impairment | (127,189) | — |
| | <hr/> | <hr/> |
| Total net finance lease receivables | <u>484,641</u> | <u>1,197,271</u> |
| | <hr/> | <hr/> |
| Less: current portion | 302,171 | 341,319 |
| | <hr/> | <hr/> |
| Non-current portion | <u>182,470</u> | <u>855,952</u> |

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

| | As at | |
|---|--------------------------------|--------------------------------|
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Within one year | 521,585 | 485,816 |
| In the second to fifth years, inclusive | 240,237 | 1,153,312 |
| | <hr/> | <hr/> |
| | <u>761,822</u> | <u>1,639,128</u> |

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

| | As at | |
|---|--------------------------------|--------------------------------|
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Within one year | 302,171 | 341,319 |
| In the second to fifth years, inclusive | 182,470 | 855,952 |
| | <hr/> | <hr/> |
| | <u>484,641</u> | <u>1,197,271</u> |

11. INVESTMENT IN EQUITY SHARES

| | As at | |
|---|--------------------------------|--------------------------------|
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Investments in equity shares of a publicly held company | | |
| – UCAR Inc. (神州優車股份有限公司) (formerly, Huaxia United Science & Technology Co., Ltd.) ("Huaxia United") | – | 2,800,641 |

The equity interest held by the Group in UCAR was 6.27% as at 31 December 2020 and 31 December 2019.

In view of certain non-compliance of UCAR in the requirements of timely publication of its 2019 annual result announcement, pursuant to relevant regulations of NEEQ, UCAR will be subjected to delisting process as detailed in UCAR's announcement dated 1 September 2020.

The directors of the Company are of the opinion that the Group does not have significant influence over UCAR and the Group designated such equity investment as a financial asset at fair value through profit or loss upon initial recognition and the investment was classified as Level 3 fair value measurement. The fair value of the ordinary share investment in UCAR was estimated with the assistance of an independent valuation company. The fair value of the ordinary share investment in UCAR as at 31 December 2020 was based on the market approach, with reference to the market multiples from comparable companies with consideration of the size, profitability and development stage of the industry and those comparable companies. UCAR has also experienced significant decrease in its business and operations due to the outbreak of COVID-19 and change of operational environment. The associated fair value loss of RMB2,800,641,000 for the year ended 31 December 2020 was recognised through profit or loss under "Other income and expenses, net".

12. INVESTMENTS IN ASSOCIATES

| | As at | |
|-------------------------------------|--------------------------------|--------------------------------|
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Share of net assets | | |
| – Beijing QWOM Technology Co., Ltd. | 22,158 | 46,222 |
| – Botpy Inc. | 81,788 | 70,826 |
| | <u>103,946</u> | <u>117,048</u> |

Particulars of the associates are as follows:

| Name | Particulars of issued shares held | Place of incorporation/ Registration and principal place of business | Percentage of ownership interest attributable to the Group | Principal activities |
|--|-----------------------------------|--|--|---|
| Beijing QWOM Technology Co., Ltd. (北京氫動益維科技股份有限公司) (“QWOM”) | Ordinary shares | PRC/Mainland China | 30 | Providing mobile internet digital marketing solutions based on big data analytics |
| Botpy Inc. (“Botpy”) | Preference shares | Cayman Islands | 36.36 | Providing automotive insurance business and solutions of the automotive aftermarket |

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

The Group, through its wholly-owned subsidiary Premium Auto Rental (China) Limited, acquired 40% equity interests in Botpy in February 2019. On 14 October 2020, Botpy issued new shares to third parties resulting in a dilution of the Group’s interest in Botpy to 36.36%. The Group’s interest in Botpy is accounted for using the equity method in the consolidated financial statements.

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

| | As at | |
|--|------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| | RMB’000 | RMB’000 |
| QWOM | | |
| Share of the associate’s (loss)/profit for the year | (15,758) | 4,311 |
| Share of the associate’s total comprehensive (loss)/income | (15,758) | 4,311 |
| Carrying amount of the Group’s investment in the associate | <u>22,158</u> | <u>46,222</u> |
| Botpy | | |
| Share of the associate’s profit for the year | 10,962 | 1,975 |
| Share of the associate’s total comprehensive income | 10,962 | 1,975 |
| Carrying amount of the Group’s investment in the associate | <u>81,788</u> | <u>70,826</u> |

13. TRADE RECEIVABLES

| | As at | |
|----------------------|------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| | RMB’000 | RMB’000 |
| Trade receivables | 112,362 | 100,836 |
| Impairment provision | <u>(54,979)</u> | <u>(4,026)</u> |
| | <u>57,383</u> | <u>96,810</u> |

The Company generally does not provide credit term to car rental customers. The credit period for fleet rental customers and finance lease customers is generally one to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 31 December 2020 and 31 December 2019, based on the invoice date and net of provisions, is as follows:

| | As at | |
|-----------------|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 3 months | 29,851 | 54,488 |
| 3 to 6 months | 15,287 | 12,161 |
| 6 to 12 months | 12,245 | 18,130 |
| Over 1 year | – | 12,031 |
| | 57,383 | 96,810 |
| | 57,383 | 96,810 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | As at | |
|----------------------------------|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Balance at beginning of the year | 4,026 | 4,095 |
| Impairment losses, net | 50,953 | (69) |
| | 54,979 | 4,026 |
| | 54,979 | 4,026 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | As at | |
|----------------------|--------------------------------|--------------------------------|
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Deductible VAT input | 538,372 | 921,331 |
| Prepayments | 211,733 | 295,960 |
| Other receivables | 35,796 | 41,704 |
| Rental deposits | 50,851 | 53,653 |
| Others | 18,846 | 31,310 |
| | <u>855,598</u> | <u>1,343,958</u> |
| Impairment allowance | (86,280) | – |
| | <u>769,318</u> | <u>1,343,958</u> |

15. TRADE PAYABLES

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

| | As at | |
|-----------------|--------------------------------|--------------------------------|
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Within 3 months | 21,021 | 55,049 |
| 3 to 6 months | 19,917 | 10,329 |
| Over 6 months | 25,804 | 21,375 |
| | <u>66,742</u> | <u>86,753</u> |

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

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | As at | |
|---|--------------------------------|--------------------------------|
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Current: | | |
| Short-term loans | | |
| – guaranteed | – | 359,286 |
| – unsecured and unguaranteed | – | 1,330,040 |
| – pledged | – | 522,953 |
| Current portion of sale and leaseback obligations | | |
| – secured | 77,166 | 669,122 |
| Current portion of long-term bank loans | | |
| – guaranteed | 348,412 | 219,407 |
| – unsecured and unguaranteed | – | 150,000 |
| Current portion of long-term other loans | | |
| – guaranteed | 290,000 | 100,000 |
| Current lease liabilities | 155,716 | 203,615 |
| | <hr/> | <hr/> |
| Total interest-bearing bank and other borrowings – current | 871,294 | 3,554,423 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Non-current: | | |
| Bank loans | | |
| – guaranteed | 181,201 | 1,141,746 |
| – unsecured and unguaranteed | – | 75,000 |
| Other loans | | |
| – guaranteed | 320,000 | 800,000 |
| Sale and leaseback obligations | | |
| – secured | – | 294,097 |
| Non-current lease liabilities | 164,526 | 278,426 |
| | <hr/> | <hr/> |
| Total interest-bearing bank and other borrowings – non current | 665,727 | 2,589,269 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 1,537,021 | 6,143,692 |
| | <hr/> <hr/> | <hr/> <hr/> |

| | As at | |
|--|--------------------------------|--------------------------------|
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Analyzed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | 348,412 | 2,581,686 |
| In the second year | – | 522,726 |
| In the third to fifth years, inclusive | 181,201 | 694,020 |
| | <u>529,613</u> | <u>3,798,432</u> |
| Other loans repayable: | | |
| Within one year or on demand | 290,000 | 100,000 |
| In the second year | 320,000 | 100,000 |
| In the third to fifth years, inclusive | – | 700,000 |
| | <u>610,000</u> | <u>900,000</u> |
| Sale and leaseback obligations: | | |
| Within one year or on demand | 77,166 | 669,122 |
| In the second year | – | 283,832 |
| In the third to fifth years, inclusive | – | 10,265 |
| | <u>77,166</u> | <u>963,219</u> |
| Lease liabilities: | | |
| Within one year or on demand | 155,716 | 203,615 |
| In the second year | 89,440 | 154,583 |
| In the third to fifth years | 59,107 | 111,388 |
| Above five years, inclusive | 15,979 | 12,455 |
| | <u>320,242</u> | <u>482,041</u> |
| | <u>1,537,021</u> | <u>6,143,692</u> |

As at 31 December 2020, the Group's overdraft bank facilities amounted to RMB2,606,476,000 (31 December 2019: RMB6,032,384,000), of which RMB2,156,476,000 (31 December 2019: RMB5,083,574,000) had been utilized.

17. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at | |
|--|--------------------------------|--------------------------------|
| | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| Asset | | |
| Derivative financial instruments – Current | – | 42,693 |

18. SENIOR NOTES

(1) The 2015 Notes (A)

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

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

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

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

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

| Year | Redemption Price |
|---------------------|------------------|
| 2018 | 103.0625% |
| 2019 and thereafter | 101.5313% |

- (ii) At any time prior to 4 February 2018, the Company may at its option redeem the 2015 Notes (A), in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2015 Notes (A) redeemed plus the applicable premium as at, and accrued and unpaid interest, if any, to (but not including), the redemption date.
- (iii) At any time and from time to time prior to 4 February 2018, the Company may redeem up to 35% of the aggregate principal amount of the 2015 Notes (A) with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.125% of the principal amount of the 2015 Notes (A) redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

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

| | For the year ended 31 December | |
|---|---------------------------------------|-------------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Total carrying amount at 1 January | 3,584,908 | 3,493,988 |
| Principal repayment | (2,256,086) | – |
| Exchange realignment | (110,610) | 56,514 |
| Interest expenses | 108,013 | 243,367 |
| Interest expense payment | (174,575) | (245,862) |
| Impact of exchange offer | – | 36,901 |
| Impact of senior notes modification | (3,500) | – |
| | <u>1,148,150</u> | <u>3,584,908</u> |
| Total carrying amount at 31 December | | |
| Less: Interest payable due within one year reclassified to other payables and accruals | <u>14,060</u> | <u>73,287</u> |
| | <u><u>1,134,090</u></u> | <u><u>3,511,621</u></u> |

Early redemption options are regarded as embedded derivatives not closely related to the host contract.

(2) The 2015 Notes (B)

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

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

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

| Year | Redemption Price |
|---------------------|-------------------------|
| 2018 | 103.0% |
| 2019 and thereafter | 101.5% |

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

| | For the year ended 31 December | |
|--|---------------------------------------|------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Total carrying amount at 1 January | 2,128,067 | 2,082,414 |
| Exchange realignment | (140,052) | 33,076 |
| Interest expenses | 138,779 | 135,252 |
| Interest expense payment | (122,697) | (122,675) |
| Impact of senior notes modification | (5,830) | — |
| | <hr/> | <hr/> |
| Total carrying amount at 31 December | 1,998,267 | 2,128,067 |
| | <hr/> | <hr/> |
| Less: Interest payable due within one year reclassified to other payables and accruals | 45,554 | 48,580 |
| | <hr/> | <hr/> |
| | 1,952,713 | 2,079,487 |
| | <hr/> | <hr/> |

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

(3) The 2018 Notes (A)

On 4 April 2018, the Company issued senior notes with an aggregated nominal value of RMB400 million due 2021 (the “2018 Notes (A)”). The 2018 Notes (A) were listed on the Stock Exchange. The 2018 Notes (A) carry interest at the rate of 6.50% per annum, payable semi-annually on 4 April and 4 October in arrears, and will mature on 4 April 2021, unless redeemed earlier.

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

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

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

| | For the year ended 31 December | |
|--|---------------------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Total carrying amount at 1 January | 400,642 | 396,586 |
| Interest expenses | 30,826 | 30,056 |
| Interest expense payment | (26,107) | (26,000) |
| Impact of senior notes modification | (1,222) | – |
| | <hr/> | <hr/> |
| Total carrying amount at 31 December | <u>404,139</u> | <u>400,642</u> |
| | <hr/> | <hr/> |
| Less: Interest payable due within one year reclassified to other payables and accruals | 6,250 | 6,251 |
| | <hr/> | <hr/> |
| | <u>397,889</u> | <u>394,391</u> |

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

(4) The 2018 Notes (B)

On 2 May 2018, the Company issued Additional Notes (the “2018 Notes (B)”) in the aggregate principal amount of RMB350 million, to be consolidated and form a single series with the 2018 Notes (A). The 2018 Notes (B) will mature on 4 April 2021, unless earlier redeemed pursuant to the terms thereof. The 2018 Notes (B) were listed on the Stock Exchange. The 2018 Notes (B) carry interest at the rate of 6.50% per annum, payable semi-annually on 4 April and 4 October in arrears, and will mature on 4 April 2021, unless redeemed earlier.

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

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

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

| | For the year ended 31 December | |
|--|---------------------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Total carrying amount at 1 January | 352,742 | 350,819 |
| Interest expenses | 25,204 | 24,673 |
| Interest expense payment | (22,777) | (22,750) |
| Impact of senior notes modification | (1,071) | – |
| | <hr/> | <hr/> |
| Total carrying amount at 31 December | 354,098 | 352,742 |
| | <hr/> | <hr/> |
| Less: Interest payable due within one year reclassified to other payables and accruals | 5,469 | 5,403 |
| | <hr/> | <hr/> |
| | 348,629 | 347,339 |
| | <hr/> | <hr/> |

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

(5) The 2019 Notes

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

The 2019 Notes may be redeemed in the following circumstances:

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

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

| | For the year ended 31 December | |
|--|---------------------------------------|------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Total carrying amount at 1 January | 1,396,147 | – |
| Addition, net of issuance costs | – | 1,338,656 |
| Exchange realignment | (90,598) | 36,812 |
| Interest expenses | 127,819 | 83,143 |
| Interest expense payment | (122,417) | (62,464) |
| Impact of senior notes modification | (3,978) | – |
| | <hr/> | <hr/> |
| Total carrying amount at 31 December | 1,306,973 | 1,396,147 |
| | <hr/> | <hr/> |
| Less: Interest payable due within one year reclassified to other payables and accruals | 16,317 | 17,349 |
| | <hr/> | <hr/> |
| | 1,290,656 | 1,378,798 |
| | <hr/> | <hr/> |

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

19. CORPORATE BONDS

The Company has received the Approval on the Public Issuance of the Corporate Bonds. (Zheng Jian Xu Ke [2016] No. 1536) (the “Approval”) issued by China Securities Regulatory Commission (the “CSRC”) dated 7 July 2016. Matters in relation to the issuance of Corporate Bonds are as follows: CSRC has approved the Company to publicly issue the Corporate Bonds not exceeding than RMB2,000 million to qualified investors in Mainland China. The Corporate Bonds shall be issued in tranches. The first tranche of issuance shall be completed within 12 months from the date of the Approval, and the remaining tranches of issuance shall be completed within 24 months from the date of the Approval.

(1) The 2017 Corporate Bonds (A)

The public issue of the first tranche of the Corporate Bonds (the “2017 Corporate Bonds (A)”) was completed on 26 April 2017. The final principal amount of the first tranche of the 2017 Corporate Bonds (A) is RMB300 million with a coupon rate of 5.5% per annum and with a tenure of five years with the Company’s option to adjust the coupon rate after the end of the third year upon issuance and the investors are entitled to request the Company to repurchase the 2017 Corporate Bonds (A). The 2017 Corporate Bonds (A) are listed on the Shanghai Stock Exchange.

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

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

| | For the year ended 31 December | |
|---|--------------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Total carrying amount at 1 January | 309,009 | 308,169 |
| Principal repayment | (300,000) | – |
| Interest expenses | 7,491 | 17,340 |
| Interest expense payment | (16,500) | (16,500) |
| Total carrying amount at 31 December | <u>–</u> | <u>309,009</u> |
| Less: Interest payables due within one year reclassified to other payables and accruals | <u>–</u> | <u>11,225</u> |
| | <u>–</u> | <u>297,784</u> |

The options of the 2017 Corporate Bonds (A) entitled to the Company and the investors are regarded as embedded derivatives closely related to the host contract.

(2) The 2018 Corporate Bonds (B)

The public issue of the second tranche of the Corporate Bonds (the “2018 Corporate Bonds (B)”) was completed on 25 April 2018. The final principal amount of the 2018 Corporate Bonds (B) is RMB730 million, at a coupon rate of 6.3% per annum, with a term of three years with the Company’s option to adjust the coupon rate after the end of the second year upon issuance and the investors’ entitlement to require repurchase of the 2018 Corporate Bonds (B).

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

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

| | For the year ended 31 December | |
|---|--------------------------------|-----------------|
| | 2020 RMB’000 | 2019 RMB’000 |
| Total carrying amount at 1 January | 757,852 | 755,462 |
| Principal repayment | (730,000) | – |
| Interest expenses | 18,138 | 48,380 |
| Interest expense payment | (45,990) | (45,990) |
| Total carrying amount at 31 December | <u>–</u> | <u>757,852</u> |
| Less: Interest payables due within one year reclassified to other payables and accruals | <u>–</u> | <u>31,415</u> |
| | <u>–</u> | <u>726,437</u> |

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

20. TREASURY SHARES

On 12 May 2020, the Company’s shareholders granted a general mandate (the “Repurchase Mandate”) to the directors to repurchase shares of the Company at the annual general meeting (“AGM”). Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 212,022,435 shares, being 10% of the total number of issued shares of the Company as at the date of the AGM, on the Stock Exchange.

For the year ended 31 December 2020, the Company has not repurchased any shares through the Stock Exchange (2019: nil).

21. RELATED PARTY TRANSACTIONS

a) Related parties

Related parties for the years ended 31 December 2020 and 31 December 2019 were as follows:

| Name | Relationship |
|-------------------------|-------------------------------------|
| MBK Partners | A Shareholder of the Company |
| UCAR and its affiliates | A former Shareholder of the Company |
| Botpy Inc. | An associate of the Group |

On 15 December 2020, UCAR sold all of 442,656,855 shares, which representing approximately 20.86% of the total issued share capital of the Company, to Indigo Glamour Company Limited at a price of HK\$4.0 per share for a total consideration of HK\$1,770,627,420.

b) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the years ended 31 December 2020 and 31 December 2019:

(i) Vehicle rental services provided to related parties:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------------|-------------------------------|-------------------------------|
| UCAR | 92,326 | 407,374 |
| Botpy Inc. | 9,503 | – |
| | <u>101,829</u> | <u>407,374</u> |

The prices for the above services were determined in accordance with the prevailing market prices and conditions offered to other customers of the Group, which are stated excluding value-added tax.

(ii) Office rental income from a related party:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------|-------------------------------|-------------------------------|
| UCAR | 793 | 3,171 |
| | <u>793</u> | <u>3,171</u> |

The prices on office rental to related parties were determined in accordance with the prevailing market prices, which are stated excluding value-added tax.

(iii) Office rental expenses to a related party:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------|-------------------------------|-------------------------------|
| UCAR | 3,380 | 5,059 |
| | <u>3,380</u> | <u>5,059</u> |

The prices on office rental to a related party were determined in accordance with the prevailing market prices, which are stated excluding value-added tax.

- (iv) Commission charged by a related party:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------|-------------------------------|-------------------------------|
| UCAR | – | 1,482 |

The commission expense was charged at agreed unit prices multiplying the numbers of successful sales orders of vehicles via UCAR's sales platform.

- (v) Purchase of rental vehicles and accessories from a related party:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------|-------------------------------|-------------------------------|
| UCAR | 22,070 | 2,604,859 |

The prices on purchase of rental vehicles and accessories from a related party were determined in accordance with the prevailing market prices, which are stated excluding value-added tax. The Group has the right to request UCAR to repurchase the vehicles at a pre-determined annual depreciation rate.

- (vi) Test drive service rendered to a related party:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------|-------------------------------|-------------------------------|
| UCAR | – | 115,360 |

The prices on test drive service rendered to a related party were determined in accordance with the prevailing market prices, which are stated excluding value-added tax.

- (vii) Technology consulting service rendered to a related party:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|------|-------------------------------|-------------------------------|
| UCAR | – | 22,256 |

- (viii) A total of 5,000 rental vehicles were leased from third-party finance lease companies, pursuant to which the Group has designated these companies to buy the rental vehicles from a related party.

c) **Outstanding balances with related parties**

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|----------------------------|------------------------------------|------------------------------------|
| Current assets: | | |
| Due from a related party | | |
| – UCAR | 544,613 | 443,861 |
| | <u> </u> | <u> </u> |
| Less: Impairment provision | 410,402 | – |
| | <u> </u> | <u> </u> |
| | 134,211 | 443,861 |
| | <u> </u> | <u> </u> |
| Current liabilities: | | |
| Due to related parties | | |
| – UCAR | 134,211 | 101,831 |
| – Botpy Inc. | 2,404 | – |
| | <u> </u> | <u> </u> |
| | 136,615 | 101,831 |
| | <u> </u> | <u> </u> |

As at 31 December 2020 and 31 December 2019, balances with related parties were unsecured, non-interest-bearing and repayable on demand.

As at 31 December 2020, trade receivables from UCAR amounted to RMB544,613,000 whilst trade payables to UCAR by the Company amounted to RMB134,211,000. In light of uncertainty as to UCAR's ability to pay its trade receivables incurred, the Company has recognized an impairment of RMB410,402,000, which was the net of trade receivables from UCAR and trade payables to UCAR as at 31 December 2020.

d) **Compensation of key management personnel of the Group**

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--------------------------------------|------------------------------------|------------------------------------|
| Short term employee benefits | 14,734 | 4,629 |
| Equity-settled share option expenses | 42,595 | 26,440 |
| | <u> </u> | <u> </u> |
| | 57,329 | 31,069 |
| | <u> </u> | <u> </u> |

22. DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: nil).

VI. EVENTS AFTER THE REPORTING PERIOD

In January 2021, the Company has completed the issuance of convertible bonds in the aggregate principal amount of US\$175 million to Mcqueen SS Ltd.

In February 2021, the Company fully repaid the US\$300 million 6% senior notes due in the same month.

On 13 November 2020, the Offeror and the Company jointly announced that the Financial Advisers on behalf of the Offeror firmly intended, 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 Qualifying Shareholders; and (ii) to cancel all of the outstanding Options.

Upon and after the fulfillment of the Pre-Conditions, a conditional voluntary general cash offer was made by the Financial Advisers on behalf of the Offeror to acquire all of the Offer Shares, and to cancel all of the outstanding Options, as detailed in the Composite Document (as defined below). The offer price for each Offer Share was HK\$4.00 and further details relating to the option Offer was set forth in the Composite Document.

On 18 February 2021, the Offers have been announced unconditional in all respects. And on 4 March 2021, the Offeror had received valid acceptances in respect of 1,556,617,734 shares under the Share Offer (representing approximately 73.20% of the issued share capital and voting rights of the Company as at the date of this announcement and 92.44% of the Offer Shares and 92.44% of the Disinterested Shares). As the Offeror received valid acceptances in respect of not less than 90% of the Offer Shares and not less than 90% of the Disinterested Shares, the Offeror will privatise the Company by exercising its rights, pursuant to Section 88 of the Cayman Islands Companies Law and Rule 2.11 of the Takeovers Code, to compulsorily acquire those Offer Shares not already acquired by the Offeror under the Share Offer on the same terms as the Share Offer.

For further details relating to the Offer, please refer to (i) the announcement dated 13 November 2020 jointly issued by the Offeror and the Company in relation to, among other things, the Offer; (ii) the announcement dated 25 January 2021 jointly issued by the Offeror and the Company in relation to the fulfilment of all the Pre-Conditions; (iii) the composite document dated 1 February 2021 jointly issued by the Offeror and the Company in relation to the 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 (the “Composite Document”); (iv) the announcement dated 18 February 2021 jointly issued by the Offeror and the Company in relation to, among other things, the Offer having become unconditional; and (v) the announcement dated 4 March 2021 jointly issued by the Offeror and the Company in relation to, among other things, close of the Offers.

Unless otherwise stated, capitalized terms used in this Section VI of the announcement shall have the same meanings as those defined in the Composite Document.

As previously reported that the outbreak of COVID-19 in January 2020 has caused certain impact on the car rental business of the Group due to travel restrictions and suppress on tourism. The Group's business operations have been disrupted by the outbreak of COVID-19 and the subsequent precautionary measures as well as restrictions on travel imposed around China.

The Group estimated that the degree of COVID-19 impact depends on the epidemic preventive measures and the duration of the epidemic. Given the dynamic circumstance and uncertainties of COVID-19 situation, the Group will keep continuous attention on the development of COVID-19 situation and react actively to its impacts on the operation and financial position of the Group, and in the event that there are any significant financial impacts, the Company will reflect it in the Group's 2021 financial statements.

VII. CORPORATE GOVERNANCE

During the Reporting Period, the Company had been in compliance with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for code provisions A.1.1, A.2.7 and E.1.2.

Code provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2020, the Board held three regular Board meetings only. However, the significant matters concerning the business activities and operation of the Group had been either duly reported, discussed and resolved at the aforesaid three regular Board meetings and the other five Board meetings.

Code provision A.2.7 of the CG Code stipulates that the chairman of the board of directors should at least annually hold meetings with the independent non-executive directors without the presence of other directors. Such meeting was not held since the resignation of the Chairman, Mr. Charles Zhengyao LU ("Mr. LU"), on 9 June 2020.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board of directors should attend the annual general meeting. Mr. LU, the then Chairman of the Board, was unable to attend the Company's annual general meeting held on 12 May 2020 due to other engagement. In view of his absence, Mr. LU had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

VIII. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' dealing in the Company's securities. Specific enquiries have been made to all the Directors, and the Directors have confirmed that they have complied with the Model Code during the Reporting Period and up to the date of this announcement.

IX. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

X. AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee has been set up under the Board in compliance with the requirements pursuant to Rule 3.21 of the Listing Rules and paragraphs C.3 and D.3 of the CG Code. The Audit and Compliance Committee currently consists of one non-executive Director, namely, Mr. Jun XU, and two independent non-executive Directors, namely, Mr. Sam Hanhui SUN, and Mr. Li ZHANG, with Mr. Sam Hanhui SUN acting as the chairman of the Committee. As required under Rules 3.10(2) and 3.21 of the Listing Rules, Mr. Sam Hanhui SUN, being the chairman of the Committee, holds the appropriate professional qualifications.

The Audit and Compliance Committee has considered and reviewed the consolidated results for the year ended 31 December 2020 of the Group and the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management and the independent auditors. The Audit and Compliance Committee considers that the consolidated results for the year ended 31 December 2020 of the Group are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

XI. ANNUAL GENERAL MEETING

A notice convening the 2021 annual general meeting of the Company will be issued and dispatched to the shareholders of the Company in due course.

XII. DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2020.

XIII. SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2020 as set out in this results announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this results announcement.

XIV. PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.zuche.com) and the website of the Stock Exchange.

The 2020 Annual Report of the Company containing all relevant information required under Appendix 16 to the Listing Rules will be published on the aforementioned websites and dispatched to the shareholders of the Company in due course.

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

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

This announcement has been issued in the English language with a separate Chinese language translation. If there is any discrepancy between the English language version and the Chinese language version of this announcement, the English language version shall prevail. All numbers in this announcement are approximate rounded values for particular items.

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

Hong Kong, 15 March 2021

As at the date of this announcement, the Board of Directors of the Company comprises Ms. Yifan Song as Executive Director; Mr. Hongfei Yu, Mr. Xuan Yan, Mr. Stephen Le Ee Boon, Mr. Jun Xu and Ms. Shengping Yu as Non-executive Directors; and Mr. Sam Hanhui Sun, Mr. Wei Ding, and Mr. Li Zhang as Independent Non-executive Directors.