2020

CAR Inc. Annual Report

Incorporated in the Cayman Islands with Limited Liability

Stock Code: 699

CONTENTS

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of CAR Inc. ("CAR" or the "Company"; together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the year ended 31 December 2020 (the "Reporting Period").

In 2020, the COVID-19 pandemic has spread across the world and the domestic economy has experienced unprecedented challenges. The impacts were relatively severe in the first and second quarters. Along with the effective control of the pandemic in the second half of the year, and the gradual recovery of social order and the retail consumption, the economy has recovered significantly. The gross domestic product ("GDP") of the fourth quarter increased by over 6.5% year-on-year. Throughout the year, the growth rate of GDP was 2.3%.

On the other hand, China's automobiles related industries were challenging, particularly in the pandemic during the beginning of the year. The consumption sentiment got slowdown and the activity restrictions imposed in different places resulted in even worse situation. Facing the challenging automobile travel market, the Company has adopted a flexible pricing strategy and launched a rental programme with longer rental discount term, while enhancing the intelligent mobile business to satisfy the demand of customers for self-served and touchless car rental services during the pandemic. At the end of December in the previous year, self-served transactions represented 91% of the total reservations, and 99% car rental reservation were made through the mobile APP (2019: 94%).

Along with the economic recovery, and the various optimization management, the Company's business has significantly improved in the second half of the year. The rental revenue and the sales revenue of used vehicles increased by 28% and 24%, respectively as compared to those in the first half of the year, which did not fully offset the impacts brought by the demand decline in the first half, resulting in total revenue and adjusted EBITDA of the year amounted to RMB6,124 million and RMB2,019 million, respectively, decreased by 20.4% and 41.7% year-on-year, respectively.

To optimize the debt structure, the Company has repaid all maturities on time during the Reporting Period and prepaid indebtedness before maturities to support long term bank relationships. During the Reporting Period, the Company has sold 38,378 used vehicles, representing an increase of approximately 30% as compared with that in the last year.

During the Reporting Period, the equity change caused no effects to the operation of the Company. The Company has always kept track of the business operating strategies thoroughly. MBK Partners, a Korean private fund, has become the largest shareholder of the Company. MBK Partners has proposed to privatize CAR Inc. as a wholly-owned subsidiary of MBK Partners. The privatization is expected to be completed in mid-2021.

In fact, as the leader of the car rental industry in China, CAR Inc. is well-equipped with high brand awareness, strong fleet size and optimized operating management, and understanding of the Chinese market and preference and needs of consumers and possessed a good business foundation. With the abundant experience of MBK Partners in the industry and strong financial capability, the Company will maintain our business innovation and seek for improvement in stability to provide the best car rental service to consumers and consolidate our leadership in the industry.

The Company will learn from the experience of MBK Partners investing in the travel industry, continue to explore new business model, expand and upgrade automation and reduce operational costs, further enhance operational efficiency and leverage the strong the big data analytic system. In terms of business exploration, the Company will enhance the sales in operation with better deployment, compete for new customers and cultivate new needs of existing customers and seize the opportunities amongst the rapid rebound after the pandemic.

In addition, the Company will also proactively optimize the repayment amounts and schedules while enhancing the cost control to maximize liquidity. As the acquisition of the Company's equity by MBK Partners materialized, the shareholding structure has been stabilized. CAR Inc. will have significant improvements in terms of capital structure and creditworthiness.

Looking forward, despite the uncertainties in market and fierce competition in the industry, a new setting of double-cycle development that China focuses on domestic cycle and international and local sectors facilitate mutually is duly formed. The domestic demand increases stably with large market potential of servicing industry including car rental business. CAR Inc. will work closely with MBK Partners to move forward under the strong corporate operational foundation with its own advantages and develop a more energetic and healthier car rental industry in China.

Finally, on behalf of the Board and the management, I would like to express our gratitude to our shareholders for their tremendous support during the past year. Furthermore, the Company would also like to express its gratitude to all employees for their efforts to overcome challenges with CAR Inc. and express its gratitude to our customers for their continuous support and recognition.

Yifan SONG
CAR Inc.
Chief Executive Officer

Hong Kong, 15 March 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2020	2019	**Year-over-year change**
	(in RMB millions, except otherwise stated)		
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 "Management Discussion and Analysis – Non-IFRS Financial Reconciliation" for details.

(2) These margins are presented as a percentage of total rental revenue.

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%.

Note:

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

II. STRATEGIES

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.

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.

1. REVENUES AND PROFITABILITY ANALYSIS

Rental revenue

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

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
	RMB	*RMB*
	(in thousands, except percentages)	
Gross profit of rental business	**514,033**	1,893,540
Gross profit margin of rental business	**12.9%**	34.1%
Gross loss of sales of used vehicles	**(79,279)**	(56,573)
Gross loss margin of sales of used vehicles	**(3.7)%**	(2.7)%
Total gross profit	**434,754**	1,836,967
Total gross profit margin as a % of rental revenue	**10.9%**	33.0%

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			
	2020		2019	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
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			
	2020		2019	
	RMB	***% of rental revenue***	*RMB*	*% of rental revenue*
	(in thousands, except percentages)			
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
	(RMB in thousands)	
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
Total	**(2,351,180)**	47,914

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.

Key performance indicators ("KPIs")

Due to COVID-19, the KPIs of the Group for the first half of this year focused more on cost control, service quality and demand generation. Moving into the second half of the year, key car rental operation metrics including utilization and growth of revenue, in terms of the improvement of demand generation were in consideration again. Cost control refers to costs controllable by the operation of the branch offices and stores, including fuel cost, store and branch operation related costs and vehicle dispatch cost, etc. Service quality refers to the assessment scores given to a service location based on their level of compliance with the central operation policies, customer satisfaction scores and the number of complaints received. Demand generation refers to car rental revenue generated during a specific period of time. At the company-level, growth of revenue is the main KPI for the management and support departments, while at the city-level, cost control and services quality are the key KPIs for the operation and frontline departments. With the development of the Company and constant review of the performance assessment system, the Group is adapting the KPIs from time to time to accommodate for the best interests of the employees and the Group.

2. FINANCIAL POSITION

	As at 31 December 2020	31 December 2019
	(RMB in millions)	
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	**2,191.6**	5,884.3
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	**6,660.9**	14,879.5
Net debt (total debt less total cash)	**4,469.3**	8,995.2
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 RMB1.06 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.

Pledge of assets

Details of the Group's bank borrowings, which are secured by certain assets of the Group, are included in note 36 to the Financial Statements.

Significant investments held

During the Reporting Period, the Group has no significant investments.

Material acquisitions and disposals

During the Reporting Period, the Group has no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Share repurchases

At the Company's annual general meeting on 12 May 2020, the shareholders granted a general mandate to the directors of the Company (the "Directors") to repurchase shares of the Company (the "Repurchase Mandate"). 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 annual general meeting, on the Stock Exchange.

For the year ended 31 December 2020, the Company has not repurchased any shares through the Stock Exchange. For 2021, as of the date of this annual report, the Company has not repurchased any shares through the Stock Exchange.

NON-IFRS FINANCIAL RECONCILIATION

	For the year ended 31 December	
	2020	2019
	(RMB in thousands, except percentages)	
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**	–
Adjusted net (loss)/profit	**(1,626,159)**	292,266
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**	–
Reported EBITDA	**(517,676)**	3,272,339

	For the year ended 31 December	
	2020	2019
	(RMB in thousands, except percentages)	
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	**2,019,316**	3,464,316
Adjusted EBITDA margin (as a percentage of rental revenue)	**50.6%**	62.3%

C. Free cash flow

Net cash flows generated from operating activities	**5,013,914**	1,676,026
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	**(84,561)**	(159,574)
Free cash flow	**4,929,353**	1,516,452

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.

EXECUTIVE DIRECTOR

Yifan SONG (宋一凡), aged 44, was appointed as the Chief Executive Officer and an Executive Director on 11 April 2016. Ms. Song has worked as a vice-president for the Group from September 2007 to August 2013, and was promoted to an executive vice-president since September 2013. She is also a founding member of the Group. Before her appointment as the Chief Executive Officer of the Company, she was responsible for general management of processes and standardization; in particular, stores, fleet, repair and maintenance facilities and call centers. Ms. Song has over 22 years of industry experience. She was the head of customer services for Beijing Huaxia United Automobile Association Co. Ltd. (北京華夏聯合汽車俱樂部有限公司) from March 2005 to August 2007 and she served as the head of customer services at Beijing Yingtong Information System Co., Ltd. (北京盈通資訊系統有限公司), an internet service provider company, from January 2003 to March 2005. Ms. Song worked as the head of customer services at Shouchuang Internet Co., Ltd. (首創網絡有限公司), another internet service provider company, from May 2000 to December 2002 and at Beijing Youheng Technology Co., Ltd. (北京友恒科技有限公司) as a technical support manager from June 1999 to May 2000. She was a member of the technical support department at Beijing Ruide Hengchang Computer System Co., Ltd. (北京瑞得恒昌計算機系統集成有限公司) from May 1998 to May 1999. Ms. Song obtained a master degree in business administration from Central University of Finance and Economics of China (中央財經大學) in June 2009. She graduated from the College of Electric Automation Engineering of Beijing Union University (北京聯合大學電子自動化工程學院) and received her bachelor's degree in communication engineering in July 1998.

NON-EXECUTIVE DIRECTORS

Mr. Hongfei YU (于洪飛), aged 44, was appointed as a Non-executive Director on 15 December 2020. Mr. Yu has been appointed as a member of the Remuneration Committee of the Company (the "Remuneration Committee") on 2 March 2021. Mr. Yu is a Partner and Co-head of Greater China at MBK Partners ("MBK Partners"), an affiliate of Indigo Glamour Company Limited, which in turn is a substantial shareholder of the Company. Mr. Yu has over 19 years of experience in the private equity and investment banking industries. Prior to joining MBK Partners, from 2006 to 2010, Mr. Yu was a Vice President in the investment banking division of Morgan Stanley in Hong Kong. From 2005 to 2006, he worked as an Associate in the investment banking division of HSBC in Hong Kong. From 2003 to 2005, he worked as a Business Development Manager in Alcoa China in Beijing. From 2002 to 2003, he worked as an Associate in ICEA Finance Holdings Limited in Beijing. Mr. Yu received a Bachelor of Science degree in economics and a Master of Science degree in finance from University of International Business and Economics in Beijing. Mr. Yu currently serves on the boards of directors of Apex Logistics International Inc., Wendu Education Group and Shanghai Siyanli Industrial Co., Ltd.

Mr. Xuan YAN (嚴旋), aged 58, was appointed as a Non-executive Director on 15 December 2020. Mr. Yan has been appointed as a member of the Nomination Committee of the Company (the "Nomination Committee") on 2 March 2021. Mr. Yan is an Operating Partner of MBK Partners. Mr. Yan has more than two decades of business leadership, corporate governance, legal and government relations experience in both China and the U.S. Concurrently, he is the Chief Executive Officer of Wendu Education Group. Prior to joining MBK Partners, he was a Vice President at Microsoft Corporation. He currently serves on the board of directors of Las Vegas Sands Corporation, and was a member of the boards of directors of Alibaba Health Information Technology Limited and Shanghai Shenhua Holdings Co., Ltd. Before Microsoft, he was a public policy partner with the global law firm of Squire Patton Boggs. He served as a Senior Advisor to the French private equity firm Eurazeo and to China's largest grocery distributor and solutions provider Yiguo Fresh. Mr. Yan also held executive positions with leading global companies including AT&T/Lucent, Oracle, Qualcomm and Nielsen. Mr. Yan received his Bachelor of Arts and Juris Doctor degrees from Beijing Institute of Foreign Languages and Duke University School of Law, respectively.

Mr. Stephen LE Ee Boon (李毅文), aged 45, was appointed as a Non-executive Director on 15 January 2021. Mr. Le is a Partner at MBK Partners and is based in Hong Kong. Prior to joining MBK Partners, he was a Managing Director, Head of Asian Distressed Product Group, Strategic Investment Group and Co-head of the Asia Pacific Credit Division for Deutsche Bank. Mr. Le was also a member of the Global Credit Executive Committee of Deutsche Bank. Before joining Deutsche Bank, Mr. Le worked at Goldman Sachs & Co. focusing on equity research of the energy and petrochemical sector in Asia Pacific. Mr. Le received a Bachelor of Arts degree with First Class Honours in Accountancy from Nanyang Technological University, Singapore.

Mr. Jun XU (徐俊), aged 37, was appointed as a non-executive Director and a member of the Audit and Compliance Committee of the Company (the "Audit and Compliance Committee") on 2 March 2021. He is a Director at MBK Partners. Mr. Xu has over 10 years of experience in the private equity and investment banking industries. Prior to joining MBK Partners, Mr. Xu was a Vice President at Ally Bridge Group in Hong Kong from 2015 to 2017. From 2011 to 2015, he worked as an Associate in the corporate finance division of China International Capital Corporation and Houlihan Lokey in Hong Kong. From 2006 to 2009, he worked as a Senior Consultant at Booz & Company in Shanghai. Mr. Xu received a Bachelor of Business Administration degree from Fudan University in Shanghai and an MBA degree from the Wharton School of University of Pennsylvania. Mr. Xu currently serves on the board of directors of Wendu Education Group.

Ms. Shengping YU (俞聖萍), aged 36, was appointed as a non-executive Director on 2 March 2021. She is a Director at MBK Partners. Ms. Yu has over 10 years of experience in the private equity and investment banking industries. Prior to joining MBK Partners, from 2010 to 2011, Ms. Yu was a Senior Associate in the investment banking division of Morgan Stanley in Hong Kong. From 2006 to 2008, she worked as a consultant at Oliver Wyman in New York. Ms. Yu received a Bachelor of Arts degree in economics from Harvard College and an MBA from the Wharton School of University of Pennsylvania. Ms. Yu currently serves on the board of directors of Shanghai Siyanli Industrial Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sam Hanhui SUN (孫含暉), aged 48, has served as an Independent Non-executive Director since 18 August 2014. Mr. Sun is currently the Chairman of the Audit and Compliance Committee and a member of the Nomination Committee. He is responsible for participating in the decision making of the Company's significant events; and participating in making decisions and advising on issues relating to corporate governance and audit. Mr. Sun has over 26 years of industry experience. Mr. Sun was appointed as an independent director and the chairman of the audit committee of each of iQiyi Inc. (listed on the NASDAQ, Stock Code: IQ) in March 2018. From March 2018 to July 2019, Mr. Sun has served as an independent director and chairman of the audit committee of Sunlands Technology Group (formerly known as Sunlands Online Education Group, a company listed on the New York Stock Exchange; Stock Code: STG). Since December 2015, Mr. Sun has served as an independent director and the chairman of the audit committee of Yirendai Ltd., a company listed on the New York Stock Exchange (Stock Code: YRD). From September 2010 to May 2019, Mr. Sun has served as an independent director and the chairman of the audit committee of Fang Holdings Limited (formerly named "SouFun Holdings Limited") which is a company listed on the New York Stock Exchange (Stock Code: SFUN). From January 2010 to May 2015, Mr. Sun served as the chief financial officer of Qunar Cayman Islands Ltd, a NASDAQ-listed company (Stock Code: QUNR). Mr. Sun was also an independent director and audit committee member of KongZhong Corporation, a NASDAQ-listed company, from July 2005 to January 2007. He was the chief financial officer of KongZhong Corporation from February 2007 to April 2009. From 2004 to 2007, Mr. Sun served in several financial controller positions at Fang Holdings Limited, Maersk China Co., Ltd. and Microsoft China R&D Group. Mr. Sun worked in KPMG's auditing practice group from April 1995 to October 2004, including eight years at the Beijing office of KPMG where he was an audit senior manager, and two years at KPMG in Los Angeles, California. In May 1998, Mr. Sun was admitted as a China certified public accountant by the Chinese Institute of Certified Public Accountants. Mr. Sun graduated from the Beijing Institute of Technology in July 1993 with a bachelor degree in engineering, majoring in business administration.

Wei DING (丁瑋), aged 61, has served as an Independent Non-executive Director since 18 August 2014. Mr. Ding is currently the Chairman of the Remuneration Committee. He is responsible for participating in the decision making of the Company's significant events and participating in making decisions and advising on issues relating to corporate governance and remuneration of Directors and senior management. Mr. Ding has nearly 34 years of industry experience in international finance, commercial banking, investment banking, and private equity industry. Since May 2016, Mr. Ding has been serving as managing director and the head of private equity business of China International Capital Corporation Limited. Since June 2012, Mr. Ding has been serving as a member of the board for Hwa Pao Investment. From February 2011 to December 2013, Mr. Ding served as the senior managing director and head of Temasek Greater China, where he was responsible for Temasek's China strategy and investments. From October 2002 to February 2011, Mr. Ding worked at China International Capital Corporation as the managing director and later served as the head of investment banking division. From March 1999 to September 2002, Mr. Ding served as the chief country officer for China at Deutsche Bank. Mr. Ding worked at the World Bank and the International Monetary Fund in Washington, D.C. from November 1987 to February 1999, serving as an economist, project manager, divisional manager and the chief representative. In January 1998, Mr. Ding completed the executive development program at Harvard Business School, which was tailor-made for the World Bank. Mr. Ding received a bachelor degree majoring in finance from Renmin University of China in July 1982.

Li ZHANG (張黎), aged 53, was appointed as an Independent Non-executive Director, the chairman of the Nomination Committee and members of the Audit and Compliance Committee and the Remuneration Committee on 27 February 2018. He is responsible for participating in the decision making of the Company's significant events and participating in making decisions and advising on issues relating to the corporate governance, nomination of directors and remuneration of directors and senior management. He was an Independent Non-executive Director, a chairman of the Nomination Committee and the member of the Remuneration Committee from 18 August 2014 to 13 January 2016, and a member of the Audit and Compliance Committee from 17 November 2015 to 13 January 2016. Mr. Zhang has over 25 years of industry experience. Mr. Zhang has served as an independent director of China Quanjude (Group) Co. Ltd since November 2020. Mr. Zhang has served as an Independent director of China United Property Insurance Company Limited since January 2020. From October 2013 to May 2016, Mr. Zhang has been serving as a deputy dean of the National School of Development at Peking University. From October 2013 to January 2017, Mr. Zhang has been serving as the dean of BiMBA Business School of the National School of Development at Peking University where he was responsible for education in business administration, research and administration of school affairs. From September 2008 to September 2013, he was working as a professor and deputy dean of Beijing International MBA at Peking University, where he was mainly responsible for education in management studies, research and administration of school affairs. From September 2003 to August 2008, he was working as an associate professor and assistant dean of Beijing International MBA at Peking University, where he was mainly responsible for teaching and research. From January 2002 to August 2003, Mr. Zhang was employed by Peking University to participate in project management and teaching. Mr. Zhang received a doctor of philosophy degree from the Ohio State University in September 1999, a master degree in commodity sciences from Renmin University of China in July 1995 and a bachelor degree in textile engineering from Tianjin Institute of Textile Science & Technology (now known as Tianjin Polytechnic University) in July 1989.

SENIOR MANAGEMENT

Guangyu CAO (曹光宇), aged 44, was appointed as the Chief Financial Officer and vice president of the Company on 1 September 2018. Mr. Cao is registered as a Certified Public Accountant and Certified Tax Agent in the PRC. He has over 20 years' experience in accounting and financial management. Mr. Cao is a founding member of the Company and he built the financial system and financial team of the Company and laid the solid foundation for the Company's rapid growth. Mr. Cao served as the senior vice president of UCAR Inc. from April 2016 to August 2018 and the vice-president and financial controller of the Company from September 2007 to April 2016. Mr. Cao worked in different roles in the finance field from 2000 to 2007 in various companies. Mr. Cao obtained a master's degree in accountancy from Peking University in January 2014. He graduated from Nankai University with a bachelor's degree in accountancy in July 2000.

Yandong ZENG (曾燕冬), aged 45, was appointed as the Company's senior management on 11 April 2016. Mr. Zeng has been working as a vice-president for the Group since June 2009 and is responsible for strategic development. Prior to joining us, Mr. Zeng worked as a vice-president at Zhongyida Commercial Trading Group Co., Ltd (眾義達商貿集團有限公司) from September 2008 to May 2009. From June 2006 to September 2008, he worked as a sales director at APV Far East Ltd. (APV遠東有限公司). From March 2001 to May 2006, he worked as a national sales manager at Tetrapak China Co., Ltd. (利樂中國有限公司). From September 1998 to March 2001, he worked as a manufacturing engineer at Ford Motor (China) Ltd. (福特汽車(中國)有限公司). From August 1997 to September 1998, he worked as a process engineer at Beijing Warner Gear Co., Ltd. (北京華納齒輪有限公司). Mr. Zeng received an Executive Master of Business Administration degree from Peking University (北京大學) in July 2008. He graduated from Tsinghua University (清華大學) and obtained a bachelor's degree in automotive engineering in July 1997.

COMPANY SECRETARY

Ka Man SO (蘇嘉敏), aged 47, was appointed as our company secretary on 30 July 2014. Ms. So has over 22 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. From August 2000 to December 2003, Ms. So worked at Tengis Limited (currently known as Tricor Tengis Limited). She is currently a director at the corporate services division of Tricor Services Limited ("Tricor"), a global professional service provider specializing in integrated Business, Corporate and Investor Services. Ms. So is currently the company secretary of Embry Holdings Limited (安莉芳控股有限公司) (Stock Code: 1388), China Logistics Property Holdings Co., Ltd (中國物流資產控股有限公司) (Stock Code: 1589) and Maoye International Holdings Limited (茂業國際控股有限公司) (Stock Code: 848), all companies are listed on the Stock Exchange. Ms. So is also the joint company secretary of Xiaomi Corporation (小米集團) (Stock Code: 1810), China Yongda Automobiles Services Holdings Limited (中國永達汽車服務控股有限公司) (Stock Code: 3669) and Kuaishou Technology (快手科技) (Stock Code: 1024), all companies are listed on the Stock Exchange. Ms. So is a chartered secretary and a fellow of both the Hong Kong Institute of Chartered Secretaries ("HKICS") and The Chartered Governance Institute in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. (Note: The Company has engaged Tricor as external service provider and appointed Ms. So as the company secretary since 30 July 2014.)

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential to providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Board is of the view that during the year ended 31 December 2020, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provisions A.1.1, A.2.7 and E.1.2, and the details are set out in sections below.

A. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2020.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

B. BOARD OF DIRECTORS

As at 31 December 2020, the Board comprised as follows:

Executive Director:

Ms. Yifan SONG *(Chief Executive Officer)*

Non-executive Directors:

Mr. Linan ZHU *(Member of Nomination Committee)*
Mr. Leping YAN *(Member of Audit and Compliance Committee)*
Mr. Hongfei YU
Mr. Xuan YAN

Independent Non-executive Directors:

Mr. Sam Hanhui SUN *(Chairman of Audit and Compliance Committee and member of Nomination Committee)*
Mr. Wei DING *(Chairman of Remuneration Committee)*
Mr. Li ZHANG *(Chairman of Nomination Committee and members of Audit and Compliance Committee and Remuneration Committee)*

During the year ended 31 December 2020, the Company was once unable to meet the following requirements due to the resignation of Ms. Xiaogeng LI as a Non-executive Director, a member of the Audit and Compliance Committee and a member of the Remuneration Committee with effect from 1 August 2020: (i) Listing Rule 3.21 and terms of reference of the Audit and Compliance Committee, which prescribe that the Audit and Compliance Committee comprising only non-executive directors with a minimum of three members; and (ii) terms of reference of the Remuneration Committee, which prescribes that the Remuneration Committee comprising of not less than three members.

The Company had subsequently fully complied with the aforesaid Listing Rule and terms of reference requirements upon its appointment of (i) Mr. Leping YAN as a member of the Audit and Compliance Committee with effect from 3 November 2020; and (ii) Mr. Hongfei YU as a member of the Remuneration Committee with effect from 2 March 2021.

Besides, the Board and Board Committees have the following changes subsequent to the year ended 31 December 2020: (i) Mr. Stephen LE Ee Boon was appointed as a Non-executive Director with effect from 15 January 2021; (ii) Mr. Linan ZHU resigned as a Non-executive Director and a member of Nomination Committee with effect from 2 March 2021; (iii) Mr. Leping YAN resigned as a Non-executive Director and a member of Audit and Compliance Committee with effect from 2 March 2021; (iv) Mr. Hongfei YU was appointed as a member of Remuneration Committee with effect from 2 March 2021; (v) Mr. Xuan YAN was appointed as a member of Nomination Committee with effect from 2 March 2021; (vi) Mr. Jun XU was appointed as a Non-executive Director and a member of Audit and Compliance Committee with effect from 2 March 2021; and (vii) Ms. Shengping YU was appointed as a Non-executive Director with effect from 2 March 2021.

The biographical information of the existing Directors and relationships among the members of the Board, if any, are set out in the section headed "Profile of Directors and Senior Management" in this annual report.

(1) Chairman and Chief Executive Officer

The position of Chief Executive Officer is held by Ms. Yifan SONG, who generally focuses on the Company's business development and daily management and operations. As disclosed in the Company's announcement dated 10 June 2020, Mr. Charles Zhengyao LU resigned from his offices as the Chairman of the Board and a Non-executive Director with effect from 9 June 2020. Since then, the Board has been in the process of identifying a suitable candidate to fill the vacancy of the Chairman, and will make further announcement(s) in respect of the appointment of Chairman as soon as practicable.

(2) Independent Non-executive Directors

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules with respect to the Board comprising of at least three Independent Non-executive Directors representing at least one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Members of the Board and senior management did not have any financial, business, family or other material relationship with each other save for working relationship in the Company.

(3) Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the directors of the Company is appointed for a specific term of three years and is subject to retirement by rotation once every three years under the Company's Articles of Association (the "Articles of Association").

(4) Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leading and controlling the Company, oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board make decisions objectively in the interests of the Company.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

(5) Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2020, the Company organized several training sessions for all Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities, corporate governance and update on Listing Rule amendments etc. In addition, relevant reading materials including directors' memorandum and seminar handouts have been provided to the directors for their reference and studying.

Training records that have been received from the existing Directors as of 31 December 2020 for the year ended 31 December 2020:

Directors	Type of Training*
Executive Director	
Ms. Yifan SONG	A
Non-executive Directors	
Mr. Linan ZHU *(resigned with effect from 2 March 2021)*	A
Mr. Leping YAN *(resigned with effect from 2 March 2021)*	A
Mr. Hongfei YU	A
Mr. Xuan YAN	A
Independent Non-executive Directors	
Mr. Sam Hanhui SUN	A
Mr. Wei DING	A
Mr. Li ZHANG	A

Notes:

* the Directors has been notified by the Company of the directors' duties and responsibilities in the voluntary general offers.

A: Attending/studying training sessions, including but not limited to briefings, seminars, conferences and workshops.

C. BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit and Compliance Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available to shareholders upon request.

The majority of the members of each Board committee are Independent Non-executive Directors and the composition of each Board committee is set out under "Corporate Information" in this annual report.

(1) Audit and Compliance Committee

The Board has established an Audit and Compliance Committee in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code.

The main duties of the Audit and Compliance Committee are to assist the Board in reviewing the Company's financial information and relationship with external auditors; overseeing and monitoring the Company's risk management, financial reporting system, internal control procedures and corporate governance functions; reporting to the Board of any suspected frauds, irregularities, failures of the risk management or internal control systems; meeting with the internal and external auditors or senior management to discuss the audit plans; and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit and Compliance Committee oversees and monitors the risk management and internal control systems of the Company on an ongoing basis and review with our external auditors and senior management periodically. The Audit and Compliance Committee shall review, at least annually, the scope, adequacy and effectiveness of the Group's corporate accounting and financial controls, risk management and internal control systems, and any related significant findings regarding risks or exposures and consider recommendations for improvement of such controls. Further details regarding the annual review conducted by the Audit and Compliance Committee are set out in the section headed "G. Risk Management and Internal Control".

The Audit and Compliance Committee is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code and such functions include the following: (a) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (b) reviewing and monitoring the training and continuous professional development of Directors and senior management; (c) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; (d) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board and reporting to the Board on matters; (e) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and (f) reviewing and monitoring the Company's compliance with the Company's whistleblowing policy.

During the year ended 31 December 2020, the Audit and Compliance Committee held three meetings to review the quarterly, half-year and annual results of the Company; to review continuing connected transactions of the Group; to review financial reporting system and the risk management and internal control systems of the Group and make relevant recommendation to the Board; to consider and recommend to the Board on the re-appointment of the auditors; and to review the Company's corporate governance policies, practices and related matters.

(2) Remuneration Committee

The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration (that is, the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted) and on establishing a formal and transparent procedure for developing remuneration policy; making recommendations to the Board on the remuneration of Directors and senior management; and ensuring that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2020, the Remuneration Committee met twice to review the remuneration of the Directors and senior management of the Company.

Pursuant to code provision B.1.5, the annual remuneration (including share options) of the members of the senior management by band for the year ended 31 December 2020 is set out below:

	Number of individuals
Nil to RMB2,000,000	1
RMB2,000,001 to RMB10,000,000	0
Over RMB10,000,000	1
	2

Details of the remuneration of each of the Directors and chief executive for the year ended 31 December 2020 are set out in note 9 to the Financial Statements.

(3) Nomination Committee

The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; making recommendations to the Board on the appointment and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer; and assessing the independence of Independent Non-executive Directors and identifying suitable candidates to become Board members.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process in the nomination and appointment of Directors which aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

The Company also recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of directors is good for corporate governance and is committed to attract and retain candidate(s) for Board with a combination of competencies from the widest possible pool of available talents; to assess regularly the diversity profile of the Board and, where applicable, senior management prepared for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any; and to ensure that changes to the Board's composition can be managed without undue disruption. A Board diversity policy was adopted by the Company, pursuant to which the Board and the Nomination Committee is responsible for reviewing and assessing the Board composition under diversified perspectives (including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience and length of service). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board that are aligning with the Company's strategy and objectives. The current Board's composition under diversified perspectives is disclosed in the biographical information of the Directors set out in the section headed "Profile of Directors and Senior Management" in this annual report.

During the year ended 31 December 2020, the Nomination Committee met three times to review the nomination procedures; to review the composition and diversity of the Board, Nomination Committee, Remuneration Committee and Audit and Compliance Committee and the change in the composition of the Board and Board Committee during the year; to consider and recommend to the Board on the re-election of Directors at the Company's annual general meeting; and to assess the independence of the independent non-executive Directors. The Nomination Committee was satisfied with the current procedures and composition.

D. ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

The attendance record of each Director at the Board, Board Committee and shareholders' meetings of the Company held during the year ended 31 December 2020 is set out in the table below:

Attendance/Number of Meetings

Name of Director	Board	Nomination Committee	Remuneration Committee	Audit and Compliance Committee	Annual General Meeting	Extraordinary General Meeting
Ms. Yifan SONG	8/8	–	–	–	1/1	1/1
Mr. Charles Zhengyao LU *(Note 1)*	2/3	1/1	–	–	0/1	–
Mr. Linan ZHU *(Note 2)*	0/8	0/1	–	–	0/1	0/1
Ms. Xiaogeng LI *(Note 3)*	4/4	–	1/1	2/2	0/1	–
Mr. Zhen WEI *(Note 4)*	4/6	–	–	–	0/1	–
Mr. Leping YAN *(Note 5)*	3/4	–	–	–	–	0/1
Mr. Hongfei YU *(Note 6)*	–	–	–	–	–	–
Mr. Xuan YAN *(Note 7)*	–	–	–	–	–	–
Mr. Stephen LE Ee Boon *(Note 8)*	–	–	–	–	–	–
Mr. Jun XU *(Note 9)*	–	–	–	–	–	–
Ms. Shengping YU *(Note 10)*	–	–	–	–	–	–
Mr. Sam Hanhui SUN	8/8	3/3	–	3/3	0/1	0/1
Mr. Wei DING	6/8	–	1/2	–	0/1	1/1
Mr. Li ZHANG	6/8	3/3	2/2	3/3	1/1	1/1

Notes:

(1) Mr. Charles Zhengyao LU resigned as a Non-executive Director, the Chairman of the Board and a member of the Nomination Committee with effect from 9 June 2020.

(2) Mr. Linan ZHU appointed his representatives to attend eight Board meetings and one Nomination Committee meeting held during the year. Mr. ZHU was appointed as a member of the Nomination Committee with effect from 12 June 2020. Subsequently, he resigned from the aforesaid offices with effect from 2 March 2021.

(3) Ms. Xiaogeng LI resigned as a Non-executive Director and a member of each of the Audit and Compliance Committee and Remuneration Committee with effect from 1 August 2020.

(4) Mr. Zhen WEI resigned as a Non-executive Director with effect from 3 November 2020, and he appointed his representatives to attend two Board meetings held during his tenure.

(5) Mr. Leping YAN was appointed as a Non-executive Director and a member of the Audit and Compliance Committee with effect from 12 June 2020 and 3 November 2020 respectively. He appointed his representatives to attend one Board meeting held during his tenure. Subsequently, he resigned from the aforesaid offices with effect from 2 March 2021.

(6) Mr. Hongfei YU was appointed as a Non-executive Director and a member of the Remuneration Committee with effect from 15 December 2020 and 2 March 2021 respectively.

(7) Mr. Xuan YAN was appointed as a Non-executive Director and a member of the Nomination Committee with effect from 15 December 2020 and 2 March 2021 respectively.

(8) Mr. Stephen LE Ee Boon was appointed as a Non-executive Director with effect from 15 January 2021.

(9) Mr. Jun XU was appointed as a Non-executive Director and a member of the Audit and Compliance Committee with effect from 2 March 2021.

(10) Ms. Shengping YU was appointed as a Non-executive Director with effect from 2 March 2021.

During the year ended 31 December 2020, an annual general meeting was held on 12 May 2020 and an extraordinary general meeting was held on 4 December 2020. 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 stipulates that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. But the Company did not hold the meeting between the Chairman and the independent non-executive Directors without the executive Director, non-executive Directors or senior management present during the year ended 31 December 2020 due to the resignation of the Chairman on 9 June 2020.

E. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditors' Report" in this annual report.

F. AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors for the year ended 31 December 2020 amounted to RMB5,000,000.

An analysis of the remuneration paid/payable to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	**Fees Paid/Payable**
	RMB'000
Audit Services	5,000
Non-audit Services	
– Internal Audit	–
– Others	–

G. RISK MANAGEMENT AND INTERNAL CONTROL

According to the requirements under Code Provision C.2.1 of the CG Code set out in Appendix 14 to the Listing Rules, the directors should conduct a review at least once annually on the effectiveness of the risk management and internal control systems of the issuer and its subsidiaries and report to the shareholders that they have completed such review in their Corporate Governance Report. The review should cover all material aspects including financial, operational and compliance controls as well as the risk management functions. By combining the internal control system and evaluation method of the Company and on the basis of regular and special supervision of internal controls, the Board conducted an evaluation on the effectiveness of the Company's risk management and internal control for the year of 2020.

I. Organizational Structure of Risk Management and Internal Control

The Board takes overall responsibility for the risk management and internal control systems, and is responsible for reviewing the effectiveness of these systems, evaluating and determining the nature and extent of risks that the Company is willing to take in achieving strategic objectives, and maintaining sound and effective risk management and internal control systems of the Company (including reviewing the relevant functions), so as to safeguard shareholders' investment and the Company's assets. To achieve this, the Group's management has established a risk management and internal control organizational structure by making reference to the internal framework of corporate management issued by The Committee of Sponsoring Organizations of The National Commission of Fraudulent Financial Reporting (the "COSO Standard"), adopting the following model with three lines of defence, considering the practical circumstances of the Company and under the supervision and guidance of the Board:

First line of defence – Operation and Management

The first line of defence is primarily comprised of the business departments of the Company and all of its branches and subsidiaries which are responsible for daily business operation and management, and are responsible for design and execute the relevant control to safeguard against risks.

Second line of defence – Risk Management

The second line of defence is comprised of functional departments such as operation center, finance management department, legal department and human resources department, which are responsible for the formulation of the relevant policies of risk management and internal control of the Company, providing assistance to the first line of defence by streamlining relevant business process, establishing and improving risk management, internal control and authorization systems, and performing supervision functions to reasonably ensure the effective implementation of the risk management and internal control tasks under the first line of defence.

Third line of defence – Assurance of Independence

The third line of defence is mainly constituted by the internal control and supervisory department.

The internal control team of the President's Office is responsible for performing the internal audit function and conducting independent review on the sufficiency and effectiveness of the risk management and internal control systems, as well as overseeing the continuous improvement and enhancement of the management over the risk management and internal control aspect, with a high degree of independence, and is responsible for receiving reports from multiple channels and conducting timely follow-up actions and investigations on alleged corruption cases, while at the same time assisting the management to promote the anti-corruption mechanism among staffs of the Company to establish correct values.

A direct reporting relationship has been established between the internal control team and the Audit and Compliance Committee.

The three lines of defence aim at managing, but cannot fully eliminate, the risks that may lead to the failure of achieving our strategic objectives, and providing reasonable, and not absolute, assurance against serious misstatements or losses.

The Company and its business operation environment undergo continuous development and changes, and the risks faced by the Company also undergo continuous evolutions. The Company will continue to review the sufficiency of the risk management and control structure, will always seek improvement opportunities and will increase relevant resources as and when necessary.

II. Corporate Risk Management Procedure

The Company places great emphasis on the establishment of risk management system, and gradually clarifies and enhances the overall risk management mechanism in the course of implementing operation management. The Company adopts various risk management methods with qualitative and quantitative combinations. The Company attaches great importance to the risks relating to strategy, operation, reporting and compliance on the basis of strategic objectives and operating objectives. The risk management procedure is as follows:

Stage 1: Risks Identification

On the basis of strategic and operating objectives, the Company identifies uncertainties and risk exposures which could affect the realization of its strategic and operational objectives in major areas, including strategy, operation, marketing, finance, law, human resources, information security and reputation.

Stage 2: Risks Evaluation

For various risks identified, the Company evaluates and rates such risks in two aspects, namely the probability and magnitude of impact from the occurrence of risks, and then ranks such risks as high, moderate and low based on the risk rating to formulate a risk heat map.

Stage 3: Risks Respond

Based on the results of risk identification and risk evaluation, the management adopts appropriate risk response strategy to design and implement relevant process and internal control activities to manage and control the risks. The risk response process and the internal control activities are implemented and executed by all branches and subsidiaries of the Company and all departments of the Group's headquarters.

Stage 4: Risks Supervision and Enhancement

The management continues to monitor the implementation of measures of risk tackling, continues to evaluate the risk level and the adequateness of existing controls by combining the changes in external environment and internal business model, and continues to enhance and improve the effectiveness of design and implementation of internal control.

The internal control team performs independent evaluation on the effectiveness of the design and implementation of the process for tackling various risks at least once per year through procedures such as information gathering, interview with management, walk through test and sampling test. The results of evaluation will be passed to the management and then the management would promote the continuous enhancement and improvement of the design and implementation of the risk control.

Stage 5: Risk Reporting

The internal control team reports the effectiveness of design, implementation and operation of the risk management and internal control systems to the Audit and Compliance Committee at least once per year.

III. High-Risk Areas

With expansion in the size of business, diversification of business modes and continuous changes in the external environment, changes may occur in the risk conditions of the Company.

According to the risk evaluation results for the year of 2020, the major risks faced by the Company and the risk tackling measures implemented are as follows:

Significant Risks	Tackling Measures
Impact of COVID-19	Due to the outbreak of COVID-19, strict restrictions on travel and domestic activities nationwide led to a sharp decline in rental demand. The Company promotes business situations by adopting the following: 1. Introducing discounted rental packages with longer rental term and discount coupons to stimulate demand; 2. Further optimizing the strong big data driven dynamic pricing system with finer differentiation; 3. Applying different initiatives towards existing and new customers to expand the volume of business; 4. Reducing human contact, improving customer experience and enhancing operating efficiency by significantly increasing the numbers of self-renting cars and increasing the density of self-renting points. Through the above methods, the Company continues to expand profit channels and user coverage and improves customer experience as a response to cope with the impact caused by COVID-19.

Significant Risks	Tackling Measures
Liquidity risk	Due to the impact of the uncertainty on the change of shareholding structure of the Company during the year of 2020, the Company maintains liquidity by adopting the following: 1. The Company has sustained the business steadily and maintained healthy cashflow through close communication with creditors, pre-arrangement of payment schedule and increasing used car sales; 2. The Company has optimized its financing structure by diversifying its financing channels, whilst adopting a steady financial policy to ensure the balance between leverage ratio and credit indicators at the same time.
Data security risk	The Company has lowered information security risk by adopting the following measures: 1. Continuously strengthening the input of resources for information technology infrastructure construction, and constantly optimizing disaster recovery mechanism in order to provide steady support to business development; 2. Establishing management standards of operational maintenance and protection mechanism of business continuity in information system in order to ensure smooth and continuous system operation; 3. Establishing relevant management standards including the collection, transmission, secure storage, encryption, authorized access and destruction of data; safeguarding sensitive information through various measures such as encryption technology, data access authorization control and process control; in addition, network safety monitoring has been continuously strengthened in order to lower the risk of leaking sensitive information.

Significant Risks	Tackling Measures
Vehicle residual risk	The Company determines the timing of retirement by considering vehicle condition, selling price of used vehicle, and demand and supply of vehicles; and strives to enhance the used cars disposal capabilities and lower the risk of vehicle residual value by penetrating to the B2C channels of used cars.
Corruption risk	To further improve the professional conduct risk prevention system, the Company has established an anti-corruption mechanism to promote the anti-corruption policy of the Company, and has conducted anti-corruption training and provided channels for reporting and collecting various types of reported information for the prevention and discovery of business corruption. The Company performs internal anticorruption function and conducts special investigations to exercise the supervisory function.

IV. Internal Control

The Company determines the major businesses and high-risk areas to be included in the scope of evaluation based on the risk-oriented principle. Based on business generation subjects of various principal businesses, management process and frequency of control and operation, the Company comprehensively determines the major units that need to be incorporated into the scope of evaluation. The major units, businesses and items and high-risk areas included in the abovementioned scope of evaluation cover the major aspects of operation and management of the Company, including aspects at the organizational, operational, financial reporting and IT system levels. During the Reporting Period, no significant control failings occurred and no material control weakness was identified in the Company.

The internal control team of the Company has started the internal control and evaluation work in the third quarter of 2020. Individual interviews, suitability tests, walk-through tests and sample tests were comprehensively adopted during the evaluation procedure. The internal control team analyzed and identified whether deficit existed in the design of internal control and whether the implementation of internal control is effective by broadly gathering the evidences of effective operation of internal control within appraised units, and formulating the working paper. The working paper records contents of evaluation in detail, including risks of elements in evaluation, control measures taken, relevant evidence information and result of evaluation.

The internal control team consolidates and formulates the internal control evaluation report and submits such report to the Audit and Compliance Committee for their consideration. The Audit and Compliance Committee meets quarterly to evaluate reports from the Company's internal control team.

V. Annual Review on Risk Management and Internal Control Systems

For risk management and monitoring, the Audit and Compliance Committee meets the heads of business units, departments and divisions from time to time to monitor risks identified and comes up with measures and response plans to manage and mitigate risks identified in day-to-day business operations. The Audit and Compliance Committee also follows up periodically the implementation of such measures and response plans.

During the year, the management and internal control team have conducted an annual review on risk management and internal control systems of the Company, consolidated and formulated the audit report proposal and submitted such proposal to the Audit and Compliance Committee for consideration in accordance with the guidelines of disclosure policy formulated by the Company. Through a review on the work and findings of the internal control team, the Audit and Compliance Committee considered and audited the effectiveness of the risk management and internal control systems in monitoring fraud and non-compliance.

According to the findings of the internal control team, the Audit and Compliance Committee concluded that, for the year ended 31 December 2020: (i) the Company should refer to COSO Standard as and when needed, the effectiveness of the Company's risk management and internal control systems are sufficient and adequate, and the Company maintains effective internal control in respect of financial reporting in all material aspects; (ii) the Company has already adopted appropriate mechanism which is necessary for monitoring and rectifying non-compliance; and (iii) the Company has already been in compliance with the requirements on risk management and internal control under the CG Code.

The Audit and Compliance Committee has also reviewed the Company's resources for accounting, internal audit and financial reporting functions, the qualifications and experience of the staffs as well as training courses attended by staff and the relevant budget, and it is satisfied with the sufficiency of the resources of abovementioned items.

VI. Disclosure of Inside Information

The Company has developed appropriate disclosure policies which provide a general guide to the Company's Directors, officers, senior management and relevant employees in the handling of confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

H. COMPANY SECRETARY

Ms. Ka Man SO of Tricor Services Limited, an external service provider, has been engaged by the Company as its company secretary. Her primary contact person at the Company is Ms. Siu Wan PAAU, vice president of Investor Relations of the Company.

I. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

(1) Convening a General Meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Articles of Association by sending a written requisition to the Board or the company secretary. The objects of the meeting must be stated in the written requisition.

(2) Putting Forward Proposals at General Meeting

If a shareholder wishes to propose a person other than a retiring Director for election as a Director of the Company at a general meeting, pursuant to Article 85 of the Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

(3) Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

(4) Contact Details

The contact details of the Company are set out in the Company's website (www.zuche.com) in order to enable the shareholders to make any query that they may have with respect to the Company.

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar. Their contact details are as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

(5) Articles of Association

The Articles of Association was adopted pursuant to the written resolutions of sole shareholder of the Company passed on 18 August 2014 and took effect from 19 September 2014. Since then, there have been no changes to the Articles of Association and an up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

J. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, the Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

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. Charles Zhengyao 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 Ms. Yifan SONG, who is well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

The Board presents this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The Group is a leading auto mobility provider in China, offering car rental and fleet rental services to individual and corporate customers. The principal activities of the Group are as follows:

(i) car rental;

(ii) fleet rental; and

(iii) sales of used rental vehicles.

Details of the principal activities of the principal subsidiaries are set out in note 1 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the Financial Statements of this annual report.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group and analysis of the Group's performance using key performance indicators is provided in the section headed "Management Discussion and Analysis" of this annual report.

Environmental Policies and Performance

Car rental is a mobility solution that reduces car ownership and hence helps solve traffic congestion and carbon dioxide emission. As the largest car rental company in China, our goal is to provide anyone with any car at any time anywhere. With a fleet size of 109,688 cars at the end of 2020, we were able to provide green travel solutions to customers in the 172 major cities across the country. As the electric vehicle technology gets more mature, we also aim to increase the portion of our electric vehicles in our total fleet to operate our business in a more environmental way.

Internally, we encourage green work by promoting paperless communications and the adoption of the office administration system where certain approval processes and internal communications were done electronically. We also place recycle boxes at designated area for employees to re-use paper. We have also assigned certain employees to check the conditions of the electric appliances after office hours to maximize savings.

Please refer to the section headed "Environmental, Social and Governance Report" in this annual report for more details.

Compliance with Relevant Laws and Regulations

The Company is subject to laws and regulations governing its relationship with its employees, including wage and hour requirements, working and safety conditions, and social insurance, housing funds and other welfare. Employers of People's Republic of China (the "PRC") are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to remediate on payments within a stipulated time period. During the Reporting Period, there was no under-contributed social insurance housing fund and other employee benefit.

In accordance with Road Traffic Safety Law and Provisions on the Registration of Motor Vehicles promulgated by the Ministry of Public Security, all automotive vehicles must be registered and equipped with license plates. As of 31 December 2020, our vehicles have been registered with relevant local administration authorities and are equipped with license plates. The car rental industry is primarily regulated by government authorities at local levels, where regulatory requirements on operating entities and vehicles vary from one locale to another. The Company is in compliance with local rules on car rental industry in general.

Save as disclosed elsewhere in this annual report, the Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (the "SFO") and the CG Code for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code.

The Board has overall responsibility for our environmental, social and governance ("ESG") strategy and reporting. The Board is responsible for evaluating and determining our ESG-related risks, and ensuring that appropriate and effective ESG risks management and internal control systems are in place. A confirmation regarding the effectiveness of these systems has been provided to the Board during the year ended 31 December 2020.

During the Reporting Period, the Company has been in compliance with the laws and regulations which would have a material impact on the Group.

Key Relationships with Stakeholders

Employees

In 2020, the number of our employees has decreased from 5,914 to 5,132, which was mainly due to the enhanced productivity and efficiency with the optimized proprietary Smart Assistant APP, and the slow down of hires after turnover. As the outbreak of COVID-19 had a material impact on car rental demand, the Company had put more efforts on internal operation efficiency management and training of staff, on top of increased marketing to stimulate demand. Throughout 2020, the Company continued to heighten the hygiene standard to safeguard the health and safety of our staff. Different measures were taken to make sure disinfection of vehicles and stores was in place. During 2020, we recorded no COVID-19 infection case. Looking into 2021, the Company is committed to restoring business and growth, and formulate a new incentive scheme to line up the Company's goal with employees' return.

Customers

As compared with 2019, the customer base increased by 15% and registered members increased by 70%. Different initiatives had been applied towards existing and new customers to expand the customer base. We also continued to strive to upgrade customer experience from time to time by providing better fleet condition, more convenient and value services. In the fourth quarter of 2020, 99% of the car rental reservations were made through the Company's mobile APP. The percentage of self-served transaction increased by 3 percentage points to 91% in December 2020, providing faster and more convenient service experience to our customers. The Company will also reprogramme the membership scheme to be launched in 2021 to reward frequent customers.

OEM suppliers

OEM suppliers are one of the most important business partners of the Company. In 2020, the Company strategically limited car purchase due to the outbreak of COVID-19, due to decreased car rental demand and the ability to obtain financing. Nevertheless, the Company maintained communications with key OEM suppliers to maintain long term relationships and ensured the readiness to start purchasing vehicles again.

Creditors

In 2020, although COVID-19 and the resulting economic conditions had a worldwide impact across most industries, the Company repaid all interests and maturities on time, and proactively communicated with lenders 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 creditors. Protecting creditors from loss is the Company's basis for continued development. In the past year, the Company was able to leverage flexible disposal of used cars to replenish cash level during difficult times, and maintain solid operation to generate revenue. The Company will continue to maintain strong financial position and work closely with creditors to operate the business.

Key Risks and Uncertainties

The car rental business is capital intensive. Our business requires a large amount of capital to finance the expansion and replenishment of our fleet. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely affect our business, results of operations and financial condition.

Restrictive covenants contained in credit facilities and issued senior notes and other debt agreements may limit our ability to incur additional indebtedness and restrict our future operations, and failure to comply with these restrictive covenants may adversely affect our liquidity, financial condition and results of operations.

We face risks related to the residual value of our rental vehicles and may not be able to dispose of our used cars at desirable prices and volume. As used cars constitute a significant portion of our assets and our business requires us to constantly replenish our fleet, risks related to the residual value of our rental vehicles and failure to dispose of our used cars at desirable prices and volume may materially and adversely affect our financial condition and business prospects.

Our business, financial condition and results of operations may be adversely affected by the downturn in the PRC or global economy and weakness in travel demand. Our growth may be adversely impacted by uncertainties in China's car rental industry, which is at an early stage of development and may experience unexpected downturns for various reasons.

The car rental industry in China is competitive and fragmented. We compete in the car rental market with local car rental companies and other smaller car rental companies. Alliances or mergers among our existing competitors or with new entrants into the car rental industry may present additional challenges. In order to protect our market share, we may deploy countermeasures such as increasing promotional activities or lowering rental rates, which may impact our financial performance. If we do not compete successfully against existing and new competitors, we may lose customers and market share.

We strategically lowered our price and utilization rate for our car rental business over the past few years for market expansion and defending our leadership position. Although we target to stabilize these key operating metrics in the future, it could be a challenge for us if we failed to manage customer expectation and new forms of competition.

The outbreak of COVID-19 has affected the Company's business performance since late January 2020, and has caused a decline of our business. In early 2020, certain of our service locations were temporarily closed due to the outbreak and our employees were unable to go to our service locations for extended periods of time, which negatively impacted our operations. Travel restrictions imposed by local governments and suppress on tourism and travel activities had negatively impacted the car rental market in China. More than a year since the outbreak, there is great uncertainty as to the future progression of the disease and whether countries around the world (including China) could be hit by subsequent waves of COVID-19 infections, which may continue to disrupt our business and financial performance.

Please refer to section headed "Business Overview and Strategies" in this annual report for more details.

Prospects

According to the joint announcement by the Offeror and the Company dated 4 March 2021, the Offeror had received valid acceptances and will privatise the Company by exercising its rights, pursuant to the Cayman Islands Companies Law and the Takeovers Code, to compulsorily acquire those offer Shares not already acquired by the Offeror on the same terms as the Share Offer.

MBK Partners has become the controlling shareholder of the Company. We believe MBK Partners' investment will: (a) bring stability to the Company's shareholding base, which in turn will help stabilise the Company's business operations and support positive views on the Company's outlook and ability to meet its obligations, which were negatively impacted by movements in the shareholding structure of the Company; and (b) through MBK Partners' strong industry expertise and strong financial position, allow the Company to be well-positioned to benefit from the long-term growth trends in the PRC.

Please refer to section headed "Strategies" in this annual report for more details.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy (including but not limited to the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans), dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2020.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Reporting Period are set out in notes 32 and 33 to the Financial Statements.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

RESERVES

Details of the movements in reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 134 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company had no distributable reserves.

FINANCIAL SUMMARY

A summary of the published results of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 274 of this annual report. This summary does not form part of the audited financial statements.

CHARITABLE CONTRIBUTION

During the year ended 31 December 2020, the Group made charitable contributions totaling RMB39,000.

RETIREMENT BENEFITS

Details of the retirement benefits of the Group during the Reporting Period are set out in note 2.4 to the Financial Statements.

RENTAL VEHICLES, OTHER PROPERTY, PLANT AND EQUIPMENT

Details of movements in rental vehicles, other property, plant and equipment of the Group during the Reporting Period are set out in note 13 and note 14 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the Reporting Period are set out in note 27 to the Financial Statements.

CONTINGENCY LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities.

PUBLIC FLOAT

The Stock Exchange had granted a waiver under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company's issued share capital (the "Minimum Public Float") subject to:

(i) the Minimum Public Float of 15%; and

(ii) appropriate disclosure of the lower prescribed percentage of public float and confirmation of sufficiency of public float in successive annual reports after listing.

Pursuant to the waiver, the Company has complied with the public float requirement which is at the higher of such percentage (being 21.6%) shares held by the public immediately after the completion of the issue and allotment by the Company of the over-allotment shares. As at the date of this annual report, 127,287,337 Shares, representing approximately 5.99% of the entire issued share capital of the Company, were held by the public (as defined in the Listing Rules). Accordingly, the minimum public float requirement of 21.6% as specified by the Stock Exchange under Rule 8.08(1)(d) of the Listing Rules is not satisfied. For details, please refer to the announcement jointly issued by the Offeror and the Company dated 4 March 2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are:

Executive Director

Ms. Yifan SONG *(Chief Executive Officer)*

Non-executive Directors

Mr. Charles Zhengyao LU *(resigned on 9 June 2020)*
Ms. Xiaogeng LI *(resigned on 1 August 2020)*
Mr. Linan ZHU *(resigned on 2 March 2021)*
Mr. Zhen WEI *(resigned on 3 November 2020)*
Mr. Leping YAN *(appointed on 12 June 2020, subsequently resigned on 2 March 2021)*
Mr. Hongfei YU *(appointed on 15 December 2020)*
Mr. Xuan YAN *(appointed on 15 December 2020)*
Mr. Stephen LE Ee Boon *(appointed on 15 January 2021)*
Mr. Jun XU *(appointed on 2 March 2021)*
Ms. Shengping YU *(appointed on 2 March 2021)*

Independent Non-executive Directors

Mr. Sam Hanhui SUN
Mr. Wei DING
Mr. Li ZHANG

Each of the Directors is appointed for a specific term of three years and is subject to retirement by rotation once every three years pursuant to the Articles of Association.

Pursuant to Articles 83(3) of the Articles of Association, Mr. Hongfei YU and Mr. Xuan YAN who were appointed as Non-executive Directors on 15 December 2020, Mr. Stephen Ee Boon LE who was appointed as a Non-executive Director on 15 January 2021, and Mr. Jun XU and Ms. Shengping YU who were appointed as Non-executive Directors on 2 March 2021 shall hold office until the annual general meeting to be held on 18 May 2021 (the "2021 AGM"). Pursuant to Articles 84 of the Articles of Association, Ms. Yifan SONG and Mr. Sam Hanhui SUN shall retire by rotation at the 2021 AGM. All of the above retiring Directors, being eligible, offered themselves for re-election at the 2021 AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out in the section headed "Profile of Directors and Senior Management" in this annual report.

DIRECTORS' SERVICE AGREEMENT AND LETTERS OF APPOINTMENT

Our executive Director has entered into a service agreement and each of our five non-executive Directors and three independent non-executive Directors has signed a letter of appointment with the Company. The initial term of the appointment is three years commencing from the execution date of the service agreement or letter of appointment (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the service agreement or letter of appointment or by either party giving to the other not less than one month's prior notice in writing.

None of the Directors proposed for re-election at the 2021 AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the Independent Non-executive Directors, namely Mr. Sam Hanhui SUN, Mr. Wei DING and Mr. Li ZHANG, the confirmation of their respective independence pursuant to the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our Independent Non-executive Directors have been independent during the Reporting Period and remain so as at the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2020, the interests of the Directors and chief executive in the shares and underlying shares of the Company which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, were as follows:

Long position in the shares of the Company

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Mr. Sam Hanhui SUN (孫含暉)	Beneficial Owner	510,000	0.02%

Long position in the underlying shares of the Company – physically settled unlisted equity derivatives (share options)

Name	Capacity	Number of Underlying Shares in respect of the Share Options Granted	Approximate Percentage of the Company's Issued Share Capital*
Ms. Yifan SONG (宋一凡)	Beneficial Owner	23,322,548	1.10%

* The percentage represents the number of ordinary/underlying shares divided by the number of the Company's issued shares as at 31 December 2020.

Save as disclosed above, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2020.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, the persons, other than the Directors or chief executive of the Company, who had interests in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of Part XV of the SFO, or as the Company was aware of, were as follows:

Long position in the shares of the Company

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Legend Holdings Corporation(1)	Interest in Controlled Corporations	563,583,025	26.55%
Right Lane Limited(1)	Interest in a Controlled Corporation	563,583,025	26.55%
Grand Union Investment Fund, L.P.(1)	Beneficial Owner	562,668,025	26.51%
Infinity Wealth Limited(1)	Interest in a Controlled Corporation	562,668,025	26.51%
Amber Gem Holdings Limited(2)	Beneficial Owner	157,039,260	7.90%
Warburg Pincus & Co.(2)	Interest in Controlled Corporations	157,039,260	7.90%
Warburg Pincus Private Equity XI, L.P.(2)	Interest in Controlled Corporations	157,039,260	7.90%
Warburg Pincus XI, L.P.(2)	Interest in Controlled Corporations	157,039,260	7.90%
WP Global LLC(2)	Interest in Controlled Corporations	157,039,260	7.90%

Name	Capacity	Number of Shares Interested	Approximate Percentage of the Company's Issued Share Capital*
Warburg Pincus Partners II, L.P.[2]	Interest in Controlled Corporations	157,039,260	7.90%
Warburg Pincus Partners GP LLC[2]	Interest in Controlled Corporations	157,039,260	7.90%
UBS Group AG[3]	Interest in Controlled Corporations	113,187,299	5.33%
Indigo Glamour Company Limited[4]	Beneficial Owner	442,656,855	20.86%
Indigo Glamour Holdings Limited[4]	Interest in Controlled Corporations	442,656,855	20.86%
Michael ByungJu Kim[4]	Interest in Controlled Corporations	442,656,855	20.86%
Teck Chien Kong[4]	Interest in Controlled Corporations	442,656,855	20.86%
MBK GP IV, Inc.[4]	Interest in Controlled Corporations	442,656,855	20.86%
MBK Partners Fund IV, L.P.[4]	Interest in Controlled Corporations	442,656,855	20.86%
MBK Partners GP IV, L.P.[4]	Interest in Controlled Corporations	442,656,855	20.86%
MBK Partners JC IV GP, Inc.[4]	Interest in Controlled Corporations	442,656,855	20.86%
MBK Partners JC IV GP, L.P.[4]	Interest in Controlled Corporations	442,656,855	20.86%
MBK Partners JC IV, L.P.[4]	Interest in Controlled Corporations	442,656,855	20.86%

Notes:

(1) Grand Union Investment Fund, L.P. is an exempted liability partnership which is controlled by a sole general partner, Infinity Wealth Limited and a sole limited partner, Right Lane Limited. Infinity Wealth Limited is a wholly-owned subsidiary of Right Lane Limited, which in turn, is wholly owned by Legend Holdings Corporation. Legion Elite Limited is a wholly-owned subsidiary of Right Lane Limited. Thus, Legend Holdings Corporation and Right Lane Limited were deemed to be interested in 562,668,025 shares and 915,000 shares of the Company held by Grand Union Investment Fund, L.P. and Legion Elite Limited respectively. Infinity Wealth Limited was deemed to be interested in 562,668,025 shares of the Company held by Grand Union Investment Fund, L.P.

(2) Warburg Pincus Private Equity XI, L.P. owns 41.42% of the equity interest in Amber Gem Holdings Limited ("Amber Gem"). Warburg Pincus Private Equity XI, L.P. is a wholly-owned subsidiary of Warburg Pincus XI, L.P., which, in turn, is wholly owned by WP Global LLC. WP Global LLC is wholly owned by Warburg Pincus Partners II, L.P., which, in turn, is wholly owned by Warburg Pincus Partners GP LLC. Warburg Pincus Partners GP LLC is wholly owned by Warburg Pincus & Co. Thus, Warburg Pincus Private Equity XI, L.P., Warburg Pincus XI, L.P., WP Global LLC, Warburg Pincus Partners II, L.P., Warburg Pincus Partners GP LLC and Warburg Pincus & Co. were deemed to be interested in 157,039,260 shares of the Company held by Amber Gem.

(3) UBS AG and UBS Asset Management (Singapore) Ltd are wholly owned subsidiaries of UBS Group AG. Thus, UBS Group AG was deemed to be interested in the 94,332,299 and 18,855,000 shares held by UBS AG and UBS Asset Management (Singapore) Ltd, respectively.

(4) Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), Indigo Glamour Company Limited is an indirect wholly-owned subsidiary of Indigo Glamour Holdings Limited. Indigo Glamour Holdings Limited is wholly-owned by MBK Partners JC IV, L.P. In respect of MBK Partners JC IV, L.P. (which indirectly owns 100% of Indigo Glamour Company Limited): (i) Michael ByungJu Kim controls MBK GP IV, Inc., which in turn controls MBK Partners GP IV, L.P. which in turn controls MBK Partners Fund IV, L.P., which is the sole limited partner of MBK Partners JC IV, L.P.; and (ii) Teck Chien Kong controls MBK Partners JC IV GP, Inc., which in turn controls MBK Partners JC IV GP, L.P., which in turn controls MBK Partners JC IV, L.P. Thus, Michael ByungJu Kim, Teck Chien Kong, MBK GP IV, Inc., MBK Partners Fund IV, L.P., MBK Partners GP IV, L.P., MBK Partners JC IV GP, Inc., MBK Partners JC IV GP, L.P., MBK Partners JC IV, L.P. and Indigo Glamour Holdings Limited were deemed to be interested in 442,656,855 Shares held by Indigo Glamour Company Limited.

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2020.

Long position in the underlying shares of the Company – unlisted derivatives (convertible instrument)

Name	Capacity	Number of Underlying Shares in respect of the Convertible Instruments	Approximate Percentage of the Company's Issued Share Capital*
Mcqueen SS Ltd.[1 & 2]	Beneficial Owner	339,062,500	15.98%
Kim Michael ByungJu[1]	Interest in Controlled Corporations	339,062,500	15.98%
MBKSS GP I, Inc.[1]	Interest in Controlled Corporations	339,062,500	15.98%
MBK Partners Special Situations GP I, L.P.[1]	Interest in Controlled Corporations	339,062,500	15.98%

Name	Capacity	Number of Underlying Shares in respect of the Convertible Instruments	Approximate Percentage of the Company's Issued Share Capital*
MBK Partners Special Situations I, L.P.(1)	Interest in Controlled Corporations	339,062,500	15.98%
British Columbia Investment Management Corporation(2)	Interest in Controlled Corporations	339,062,500	15.98%

Notes:

(1) Based on the information set out in the relevant disclosures made by the substantial shareholder(s), Mcqueen SS Ltd. is indirectly wholly-owned by MBK Partners Special Situations I, L.P. MBK Partners Special Situations I, L.P. is controlled by MBK Partners Special Situations GP I, L.P., which is controlled by MBKSS GP I, Inc., which in turn is controlled by Mr Michael ByungJu Kim. Thus, MBK Partners Special Situations I, L.P., MBK Partners Special Situations GP I, L.P., MBKSS GP I, Inc. and Mr Michael ByungJu Kim were deemed to be interested in 339,062,500 underlying shares in respect of convertible instruments of the Company held by the Mcqueen SS Ltd.

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

Save as disclosed above, the Company is not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures of the Company" above and the section headed "Summary of the Share Option Schemes" below, at no time during the year ended 31 December 2020 and up to the date of this annual report was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2020 and up to the date of this annual report, so far as the Directors were aware, the following controlling shareholder and directors of the Company were considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules as set out below:

MBK Partners, the controlling shareholder of our Company, is also holds a minority beneficial ownership interest in eHi Car Services Ltd. Mr. Hongfei YU, Mr. Xuan YAN, Mr. Stephen LE Ee Boon, Mr. Jun XU and Ms. Shengping YU are MBK Partners investment professionals. eHi Car Services Ltd. is engaged in the business of providing car rental services in the PRC which might compete with the rental business of our Group. As the Board is independent of the board of directors of eHi Car Services Ltd. and the above directors are subject to fiduciary duties to act in the best interests of the shareholders of the Company and the Group as a whole at all times, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of eHi Car Services Ltd. and its subsidiaries.

Save for disclosed above, none of the directors and controlling shareholder of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended 31 December 2020 and up to the date of this annual report.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

Upon Mr. Lu's resignation from his directorship of the Company in June 2020, Mr. Lu remains a director of the Company within the last 12 months and hence, a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules until such 12-month period has lapsed. Since Mr. Lu has been the actual controller of UCAR, UCAR constitutes a connected person of the Company and the following transactions between the Company and UCAR, are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

As the applicable percentage ratio exceeds the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules, the Company is required to comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Renewed Framework Agreement with UCAR dated 13 December 2018

To facilitate the operation and growth of the Company's business, on 13 December 2018, the Company entered into a renewed framework agreement with UCAR in relation to fleet rental, technical services, leasing and other services with a term of not more than three years. The renewed framework agreement replaced the framework agreement with UCAR dated 16 March 2016 upon its expiry on 31 December 2018. For details of the original framework agreement with UCAR dated 16 March 2016, please refer to the announcement dated 17 March 2016, the circular dated 28 April 2016 and the disclosure in the 2018 Annual Report of the Company.

The Company convened an extraordinary general meeting on 22 February 2019 to seek independent Shareholders' approval of the transactions under the renewed framework agreement and the aggregate annual caps for the financial years ending 31 December 2019 to 2021. The renewed framework agreement was approved by the independent shareholders of the Company.

For the year ended 31 December 2020, the aggregate amount paid by UCAR to the Group in relation to fleet rental, technical services and leasing services under the renewed framework agreement was approximately RMB83,258,000, RMB9,068,000 and RMB793,000, respectively, and the aggregate amount paid by the Group to UCAR Inc. in relation to leasing services was approximately RMB3,380,000, which did not exceed the aggregate annual cap of RMB780,000,000. For details, please refer to the announcement of the Company dated 13 December 2018 and the circular dated 18 January 2019.

New Framework Agreement with UCAR dated 25 June 2018

To facilitate and provide a new and efficient channel to dispose vehicles as an additional option to the existing channels, on 25 June 2018, the Company entered into a new framework agreement with UCAR in relation to its sale of vehicle business, with a term of not more than three years and subject to terms and conditions provided therein. The new framework agreement replaced the framework agreement with UCAR dated 29 June 2016 upon its expiry on 31 December 2018. For details of the original framework agreement with UCAR dated 29 June 2016, please refer to the announcement dated 29 June 2016, the circular dated 27 July 2016 and the disclosure in the 2018 Annual Report of the Company.

The Company convened an extraordinary general meeting on 16 August 2018 to seek independent shareholders' approval of the transactions under the new framework agreement and the aggregate annual caps for the financial years ended 31 December 2018 to 2020. The new framework agreement was approved by the independent shareholders of the Company.

For the year ended 31 December 2020, the aggregate amount of commission paid to UCAR Group for sale of vehicles to end-users through UCAR Group's sales platform was nil, which did not exceed the aggregate annual cap of RMB340,000,000. For details, please refer to the announcement of the Company dated 25 June 2018 and the circular dated 17 July 2018.

Continuing Connected Transactions with Beijing Borgward pursuant to Rule 14A.60 of the Listing Rules

To facilitate the operation of the Company's business, on 24 September 2020, Beijing China Auto Rental Co., Ltd. ("CAR Beijing"), an indirectly wholly-owned subsidiary of the Company, entered into a procurement framework agreement (the "Procurement Framework Agreement") with Borgward Auto (China) Co., Ltd. ("Borgward China") and Borgward Auto Technology (Xiamen) Co., Ltd. ("Borgward Xiamen"). Both Borgward China and Borgward Xiamen are wholly owned subsidiaries of Borgward and Borgward is a non-wholly owned subsidiary of UCAR. Therefore, Borgward China and Borgward Xiamen, and their respective associates are connected persons of the Company and the transactions contemplated under the Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

From 24 September 2020 to 31 December 2020, the aggregate amount paid by CAR Beijing to Borgward China and Borgward Xiamen was approximately RMB22,070,000, which did not exceed the aggregated annual cap of RMB25,000,000. For details, please refer to the announcement dated 24 September 2020 of the Company.

Connected transaction in relation to the issuance of convertible bonds

On 3 December 2020, the Company entered into a subscription agreement with Mcqueen SS Ltd. (the "Subscription Agreement"), pursuant to which the Company has conditionally agreed to issue, and Mcqueen SS Ltd. has conditionally agreed to subscribe for, or procure other investor(s) to subscribe for, the Company's convertible bonds in the aggregate principal amount of US$175,000,000 (equivalent to HK$1,356,250,000).

Mcqueen SS Ltd. is wholly-owned by MBK Partners Special Situations I, L.P. The general partner of MBK Partners Special Situations I, L.P. is MBK Partners Special Situations GP I, L.P., and the general partner of MBK Partners Special Situations GP I, L.P. is MBKSS GP I, Inc., affiliates of MBK Partners. Furthermore, Indigo Glamour Holdings Limited is wholly-owned by MBK Partners Fund IV, L.P. The general partner of MBK Partners Fund IV, L.P. is MBK Partners GP IV, L.P., and the general partner of MBK Partners GP IV, L.P. is MBK GP IV, Inc., affiliates of MBK Partners. At the time of completion of the Subscription Agreement, Indigo Glamour Holdings Limited was holding approximately 20.86% of the issued capital of the Company and hence, a connected person of the Company by virtue of being a substantial shareholder of the Company. As a result, Mcqueen SS Ltd. is a connected person of the Company by virtue of being an associate of Indigo Glamour Holdings Limited and the subscription under the Subscription Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, and independent shareholders' approval requirements under the Listing Rules.

The transaction under the Subscription Agreement was approved by the independent shareholders by poll at the extraordinary general meeting of the Company on 6 January 2021. All conditions of the Subscription Agreement have been fulfilled and completion of the Subscription Agreement took place on 15 January 2021.

Methods and procedures adopted by the Company to monitor the continuing connected transactions

To monitor the abovementioned continuing connected transactions, the Company has designated the special compliance committee, which consists of senior management from business operation, legal and finance departments (the "Special Compliance Committee") to continuously monitor the transactions and ensure that the pricing mechanism has been followed. The Special Compliance Committee also ensures that the management and business operations are independent among the Company, UCAR Inc., Beijing Borgward, Borgward China and Borgward Xiamen, and that the transactions between the two companies are conducted within arm's length basis.

The Special Compliance Committee continuously traces and regularly monitors the progress of the continuing connected transactions and report to management of the Company. The Special Compliance Committee reviews the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. The heads of different departments of the Company will also be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions. Quarterly or as needed, the Special Compliance Committee will communicate with the Company's Audit and Compliance Committee to report the progress of the continuing connected transactions, and request for approval of new or significant changes of existing transaction terms. Audit and Compliance Committee has also assigned the independent internal audit team to ensure that the Company's internal control measures in respect of the continuing connected transactions are conducted in accordance with the terms of the relevant agreement, pricing policies and on normal commercial terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Independent Non-executive Directors and the auditor of the Company have reviewed the nature and process of the business transactions, discussed the pricing methodology of the referred transactions, and have confirmed that the above continuing connected transactions have been entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing it and on terms that were fair and reasonable and in the interests of the Company and the shareholders as a whole.

The Company has confirmed that the execution had enforcement of the implementation agreements under the continuing connected transactions set above for the year ended 31 December 2020 has followed the pricing principles of such continuing connected transactions.

The auditor of the Company has issued its letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, confirming that (i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board, (ii) for transactions involving provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group, (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions, and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the relevant annual cap as set by the Company. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

For details, please refer to (i) the announcement of the Company dated 3 December 2020, (ii) the circular of the Company dated 16 December 2020 in relation to, among other things, the Subscription Agreement; and (iii) the announcement of the Company dated 15 January 2021.

Save as disclosed above, the related party transactions disclosed in note 38 to the Financial Statements, do not constitute continuing connected transactions or connected transactions of the Company. The Directors confirm that for continuing connected transactions and connected transaction, the Company has complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save for the above, during the Reporting Period, we have not entered into any connected transaction or continuing connected transaction which should be disclosed in this annual report pursuant to the Listing Rules.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers. The Company arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors or entities connected with the Directors is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2020 and up to the date of this annual report.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, there is no other contract of significance entered into between the Company and our controlling shareholders.

MANAGEMENT CONTRACTS

No contracts other than the employment contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2020, the Group had 5,132 employees. The Group's remuneration policies are mainly based on the performance of individual employees and the Group as a whole, along with benchmarks with companies in similar industries and companies with similar size in the market. The policy is reviewed regularly based on the Company Strategy. The remuneration of our employees includes salaries and allowances and most employees receive salaries based on the KPIs set by headquarters and branch offices. Due to COVID-19, the KPIs of the Group for the first half of this year focused more on cost control, service quality and demand generation. Moving into the second half of the year, key car rental operation metrics including utilization and growth of revenue, in terms of the improvement of demand generation were in consideration again. Cost control refers to costs controllable by the operation of the branch offices and stores, including fuel cost, store and branch operation related costs and vehicle dispatch cost, etc. Service quality refers to the assessment scores given to a service location based on their level of compliance with the central operation policies, customer satisfaction scores and the number of complaints received. Demand generation refers to car rental revenue generated during a specific period of time. At the Company-level, growth of revenue is the main KPI for the management and support departments, while at the city-level, cost control and services quality are the key KPIs for the operation and frontline departments. With the development of the Company and constant review of the performance assessment system, the Group is adapting the KPIs from time to time to accommodate for the best interests of the employees and the Group. The Group offers competitive remuneration packages to the Directors, and the Directors' fees are subject to shareholders' approval at general meeting. The packages were set by benchmarking with companies in similar industries, companies with similar size in the market, volume and complexity of work. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

Details of the Directors' remuneration during the Reporting Period are set out in note 9 to the Financial Statements.

RELATIONSHIP WITH EMPLOYEES

We have not experienced any significant disputes with our employees. As of 31 December 2020, none of our employees was represented by any labour union that engages in collective bargaining.

2014 PRE-IPO SHARE OPTION SCHEME I

The Company has adopted the 2014 Pre-IPO Share Option Scheme I by a resolution of its shareholders on 15 June 2014 and amended on 30 July 2014.

On 16 June 2014, pursuant to the 2014 Pre-IPO Share Option Scheme I, options to subscribe for an aggregate of 14,035,595 shares of the Company were conditionally granted to a total of two members of the senior management and 274 other grantees under Tranche A and Tranche B of the 2014 Pre-IPO Share Option Scheme I. On 31 July 2014, options to subscribe for an aggregate of 4,456,688 shares of the Company under Tranche C of the 2014 Pre-IPO Share Option Scheme I were conditionally granted to three members of the senior management and 18 other grantees under the 2014 Pre-IPO Share Option Scheme I. On 3 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares. In light of the share split, the total number of options granted under the 2014 Pre-IPO Share Option Scheme I were adjusted to 92,461,415. No further option can be granted under the 2014 Pre-IPO Share Option Scheme I.

As at 31 December 2020, a total of 24,962,596 options were outstanding under the 2014 Pre-IPO Share Option Scheme I. Set out below are details of the outstanding options granted to senior management under the 2014 Pre-IPO Option Scheme I:

Relevant Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Outstanding as of 1 January 2020	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2020
Yifan SONG (宋一凡)	816,730	16 June 2014	100% on the date of grant	10 years from 20 December 2013	US$0.058	730	–	–	–	730
	1,596,510	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	US$0.174	1,197,510	–	–	–	1,197,510
	2,250,000	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	US$0.174	1,691,000	–	–	–	1,691,000
	4,663,240					2,889,240	–	–	–	2,889,240

Relevant Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Outstanding as of 1 January 2020	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2020
Employees	34,272,260	16 June 2014	100% on the date of grant	10 years from 20 December 2013	US$0.058	6,381,840	(333,480)	–	–	6,048,360
Employees	33,492,475	16 June 2014	25% each on 31 December 2014, 2015, 2016 and 2017	10 years from 20 December 2013	US$0.174	10,722,496	(1,720,690)	–	–	9,001,806
Employees	18,533,440	31 July 2014	25% each on 31 July 2015, 2016, 2017 and 2018	10 years from 31 July 2014	US$0.174	7,543,190	(520,000)	–	–	7,023,190
Employees	1,500,000	31 July 2014	1/3 each on 31 July 2015, 2016 and 2017	10 years from 31 July 2014	US$0.174	–	–	–	–	–
Total	**92,461,415**					**27,536,766**	**(2,574,170)**	**-**	**-**	**24,962,596**

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the year ended 31 December 2020 is approximately HK$2.88.

In accordance with the terms of the 2014 Pre-IPO Share Option Scheme I, in the event a general offer is made to all the shareholders and such offer becomes or is declared unconditional prior to the expiry of the options, the optionholders are entitled to exercise the options (to the extent not already exercised) in full at any time after the general offer becomes or is declared unconditional and up to the close of such offer. The Offers was declared unconditional on 18 February and closed on 4 March 2021, and as at the date of this annual report, no options were outstanding under the 2014 Pre-IPO Share Option Scheme I.

For further details of the 2014 Pre-IPO Share Option Scheme I, please refer to the section headed "Report of the Directors – Summary of the Share Option Schemes" in this report and note 33 to the Financial Statements.

2014 PRE-IPO SHARE OPTION SCHEME II

The Company has adopted the 2014 Pre-IPO Share Option Scheme II by a resolution of its shareholders on 15 June 2014.

On 16 June 2014, pursuant to the 2014 Pre-IPO Share Option Scheme II, options to subscribe for an aggregate of 1,232,428 shares of the Company were conditionally granted to our former Chief Financial Officer. On 3 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares. In light of the share split, the total number of options granted under the 2014 Pre-IPO Share Option Scheme II were adjusted to 6,162,140. No further option can be granted under the 2014 Pre-IPO Share Option Scheme II.

As at 31 December 2020, no options were outstanding under the 2014 Pre-IPO Share Option Scheme II.

For further details of the 2014 Pre-IPO Share Option Scheme II, please refer to the section headed "Report of the Directors – Summary of the Share Option Schemes" in this report and note 33 to the Financial Statements.

POST-IPO SHARE OPTION SCHEME

The Company adopted the Post-IPO Share Option Scheme by an ordinary resolution passed by its shareholders at the extraordinary general meeting held on 5 April 2016.

The Post-IPO Share Option Scheme has become effective for the period of 10 years commencing on the effective date. The maximum number of the Company's shares in respect of which options may be granted pursuant to the Post-IPO Share Option Scheme is 239,494,759 shares, being 10% of the total issued shares of the Company on the date of approval of the Post-IPO Share Option Scheme. The details of the Post-IPO Share Option Scheme are set out in the section headed "Report of the Directors – Summary of the Share Option Scheme" in this report and note 33 to the Financial Statements.

As at 31 December 2020, 102,241,408 options were outstanding under the Post-IPO Share Option Scheme and the fair value of the options was HK$211,844,197.38 (i.e., the fair value was HK$2.072 for each option granted).

Relevant Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Closing Price of Shares immediately before the date on which the Options were granted	Outstanding as of 1 January 2020	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2019
Yifan SONG (宋一凡)	20,433,308	18 October 2019	One third of Options have vested on 18 October 2019, one-third of the Options have been vested on 18 October 2020 and one-third of the Options will be vested on 18 October 2021; and the Options granted will be exercisable until the expiry date of the Option Period.	10 years from 18 October 2019	HK$6.360	HK$6.380	20,433,308	–	–	–	20,433,308
	20,433,308						20,433,308	–	–	–	20,433,308

Relevant Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting Period	Option Period	Exercise Price	Closing Price of Shares immediately before the date on which the Options were granted	Outstanding as of 1 January 2020	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as of 31 December 2019
Employees	99,314,071	18 October 2019	One third of Options have vested on 18 October 2019, one-third of the Options have been vested on 18 October 2020 and one-third of the Options will be vested on 18 October 2021; and the Options granted will be exercisable until the expiry date of the Option Period.	10 years from 18 October 2019	HK$6.360	HK$6.380	99,314,071	–	(80,000)	(17,425,971)	81,808,100
Total	**119,747,379**						**119,747,379**	**-**	**(80,000)**	**(17,425,971)**	**102,241,408**

In accordance with the terms of the Post-IPO Share Option Scheme, in the event a general offer is made to all the shareholders and such offer becomes or is declared unconditional prior to the expiry of the options, the optionholders are entitled to exercise the options (to the extent not already exercised) in full at any time after the general offer becomes or is declared unconditional and up to the close of such offer. The Offers were declared unconditional on 18 February 2021 and closed on 4 March 2021, and as at the date of this annual report, no options were outstanding under the Post-IPO Share Option Scheme.

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
1.	Purpose	To promote the success and enhance the value of the Company by linking the personal interests of the members of the Board, Chief Financial Officer and employees to those of the Company's shareholders, and is intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of the members of the Board, the Chief Financial Officer and the employees upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.		
2.	Participants	Eligible participants include (i) any Director (including executive Director, non-executive Director and independent non-executive Director) of any member of the Group from time to time; and (ii) any employee or officer of any member of the Group.	The only eligible participant is the Chief Financial Officer.	Eligible participants include (i) the full-time employees of the Company; (ii) the full-time employees of any of the subsidiaries; and (iii) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company and/or any of its subsidiaries.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
3.	Total number of shares available for issue	As at 31 December 2020, options to subscribe for an aggregate of 6,049,090 shares were outstanding under Tranche A, options to subscribe for an aggregate of 10,199,316 shares were outstanding under Tranche B and options to subscribe for an aggregate of 8,714,190 shares were outstanding under Tranche C, representing approximately 0.2850%, 0.4805% and 0.4106% of the issued capital of the Company as at 31 December 2020, respectively. In total, options to subscribe for an aggregate of 24,962,596 shares were outstanding under the 2014 Pre-IPO Share Option Scheme I. No further option could be granted under the 2014 Pre-IPO Share Option Scheme I.	As at 31 December 2020 and the date of this report, no share options were outstanding. No further option could be granted under the 2014 Pre-IPO Share Option Scheme II.	The maximum number of the Company's shares in respect of which options may be granted and have been granted pursuant to the Post-IPO Share Option Scheme is 239,494,759 shares, representing approximately 11.26% of the number of issued shares of the Company as at the date of this annual report. As at 31 December 2020, 119,747,379 options were granted to the eligible participants.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
4.	Maximum entitlement of each participant	Determined by the Board	Determined by the Board	Substantial shareholders/Independent Non-executive Directors: 0.1% of the issued Shares/aggregate value not exceeding HK$5 million.Other participants: 1% of the issued Shares. Details of the maximum entitlement are set out in Rules 17.03(4) and 17.04(1) of the Listing Rules.
5.	Option period	Tranche A: 10 years from 20 December 2013 Tranche B: 10 years from 20 December 2013 Tranche C: 10 years from 31 July 2014	10 years from 1 March 2014	10 years from 18 October 2019.
6.	Acceptance of offer	Options granted must be accepted within 5 days of the offer date by the grantee. Acceptance is deemed when the grantee duly signs the duplicate letter and the Company receives a remittance in favor of the Company of RMB1.00 as stated in the offer letter by way of consideration for the grant.		An offer shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the offer is duly signed by the grantee, together with a remittance in favor of the Company of RMB1.00 by way of consideration for the grant.

	Details	2014 Pre-IPO Share Option Scheme I	2014 Pre-IPO Share Option Scheme II	Post-IPO Share Option Scheme
7.	Exercise price	Exercise price for each of Tranche A options, Tranche B options and Tranche C options are US$0.058, US$0.174 and US$0.174 respectively.	Exercise price is US$0.174	Exercise price shall not be less than the highest of (i) the nominal value of a share; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted, which must be a business day; and (iii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is granted.
8.	Basis of determining the exercise price	The exercise price was determined based on estimated reward level to grantees.		See above disclosure under "7. Exercise price".
9.	Remaining life of the scheme	The 2014 Pre-IPO Share Option Scheme I shall be valid and effective until terminated on the 10th anniversary of its adoption date, i.e. from 15 June 2014 to 14 June 2024.	The 2014 Pre-IPO Share Option Scheme II shall be valid and effective until terminated on the 10th anniversary of its adoption date, i.e. from 1 March 2014 to 29 February 2024.	The Post-IPO Share Option Scheme shall be valid and effective for the period of 10 years commencing on the effective date, i.e. from 11 April 2016.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the amount of the Group's revenue derived from the Group's five largest customers accounted for approximately 5.6% of the Group's revenue and the revenue derived from the largest customer included therein amounted to 1.5%. Our five largest suppliers accounted for approximately 18.2% of our purchases during the year ended 31 December 2020 and the purchases from the largest supplier included therein amounted to 5.1%.

None of our Directors or any of their close associates or any shareholders (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and vehicle suppliers.

PROPERTY INTERESTS

As at 31 December 2020, the Group had no properties held for development and/or sale or for investment where any of the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) exceeds 5%.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 headed "Events after the Reporting Period" 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. During the year ended 31 December 2020, the Company has complied with the code provisions in the CG Code, save and except for code provisions A.1.1, A.2.7 and E.1.2, details of which are set out in the Corporate Governance Report.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by Ernst & Young, certified public accountants.

Ernst & Young shall retire and being eligible, and will offer itself for re-appointment, and a resolution to this effect shall be proposed at the 2021 AGM. There has no change in auditors of the Company in any of the preceding three years

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 May 2021 to 18 May 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2021 AGM, unregistered holders of shares of the Company shall lodge share transfer documents with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. (Hong Kong time) on 12 May 2021.

By order of the Board
Yifan Song
Executive Director

Hong Kong, 15 March 2021

EXPLANATION OF THE REPORT

The Company believes that a healthy environmental, social and governance ("ESG") performance is decisive for sustainable development in the future, achieving our long-term goals and creating values for our shareholders in the long run. While enhancing our steady and strong financial performance, the Company pays close attention to the fulfilment of corporate social responsibility and sustainable development.

Report release cycle and scope

According to the materiality principle, this report covers the ESG subject areas in relation to lease-related business as the Company's main source of operating income during the period from 1 January to 31 December 2020 (the "Reporting Period" or "FY2020") (the "ESG Report"). The Company manages to select the Company's relevant important ESG policies and include them in the ESG Report through communications with stakeholders, important identification and assessment.

Basis for compilation of the Report

This ESG Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide set forth in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

ESG reporting principles

Materiality: This ESG Report discloses ESG issues considered by the Board and ESG working group in compliance with the materiality principle of the Stock Exchange. For the details of communication with stakeholders, identification and results of material issues, please refer to the corresponding sections below.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for qualitative key performance indicators herein and source of conversion factors are all explained in the definitions of the Report.

Balance: This ESG Report shall provide an unbiased picture of the ESG performance of our Group during the Reporting Period. It should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgement by the Report readers.

Consistency: The statistical methodologies applied to the data disclosed in this ESG Report shall be consistent.

ESG governance

The Board of Directors takes responsibility for the strategies and reports on environmental, society and governance of the Company. In particular, we have set up a special environmental, social and governance group to be responsible for coordinating with departments of the Company involving in the relevant subject, in order to prepare this ESG Report in accordance with the Environmental, Social and Governance Reporting Guide of The Stock Exchange of Hong Kong Limited.

COMMUNICATION WITH STAKEHOLDERS

The Company has established diversified communication channels with stakeholders to reduce potential social risks, protect the rights and interests of various stakeholders and effectively implement ESG management.

Stakeholders	Expectations and concerns	Communication method(s)
Shareholders/investors	Protecting shareholders' rights and interests Investment return Information disclosure Operation and management in compliance with laws and regulations	General meeting of shareholders Press releases and announcements Financial reports of the Company The Stock Exchange/Company website Investor conferences and roadshows
Government/regulatory authorities	Legal and compliance supervision Fulfillment of tax obligations Business and economic development Social contribution Operation safety	Compliance reports On-site inspections Attending conference/seminars Special enquiries/inspections Reporting documents
Users	Personal data privacy protection Product safety Quality service experience	Company website Multi-channel customer service
Employees	Protecting employee's rights and interests Occupational health and safety Improving employee's welfare Equal opportunity in employment and diversified development	Contracts Employees meetings Daily communication
Suppliers/partners	Long-term business relationship Fair and reasonable price Product quality assurance	Field visits Daily communication Regular meetings
Environment	Enhancing environmental and ecological protection Energy and resource conservation Spread the concept of low carbon travel	Environmental inspection Environmental information disclosure
Communities/public	Community engagement Social fusion Public welfare events	Volunteer activities Charitable activities

ASSESSMENT OF MAJOR ISSUES

The following table sets out the ESG issues that were important to the Company during the Reporting Period based on the assessment conducted by ESG Working Group.

Major issues on ESG of the Company	Topics of ESG Guideline
A. Environment	
Greenhouse gas management and waste management Green operation and low-carbon transportation Advocating green travel	A1 Emissions A2 Use of resources A3 Environment and natural resources
B. Society	
Combat COVID-19 pandemic Equal employment and employee rights and interests Occupational health and safety & care for employees Employee training and development Put an end to child labour and forced labour Safe procurement source and fair and public procurement Safety experience, quality service and customer data privacy protection Combat corruption and uphold integrity Charity and volunteer activities	B1 Employment B2 Health and safety B3 Development and training B4 Labour standards B5 Supply chain management B6 Product responsibility B7 Anti-corruption B8 Community investment

SPECIAL SUBJECT: FIGHT AGAINST COVID-19 AND SAFEGUARD HEALTH

Ensure the Prevention and Control of the Epidemic

In the beginning of 2020, the sudden outbreak of COVID-19 made a significant impact on lifestyle in the PRC and economic activities in various regions were suspended. CAR Inc. quickly responded, flexibly deployed, activated various emergency mechanisms, adjusted work arrangements, and took practical actions to protect the lives and health of employees and customers.

On 23 January 2020, CAR Inc. immediately set up a special emergency management office to help frontline employees respond to emergencies during the epidemic. Facing the lockdown of Wuhan City where all exits from Wuhan were closed, the Company contacted, by telephone, all customers that were affected by this pandemic prevention measure and informed them that they could return cars when the pandemic eased and gave them fee reduction incurred during that period. During the lockdown, the Company also proactively coordinated and solved our employees' difficulties to purchase daily necessities, which put our cares to their actual needs.

Subsequently, the Company issued the Implementation Plan for the Prevention and Control of COVID-19 Epidemic on 17 February 2020, to protect employees' health and lives after operation resumption and give them guidelines on the normal operation of our business activities during the special period. Despite a shortage in anti-epidemic resources during the beginning period, the Company managed to equip frontline employees with pandemic prevention supplies, such as masks, thermometers and disinfectant powder. Meanwhile, vehicle disinfection was added to normal preparation process and a guideline video about vehicle disinfection was produced and distributed for employee trainings. Every vehicle will have all-round disinfection after return and pick-up, which effectively enhances travel safety for customers.

After the epidemic eased, the Company conscientiously implemented the prevention regulations imposed by local governments where we operate to safeguard employees' health and safety during the pandemic period. The Company performed daily disinfection to office premises, temperature check and distribution of face masks, and proactively cooperate with local epidemic prevention work. The Company investigated and reported to personnel in medium and high-risk areas, appropriately arranged working hours, carried out home office work, and reduced personnel gathering.

Case 1: Non-stop Call Centre Operation During Pandemic Period

The outbreak of COVID-19 pandemic occurred in early 2020. Two of our top three operating cities of CAR. Inc. Call Centre, which are Wuhan and Harbin, were significantly affected and locked down, resulting in suspension of operation of the call centres. The call centres immediately responded and launched the emergency mechanism. We deployed our manpower from different areas and conducted the home-office working system, and launched remote working trial program within 24 hours, and completed the installation guidelines and inquiries for remote working within two days, which guaranteed the operational continuity of the call centres.

Meanwhile, along with the launch of home office, the accuracy and timeliness of business communication and consultancy have become important to customer service. To cope with the situation, the call centres have conducted comprehensive optimization of our database system for the purposes of "accessibility" and "intelligence" since March 2020. For the contents of database system, we coordinated all business contents and rebuilt the knowledge framework; for database system, we optimized the entry of knowledge base to floating window mode, which can freely adjust the position to make inquiries easily and functions such as smart keywords, collection pool, new business pinning and footprint recording will be added. This will greatly improve the timeliness of receiving business and accessibility of operation. During the pandemic, the new version of our database has become our important platform tool of home office, business learning and information transfer.

Devotion to Anti-epidemic Public Welfare

Case 2: Provision of vehicles for medical rescue team for Wuhan and media

The outbreak of COVID-19 pandemic in Wuhan before the Spring Festival in 2020 has changed the public sentiment across the country. Facing the severe pandemic, all parts of the country gave supports and helps. Medical rescue teams across the country arrived and gave helps to Wuhan. Meanwhile, multiple news media have also sent teams to Wuhan for news report of the pandemic campaigns.

Since 10:00 on 23 January 2020, the operation of public transport, mass transit, ferry and long-haul carriers in Wuhan had been suspended and made a difficulty in transportation. CAR Inc. has not forgotten its original aspirations and proactively fulfilled its social responsibilities. On 25 January, the Company firstly published an announcement to provide guarantee of cars to medical institutions and media participating in rescue activities across the country.

CAR Inc. has come forward in the critical moment of the fighting against the pandemic and helped to effectively solve the difficulties of travel inconvenience during the pandemic, accumulating a total of 133 car orders, of which 69 orders were requests from media and 64 from non-media. We provided cars to more than 30 media, such as Xinhua News Agency, Caixin Media and The Beijing News, and to more than 20 governmental institutions and medical rescue teams, such as China Centre for Disease Control and Prevention and National Health Commission of the People's Republic of China.

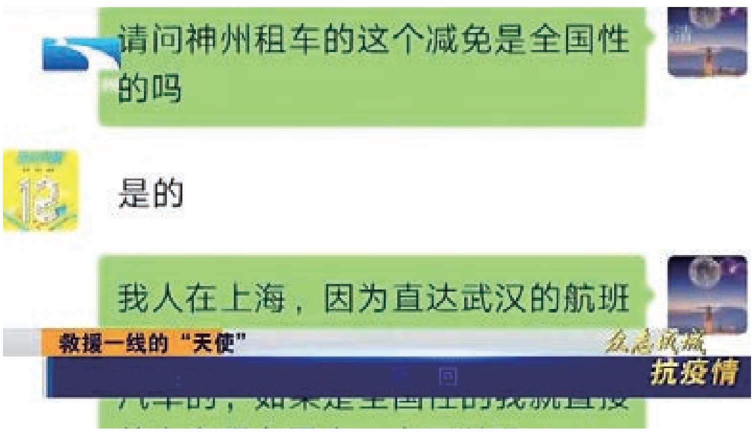


Figure 1: Zhu Bin, a rescue "angel" called for emergency helps from CAR Inc. as he found difficulty to return the frontline, then he showed gratitude to CAR Inc. in the interview with Hubei TV channel

Figure 2: Wuhan rescue team from Ningxia successfully arrived Hubei with the help of CAR Inc. and praised CAR Inc. as a responsible corporate during the severe pandemic

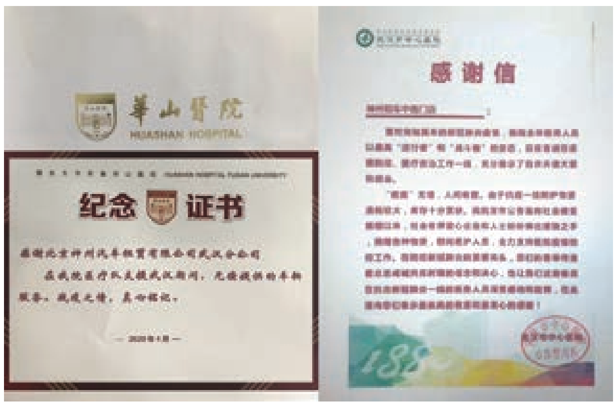


Figure 3: Huashan Hospital and Wuhan Central Hospital which secured assistance from CAR Inc. presented their commemorative certificate and thank you letter

1. TECHNOLOGY MAKES TRAVEL EASIER

1.1 Intelligent travel

The Company remains the mission to provide best-in-class smart and convenient mobility solutions to customers, providing a "better experience" and "more choices" to our customers. During the Reporting Period, the Company continued to optimise the physical network and expand the coverage of self-served services at multiple service locations and launch new rental car system, and to conduct upgrade of car rental APP, and continued to optimize customer experience by leveraging intelligent technology, so that customers can enjoy car rental services more conveniently.

- **Convenient car rental services**

During the Reporting Period, the Company has conducted an upgrade to the car rental system and continued to optimize the car rental location setting and expanded the coverage of self-served services at multiple service locations, so as to provide a more-convenient car rental services to customers. As of 31 December 2020, the Company's physical locations expanded to 2,560 directly-operated service locations in 172 cities, including 439 stores and 2,121 self-served locations. Cities where we conducted our self-served services business have covered all major tier 1 and tier 2 cities, certain tier 3 and tier 4 cities with higher economic development growths, and key tourist destinations.

Distribution of Business

Figure 4: Distribution of Business in Car Inc.

- Application of Intelligent Technology

  - On 4 March 2020, the new car rental system has been officially launched. New system supports the separation of bookers, guarantors and lessees and additional functions like ordering assistance, disbursements, self-served ordering modification, real-life map mode with physical stores and self-reported car change, and optimize the car picking process by leveraging big data analysis and artificial intelligence technology and enhance the accessibility of our platform comprehensively.

  - On 22 April 2020, the car rental APP was updated with additional functions of reminders of expiring vouchers, network enquiry, hotspot landmark notification and reminder of non-reservable range. We also optimized the purchase function of the exclusive service. In addition, reminder function and restriction mechanism for customers in arrears when picking cars were also added into the new version, in order to guarantee car safety.

  - On 27 October 2020, car rental APP, car rental back-office and operating assistances have conducted system upgrade simultaneously. The upgraded system not only operates more stably, but also increase system entries to improve the customer experiences, such as new user vouchers, following our public accounts, car rental guidelines for new drivers, assured-quality rental for big brands and hitchhiker rental. Moreover, a new travel protection product has been launched to expand customers' protection range and increase their protection amounts.

1.2 Quality Experience

The Company upholds our service philosophy of "Any One, Any Time, Any Car, Any Where". During the Reporting Period, the Company is committed to strengthen our service quality and continue to optimize customers' service experience in different dimensions of enhancing car rental service quality, protecting customer personal and privacy safety, reasonable promotion of products and services, as well as strengthening communications with customers.

- Enhancing car rental service quality

  - **Launching on-site product pick-up:** To respond the customer needs of pick-up at different places, on 17 June 2020, the Company has launched on-site pick-up and cooperated with third parties to establish vehicle delivery project in certain domestic cities. On one hand, on-site pick-up service can immediately satisfy the demands in peak hours, and on the other hand, store staff can also obtain more time for vehicle preparation, achieving the increase in pick-up efficiency and guarantee of vehicle hygiene. As of December 2020, the number of cities providing on-site service across the country was 155 while the number of pilot cities with cooperation spots with third parties was 20.

  - **Improvement in operating vehicles:** Since March 2020, the Company has launched special campaigns, such as interior decoration change, vehicle cleaning and vehicle repair. During the campaign, the Company has focused on the changes of seat leather and mats of certain operating vehicles, and provided trainings of intensive cleaning to store staff, randomly checked the tyre condition of operating vehicle and urged the branches to change the damaged tyres immediately. As of July 2020, it is accumulated that more than 18,000 operating vehicles had seat leather change and more than 14,000 operating vehicles had mats changed. This campaign has optimized vehicle conditions and reduced the occurrence of malfunctioning, and effectively increased customers' rental experience.

  - **Phone holder available in vehicles:** On September 2020, the Company has purchased phone holders and allocated them to every branch. They were placed to all operating vehicles as an accessory. Customers no longer need to bring their own holders when renting a car, which meets the needs of customers using mobile navigation.

- **Downgrade of Sesame Credit deposit-free amount:** During the update of a new version of the car rental APP on 22 April 2020, Sesame Credit required for pre-authorization exemption of the credit card in relation to car rental or regulation breach was adjusted. The Sesame Credit required was downgraded from 700-750 to 650-700, which lowered the threshold of deposit-free amount and allow a greater coverage of deposit-free service to more customer groups.

- **Free exchange of restricted vehicles:** Since 6 June 2020, road space rationing to small and micro passenger cars was implemented in Tianjin. For this policy, the Company has added a free exchange service for affected customers in Tianjin area, in order to guarantee their smooth car experience.

- **Model label recommendation:** On 27 October 2020, CAR Inc. APP has added model labels, allowing customers to receive vehicle information through APP. With the car reservation function and self-served pick-up service in APP, full remote car rental without psychical contacts can be achieved, which maximized the customers' accessibility.

- Comprehensive safety protection

  - **Protect customer personal safety**

    Addition of travel protection products: On 27 October 2020, the Company has launched 3 travel protection service products, namely Million Exclusive Service (尊享百萬服務), Driving Exclusive Guardian (尊享駕乘守護) and Hassle-free Service (全程無憂), which form a all-round protection of vehicles, passengers and third-party together with the original exclusive services, to eliminate the concerns of customers from the risk of car accidents and reduce their loss arising from accidents.

    Establishment of rescue teams: In September 2020, the customer service department established rescue teams, which are responsible for the emergency rescue services for unmovable vehicles under the circumstances of difficulty, remoteness and high-speed and other dangerous situations. As of the end of Reporting Period, the emergency rescue teams have handled a total of 12,776 cases.

➢ **Protect customer privacy safety**

Management of information safety: The Company has formulated the Rule for the Management of Data Security in the Customer Service of the Company in accordance with the Regulations on Security Protection of Computer Information Systems of the People's Republic of China (《中華人民共和國計算機信息系統安全保護條例》), the Administrative Measures for International Networking of Public Computer Internet (《公用電腦互聯網國際聯網管理辦法》), the Interim Provisions on the Management for International Networking of Computer Information Network (《計算機信息網路國際聯網管理暫行規定》), the Decisions on maintaining Internet Security of NPC (《全國人大常委會關於維護互聯網安全的決定》) and Rule 185 and 286 of the new Criminal Law (《刑法》), which defines the relevant confidentiality scope such as customer information, the Company's software system, staff training, technical documents and commercial activities, and clarifies the confidentiality duties of each level of staff and regulates/forbids relevant acts of leakage of potential confidential information; formulates a series of layered penalty and accountability mechanism such as economic penalties, personnel penalties and legal recourse based on the severity of disclosure behaviour and the outcome; and attached "Data Confidential Agreement of Car Inc.'s Customer Centre" (《神州租車客服中心信息保密協定》) to require all staff in the Call Centre of the Company to acknowledge and sign the Confirmation to the Staff Regulations on Information Security Management of Call Centre of the Company" (《神州租車呼叫中心信息安全管理規定員工確認書》).

Multiple steps of password authentication: In the process of customer service of the Company, the Company has designed a logical and rigorous authentication process including password authentication and password reset to protect customers' information and privacy. Customer service representatives can only inform the customer in the call of the private information regarding his/her own account if the customer passes the authentication process. In terms of business regulations, for customers who call for modifying important member information, an authentication process for taking photos with hand-held identity documents will be added to ensure that the modified information is at the request of customers, which ensures the safety of customer funds and information.

Optimization of service procedures: In March 2020, the Company has optimized the order modification procedure, which cancels the function of order modification by back office staff and solely supports the self-served order modification through APP. This not only enhanced self-control on the need modification of customers and strengthened their experience, but also reduced the contact of privacy information by back office staff, which protect the privacy interests of customers.

- Reasonable advertising promotion

  During the Reporting Period, the Company strictly complied with the relevant laws and regulations of advertising promotion under the Laws of Advertisement of the People's Republic of China《中華人民共和國廣告法》, the Anti-Unfair Competition Law《反不正當競爭法》and the Law on the Protection of Consumer Rights and Interests《消費者權益保護法》, to promote products and services legally and reasonably. The Company has established an internal review process for advertising content: In terms of selecting advertising materials, we select positive, encouraging, healthy, and true materials; before advertising publicly, we review the legality and reasonableness of advertising contents from multiple dimensions, such as business, technology and law. For promotion involving specific information, we request the department to verify the information. For promotion involving interests of third party, we request relevant department to obtain the prior authorization of interest holders and utilize the relevant advertising elements by strictly complying with the laws and regulations and authorization range, to demonstrate the elements such as contents, functions and prices of the Company's products and services in true and accurate manner, so as to eradicate deceptive advertisement. During the Reporting Period, the Company did not experience litigations and related compensation led by the breach of laws and regulations regarding advertisement and promotion.

- Enhancement of customer communication

  ➢ **7x24 service in multiple channels:** In order to provide 7x24 service in 365 days to customers, the Company has established three customer service centres in Tianjin, Wuhan and Harbin, respectively. They operate in respective places and supplement each other, which reduces the impacts of force majeures to the operation of customer service centres. The size of customer service centre increases along with the continuous growth of the Company's development. Under reasonable manpower planning, the scale has continued to grow, and it has currently become the largest customer service centre in the industry. Meanwhile, the Company has set up multiple customer service channels, such as online customer service in the official website, WeChat customer service and official Weibo to improve the accessibility of customer service in all aspects. Customer service satisfaction in 2020 reached 98.23%.

- **Customer complaint handling process:** The Company has set up a comprehensive mechanism to handle customers' feedbacks and complaints; Customer service centres collect feedbacks and complaints through all channels such as satisfaction rating in our official website, official Weibo, WeChat, online customer service in the official website and telephone customer service, and the complaints will be handled, accounted and remedied by different responsible departments. We implemented the accountability mechanism that customers' issues are reported to the customer service centre, a complaint officer will keep following up until completely resolved. This can guarantee that complaints are handled immediately, and the remedial measures can be followed up simultaneously. In addition, customer service centres will monthly and quarterly analyse information of the current month and quarter, and results will be used to improve the business system, business procedures and service quality in stores of the Company and reduce the customers' dissatisfaction.

- **Intelligent customer service robots:** In early 2020, the Company has integrated the technology of intelligent robot into Wechat and the APP of car rental, to handle customers' issues in a more convenient manner.

Case 3: Establish handling teams for "high risk" and "emergency"

In the second half of 2020, the customer service department of the Company has established high-risk emergency handling team, high-risk major handling team and special protection team. The high-risk emergency handling team is responsible for the classification of emergency, major and special cases. The high-risk major handling team is responsible for the classification of high-risk and major cases in respects of customer personal safety, asset safety and illegal acts. The special protection team is responsible for handling sophisticated cases regarding primary illegal acts, accidents, malfunctioning and enquires of car rents. As of December 2020, the high-risk emergency and major handling team has handled 3,095 high-risk cases and retained approximately RMB170,000 of economic losses of customers and company assets. The special protection team has solved 10,093 cases in respect of customer rental issues and received 19 compliments from customers. The establishment of the three special protection service teams has resolved the pressure of frontline staff and guaranteed the steady operation of our hotlines, so as to enhance the handling efficiency of our customer service, which in turn enables customers to secure better service experience.

2. SHARING MAKES LIFE BETTER

2.1 Low-carbon transport

As a corporate in car rental industry, the Company has been promoting the concept of low-carbon transport and green travel to the public by its own operation, encouraging the public to use vehicles with low emissions, reduce vehicle ownership and production, using and carbon emission generated from construction of carparks, while improving urban lifestyle and ecological environment. Meanwhile, we gradually shifted to electric servicing, reduced the use of paper and carbon footprint in our operation process, to achieve the concept of sustainable development.

- Promotion of green travel

  The Company prioritizes the purchase of environmental-friendly vehicle model from procurement. In 2020, we purchased new cars of new-energy model from Beijing Hyundai as rental vehicles, and we proactively promote the use of clean energy. Meanwhile, the Company fully considers the factors of environment and safety in our operation process by regularly eliminating the vehicles that reach certain years of life or kilometres in order to strictly control the periodic scrapping time of vehicles. We are responsible not only for customers' safety, but also guarantee that exhaust emission complies with the relevant standards of environmental protection.

- Electronic service

  Since March 2019, the Company has launched a new unmanned self-served mode across the country. Customers can complete the car rental service by phone without the use of paper-based document for confirmation for vehicle examination, rental and settlement in psychical stores. As at the end of the Reporting Period, business city with unmanned self-served mode has accounted for 98.8%, which is widely acclaimed. The model not only shortens the time for users to pick up the car and enhance customers' rental experience, while significantly lowering paper consumption in the operation process.

2.2 Emission Management

In continuous compliance with the laws such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Water Law of the People's Republic of China (《中華人民共和國水法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) and the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》), and the administrative regulations such as the Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》) and the Administrative Regulations on Environmental Protection for Construction Projects (《建設專案環境保護管理條例》) as well as other rules and regulatory requirements, the Company formulated and implemented a series of measures to save energy and reduce emission. During the Reporting Period, the Company had not been subject to any litigation and related penalties arising from any environmental non-compliance of the relevant environmental laws and regulations.

In the course of our operations, the major emissions include greenhouse gas, waste gas, waste water and wastes, of which the greenhouse gas is mainly generated from the emission of three major types of greenhouse gas, i.e. carbon dioxide (CO2), methane (CH4) and nitric oxide (N2O), arising from the burning of petrol by official cars and rental vehicles and burning of diesel by freight vehicles, combustion of liquefied petroleum gas utilized in canteens; and the emission of CO2 greenhouse gas due to usage of electricity purchased from the external parties. Industrial wastewater is mainly produced in the repairing and cleaning of our own vehicles, while domestic wastewater is mainly produced in daily office work and car rental outlet operations. Waste gas and particulate matters mainly include organic waste gas and overspray painting mist generated in the maintenance and preparing of vehicles at our own vehicle repair shops, while emission of organic waste gas and fog of overspray paint are carried out in accordance with requirements of the place of operation and relevant state regulations. Wastes mainly include waste oil, waste tires and lead car battery scraps etc., which have achieved 100% recycling, and qualified processors are selected to recycle and dispose of the wastes properly. Besides, there are domestic wastes generated by office operations, which are all passed to third parties for proper emission and treatment.

- Emission management policies

  - **Greenhouse gas management:** On the basis of basic compliance, various effective measures have been taken to reduce exhaust gas and greenhouse gas emissions with reference to the Vienna Convention for the Protection of the Ozone Layer, the Montreal Protocol, and the Framework Convention on Climate Change. In scope 1 – greenhouse gas direct emissions, the Company reduced direct greenhouse gas emissions by increasing the proportion of low-emission vehicles and new energy vehicles in the procurement of operating vehicles, increasing self-served check-in points to improve the utilization of vehicles and other means. In scope 2 – greenhouse gas indirect emissions, measures such as saving electricity were adopted to reduce emissions. In scope 3 – other indirect emissions, the Company advocated the use of video or teleconference and other methods among the staff in our work-related communications to minimize greenhouse gas emissions from business travels.

  - **Waste gas management:** During the construction and operation of repair shops, the Company configured facilities and equipment for maintenance and exhaust gas treatment in accordance with the Conditions for the Opening of the Automobile Maintenance Industry (《汽車維修業開業條件》), the Administrative Regulations for Motor Vehicle Maintenance (《機動車維修管理規定》) and other regulations, to ensure that exhaust gas is purified via collection facilities and processing facilities and discharged within specified limits.

  - **Waste water management:** During the construction and operation of repair shops, sewage management measures are formulated in accordance with the Water Law of the People's Republic of China (《中華人民共和國水法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) and the administrative regulations such as the Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), estimate the sewage emission and equip with sewage treatment facilities with corresponding capacity according to operation needs. Sewage generated is treated in a centralized manner and discharged in accordance with the national and local standards. We arrange professionals to regularly repair the sewage treatment facilities, regularly review the sewage discharge and conduct relevant trainings. In addition, the Company promotes the concept of water saving and water reuse. We deploy the daily water waste generated from the office areas to the municipal pipeline network by strictly complying with national requirements.

- **Solid waste management:** The Company has formulated treatment specifications for different types of wastes in accordance with the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China《中華人民共和國固體廢物污染環境防治法》and the Administrative Regulations on Environmental Protection for Construction Projects《建設專案環境保護管理條例》and other regulations as well as the National Hazardous Waste List (國家危險廢物名錄), for example, the Company requires every repair shop guarantees that orders are duly completed when repairing batteries and tyres, and keep the corresponding records and regularly recycled.

- **Hazardous waste management:** All hazardous waste in every repair shop should be stored separately and posted with specific labels. When disposing hazardous waste, every repair shop should enter into Hazardous Waste Transfer Contract《危險廢棄物轉移合同》with environmental treatment companies designated by the local environmental departments and transfer the hazardous waste to those environmental treatment companies, or seek for those companies by themselves to dispose the wastes and regularly report to the environmental department.

- **Harmless waste management:** The Company has centralized the recycle of harmless waste and reuse; for the wastes which are unable to be reused temporarily or at all, they are stored according to the requirements stipulated by the relevant PRC authorities. For the example of daily waste generated in office and production areas, the Company set up garbage bins for classification and guide staff to recycle the wastes according to the classifications of recyclable waste, food waste, hazardous waste and other waste, and dispose them into areas designated by the governmental authorities by independent parties.

- Measures on emission reduction

  - **Comprehensive vehicle allocation management:** In 2020, the Company has further optimized the management of vehicle allocation and developed the internal system of vehicle allocation carrier, which allows matching different carrier modes according to urgency level of allocation demands. When the allocation demand is not urgent, customers can choose to take rides on the way or joint carrier, which saves transportation costs and reduces emissions.

  - **Promote on-site maintenance:** In 2020, the headquarter has increased the proportion of on-site maintenance service of every repair shops. Compared with traditional in-plant maintenance, on-site maintenance not only increases staff utilization, but also decreases the fuel and electricity consumptions generated during vehicle pick-up and in-plant maintenance, achieving the purpose of energy saving. At of the end of the Reporting Period, the proportion of on-site maintenance has increased from less than 40% in 2019 to 50%.

  - **Clear maintenance standard:** A clear maintenance standard is formulated to different vehicle components, such as changing tyres when reaching designated wear point, changing engine oil and filter after reaching certain mileage, and changing brake pads after reaching certain thickness. This can effectively increase the efficiency of components and prevent from emission led by frequent maintenance.

  - **Replace the heat source for painting work:** Certain repair shops used diesel heating for painting work. In 2020, it was centralized to replace with reusable energy (such as electricity) for heating, reducing emissions by the decrease in the use of fossil energy.

Case 4: Installation of photocatalytic oxidation treatment facility in Changzhou Repair Shop

In early 2020, in order to satisfy the business demand in Changzhou, Jiangsu Province, Changzhou Repair Shop was newly established with addition and installation of environmental facility and repair quality. Changzhou Repair Shop has installed photocatalytic oxidation treatment facility for the treatment of hazardous gas, which uses tailor-made ultraviolet beams to irradiate waste gas, allowing hazardous gas particles and ozone to react with ozone to produce low-molecule compounds and discharge by pipelines. This facility is convenient to use, easy to maintain, and has high safety. It can effectively reduce emission of hazardous gas and avoid environmental pollution.

Figure 5: Photocatalytic oxidation treatment facility in Changzhou Repair Shop

- Types and amounts of emission

The respective emission data in the Reporting Period is set out as below:

Indicator	**Unit**	**2020**
Total greenhouse gas emissions (Scope 1 + Scope 2)	Ton of CO_2e	23,287
Greenhouse gas emissions per million of turnover	Ton of CO_2e/ RMB million	3.80
Scope 1: Greenhouse gas emissions from direct emission sources	Ton of CO_2e	16,180
Scope 2: Greenhouse gas emissions from indirect emission sources	Ton of CO_2e	7,107
Emissions of CO_2	Ton	23,230
Emissions of CH_4	Ton	0.6969
Emissions of N_2O	Ton	0.1393
Domestic sewage emissions	Ton	120,133
Domestic sewage emissions per million of turnover	Ton/RMB million	19.62
Output of domestic waste	Ton	4.22
Output of domestic waste per million of turnover	Ton/RMB million	0.0689
Output of waste engine oil	Ton	1,103.56
Output of waste engine oil per million of turnover	Ton/RMB million	0.1802
Output of scraped old car batteries	Ton	505.14
Output of scraped old car batteries per million of turnover	Ton/RMB million	0.0825
Output of waste tires	Piece	94,409
Output of waste tires per million of turnover	piece/RMB million	15.42

Notes:

1. The calculation of greenhouse gas emissions refers to the "Greenhouse Gas Auditing System Enterprise Auditing and Reporting Standard" issued by World Resources Institute (WRI) and World Business Council For Sustainable Development (WBCSD) and the Fifth Assessment Report issued by Intergovernmental Panel on Climate Change (IPCC);

2. The calculation of domestic sewage emissions refers to GB 50318-2017 "The People's Republic of China National Standard of Urban Drainage Works Planning Specification" issued by Ministry of Housing and Urban-Rural Development of the People's Republic of China;

3. The calculation of output of domestic waste refers to "The First National Survey of Pollution Sources on Urban Waste Source Discharge Coefficients Handbook" issued by the State Council;

4. The grid emission factor used for the calculation of greenhouse gas emissions (Scope 2) refers to the "2019 Emission Reduction Project China Regional Grid Baseline Emission Factor" issued by the Ministry of Ecology and Environment of China;

5. Major wastes such as waste oil, waste tires and lead car battery scraps achieved 100% recycling.

2.3 Resource Conservation

- Use of energy

The data for use of energy during the Reporting Period is set out as below:

Indicator	Unit	2020
Total water consumption	Ton	141,333
Water consumption per million of turnover	Ton/RMB million	23.08
Total electricity consumption	kWh	11,114,895
Electricity consumption per million of turnover	kWh/RMB million	1,814.85
Total gasoline consumption	Litre	7,364,871
Gasoline consumption per million of turnover	Litre/RMB million	1,202.55
Diesel consumption	Litre	14,384
Diesel consumption per million of turnover	Litre/RMB million	2.35
LPG consumption	Kg	11,548
LPG consumption per million of turnover	Kg/RMB million	1.89
Natural gas consumption	Cubic metre	150
Natural gas consumption per million of turnover	Cubic metre/RMB million	0.02

- Green Office

  - **No-paper operation:** In 2020, procedures of vehicle entry, repairs and quality inspection can be conducted by mobile APP, which reduces the use of paper receipt and document; No-paper office is advocated in daily operation that the use of email and electronic file transfers and saving are encouraged to reduce paper consumption. During the Reporting Period, the Company processed a total of 4,765,501 e-orders and completed 116,432 online reimbursements, saving about 24,409,665 sheets of paper[1].

  - **Paper saving:** We prioritize to have double-sided printing and copying; we collect recycle paper for reuse.

  - **Water saving:** We enhance the regular check and maintenance of water equipment and encourage water reuse, such as for irrigation and cleaning.

1 Calculated based on 5 sheets of paper for each e-order/each reimbursement on average.

- **Electricity saving:** We set the air-conditioning system in our office areas, which can turned off at regular intervals and turned on manually when needed; Computers, printers and water machines are turned off during non-office hours for electricity saving; we have regular maintenance and cleaning, pay attention to dust and moisture to electric equipment, to guarantee the capabilities of the equipment and save electricity consumption.

- **Fuel saving:** We prioritize to have vehicles with small and medium emission models to reduce emissions.

- **Tips for resource saving:** We post warm reminders in different corners of the office areas and remind employees to pay attention to water, electricity and paper savings, and to turn off lights and electric equipment if not used.

- **Garbage classification and recycle:** We implement garbage classification in office areas, to classify them into hazardous waste, recyclable waste, other waste and food waste; We deploy recycle facilities in office areas and we have particular recycle system for recyclable items, such as batteries.

3. RESPONSIBILITY CREATES HARMONIOUS SOCIETY

3.1 Care for employees

Under the core values of "Efficiency, Pro-activeness, Caring", the Company is committed to build a safe working environment for employees, protect their health and facilitate their personal development. We strive to provide a wide space of occupational development for employees and enhance their happiness by a series of systems and initiatives, so as to attract and retain talents.

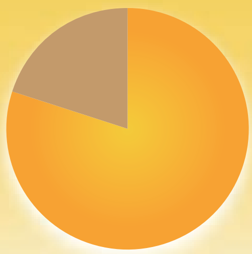
- Compliance with labour standards and Opposition to forced labour and child labour

The Company persistently abides by the relevant laws and regulations of the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law (《勞動合同法》) and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), which eliminates the use of child labour or forced-labour workers. When recruiting workers, we verify the identification of the candidates so as to identify their true age for the purpose of ensuring a minimum employee entry age of 16 years old during the recruitment phase in accordance with law and regulations; the Company recruits workers on a voluntary basis and hired with consents after communication, also we implemented an overtime work approval system, which strictly control the overtime working hours and there is no act of any forced labour. During the Reporting Period, the Company had no violations of relevant laws and regulations in relation to employment of child labour and forced labour.

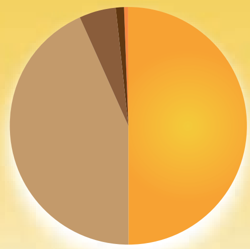
- Diversified employment

We adhere to the policy of diversified employment mode, cultural background and personnel composition to ensure that the employees will not be subject to discrimination during employment due to factors such as race, age and gender. As at the end of the Reporting Period, the Company had a total of 5,132 employees with the following specific distributions:

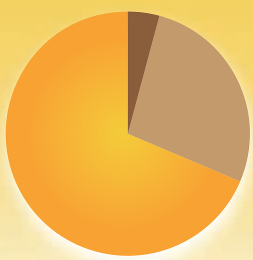
Employee composition by gender



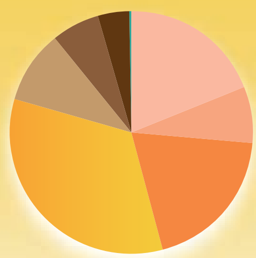
Employee composition by age



Employee composition by role composition



Employee composition by region



- Comprehensive Training System

The Company advocates the employment philosophy of "People Foremost and Growth with Employees", establishes a professional institute for development of internal talents – "Shenzhou Institute", and constantly optimizes the existing talent training system to create a personalized development and promotion platform for employees. During the Reporting Period, the Company provided a total of 612 trainings to employees, covering 54,642 person-time employees with an average of 8.66 training hours for each employee[2].

Figure 6: "3-Model Group" Talent training system for Shenzhou

During the Reporting Period, the Company has carried out various training measures with the pillar of the "3-Model Group" talent training system to enable the development of employees as follows:

➢ **General force building for all employees**

New employee training: Due to the impact of the pandemic, the new employee training of the year has been adjusted from offline tutoring to online live streaming. To ensure that employees can master the training content and successfully pass the qualification exam, Shenzhou Institute has set up a general learning course for new employees that matches the live training content on the online learning platform. After being employed for 1.5 months and completed the general learning course, trainees can take the qualification exam at the mid and end of each month.

2 Training system was upgraded in 2020 and data of all trainings was derived from the system. Due to the impact of the pandemic, some of the offline trainings were conducted online.

Management trainee training: As the Company's key reserve talent training project, Longxing Shenzhou Management Training Camp (龍行神州管培生訓練營) has officially opened in Tianjin Headquarter on 13 July 2020. The training camp is scheduled for one years, which helps management trainees to be qualified for working as a basic manager through formal trainings, task practice, stage review and sharing.

General competence training during the pandemic: To protect psychical and mental health during the pandemic, all staff has adapted to remote working mode. From February 2020, Shenzhou Institute provide all staffs with different learning resources including scientific epidemic prevention and remote efficient office.

"2020 Learning Season": To enhance employees' general capabilities in office by stage and build up a good learning atmosphere, in August 2020, Shenzhou Institute has provided online training courses themed with efficiency upgrade, interpersonal collaboration, working close-loop system and critical thinking training for employees, and organized 9 offline trainings covering those four themes in October.

- **Domain expert training**

Continuous optimized training management mechanism: In February 2020, Shenzhou Institute has issued the "Departments Training Points Management Rules for 2020"《2020年度部門培訓積分管理規則》which added assessment aspects on the basis of 2019 version and redefined the assessment standards. The points will be included in the annual working review of managers, to encourage various departments to actively implement the development of professional competence of personnel and ensure the effectiveness and standardization of the development of professional competence.

Skills of professional capacity constructor: In 2020, Shenzhou Institute has organized phase 5 professional capacity campaign and established a trainee club by internet learning platform to provide free sharing space for internal trainees of the Company. By balancing the special competence and daily competence, employees' training-related capacity of various departments will be continuously enhanced.

Construction of internal trainer teams: In 2020, Shenzhou Institute has completed the phase 5 training camp for professional internal trainers and phase 1 training camp for senior internal trainers.

Figure 7: Internal trainers were awarded certificates after completing trainings

- **Core leader training**

Online leadership training camp for all managers: As the newly-launched training project in 2020, online leadership training camp is tailored with quality online training resources for managers to provide compulsory and selective learning in each quarter. It is proved that managers of different levels have enhanced their knowledge and skills.

Training courses for reserved managers recruited in society: In May 2020, Shenzhou Institute has organized a 3-day training course for reserved managers in Xiamen Headquarter to build up a sound foundation of management practice of reserved managers in branches by the training mode of "online self-study + onsite practice + offline training".

"Home lesson": From October to November 2020, Shenzhou Institute has organized the "Home lesson" campaign for managers in Guangzhou, Shenzhen and Beijing, respectively, which helped managers to precisely understand the management role of managers, optimize their management competence and enhance their team cohesion by quality exploration, sandpile games and management capacity.

Figure 8: "Home lesson" campaign in Shenzhen

- Opened promotion channel

To explore the diversified promotion channels and establish a fair, equitable and open promotion system, the Company has formulated the Promotion Management Measures 《晉升管理辦法》. The Promotion Management Measures regulate the standards and procedures for employee promotion allowing capable employees to realize personal values to the best of their ability, and truly provide the employees a platform for development and a channel for promotion. Amongst the promotion channels, professional promotion by assessment in replacement of training to promote the employees has obtained employees' positive feedbacks. During the Reporting Period, a total of 687 employees obtained promotion by professional promotion. This allowed employees to build up their confidence and dynamics as well as maximizing their motivity in working.

- Physical and Mental Health of Employees

The Company has been complying with laws and regulations such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law on the Prevention and Control of Occupational Diseases (《職業病防治法》) and the Regulation of the Protection on Women's Interests (《婦女權益保障法》) and formulated internal management measures such as the Safety Management System of the Company (《公司安全管理制度》) and Management System of Occupational Hygiene of the Company (《公司職業衛生有關管理制度》), and a series of safety systems and rules and procedures for safe operation for repair factories, such as "Procedures for safe operation of lift" (《舉升機安全操作規程》),"Procedures for operation of dynamic balancing machines" (《動平衡機操作規程》) and "Procedures for safe operation of tyre removing machines" (《扒胎機安全操作規程》), to protect the mental health of employees. regulate safe operation in the course of repairs and prevent occupational injuries of the employees. During the Reporting Period, there is no fatal incident in respect of the employees of the Company.

➢ **Health protection for female employees:** The Company actively implemented the Regulation of the Protection on Women's Interests (《婦女權益保障法》). The female employees' breast-feeding leave will not affect their salary adjustment, promotion and the continuous calculation of their working years. In addition, the Company has set up an infant room. During the Reporting Period, the Company has replaced the refrigerator in the infant room with a larger model to satisfy the need of breastfeeding employees.

➢ **Distribution of labour safety supplies:** The Company provides labour safety supplies to employees according to their needs, such as safety gloves, protection glasses and masks. The number of safety supplies, such as surgical masks and disinfecting hand sanitizers, has increased since the outbreak of COVID-19 pandemic.

➢ **Employee body check:** Employees will be arranged with regular body check, and new employees are required to conduct body check according to the Company's requirements. After induction, the Company reimburses them for the body check expenses.

➢ **Enhancement on health awareness:** We regularly organize health seminars for employees and provide learning and examination accesses of occupations related to nutrition and psychology, to enhance their own awareness of health management.

Case 5: Serious illness care and assistance plan

Caring for employees in difficulties is CAR Inc.'s undeniable responsibility. In order to help sick employees, the labour union of CAR Inc. has launched a serious illness care and assistance plan to provide our condolences and monies to employees suffering from serious illnesses and help them apply for relief funds to reduce their treatment costs and economic burden to them and their family.

In 2020, the serious illness care and assistance plan paid portion of treatment costs for 2 employees suffering from serious illness, which made them feel the care from the Company.

- Full of employee activities

The Company is committed to providing an energetic and happy working atmosphere to employees, and organize diversified activities for them, such as employees' sport day, birthday parties, festival celebrations, to enhance their communication and connection among employees and strengthen their team cohesion.

Case 6: "Chinese Heart in Dragon Boat Festival" employee experiential activity

After the ease of the pandemic, CAR Inc. has organized an employee experiential activity themed with "Chinese Heart in Dragon Boat Festival" jointly with the Labour Union of Tianjin Port Free Trade Zone, Tianjin Port Free Trade Zone Committee of the Communist Youth League and Women Union of Tianjin Port Free Trade Zone before the Dragon Boat Festival under the comprehensive pandemic prevention measures. The Company organized employees to experience traditional folk customs, such as face painting, eating "wudu cake", drinking herbal tea, making dumplings, sewing sachets, building dragon boats and weaving long-life thread, to inherit the traditional culture and accumulate strengths to move forward in our patriotic sentiments.

Figure 9: Activity venue of "Chinese Heart in Dragon Boat Festival"

3.2 Win-Win Partnerships

The supplier management system of the Company is well-established to carry out a stringent certification and review to suppliers in different stages and maintain a sound communication with them, in order to achieve our common values. For example, in 2020, the Company has promoted the car rental service to suppliers and host manufacturers by leveraging our own strengths in operation. This indicated that it can achieve a reduction on vehicle cost and win-win results. As at the end of the Reporting Period, the number of vehicle suppliers was 48 and the number of parts suppliers and other materials suppliers were 121 and 203, respectively.

- Vehicle Purchase Management

  The Company takes standardized control in the process of vehicle purchase. Any purchase process with suppliers shall be strictly implemented in accordance with the "For Supplier Management《供應商管理部分》in the Vehicle Purchase Management Manual《車輛採購管理手冊》. Supplier Management System is divided into two segments: supplier certification process and supplier assessment process.

  ➢ **Supplier certification process:** supplier certification is categorised as three types based on the type and characteristics of purchased goods: standard certification, exempt certification and simple certification. Only approved suppliers will be included in the list of qualified suppliers and reviewed annually in every third quarter.

  ➢ **Supplier assessment process:** For suppliers of standard certification and exempt certification, 100-marks assessment and review will be applied, and the assessment cycle is the end of each month (not mandatory to exempt certification suppliers). It covers basic assessment items (including purchase order execution status, provision of information and other cooperation work status) and mark-up assessment items (such as special contribution of suppliers). Supplier ratings are divided into four grades: excellent, good, qualified and unqualified based on assessment marks. Upon the assessment, the Company will notify the results to the suppliers and negotiate with them for follow-up solutions and improvement plans, and suppliers are required to provide rectification measures and set deadline for rectification. For those who have failed to meet the conditions of qualified suppliers, the Company should cancel their qualification upon approval.

  ➢ The Company will take into consideration of the assessment on the suppliers' environmental and social risks in assessing their overall strength and conclude suppliers' overall strength, vehicle sales capabilities, financial conditions, cooperative intention, relationship with host manufacturers and emergency vehicle source solutions.

- Other Materials Purchase

  - In 2020, the Company has updated the relevant documents, such as Suppliers Access Standards (《供應商准入標準》) and Management of Suppliers (《供應商的管理》), elaborating several aspects such as supplier management, selection and evaluation, bidding, access standards and on-the-spot investigation into suppliers and clarifying the dimensions and rules for supplier examination and evaluation, the specific procedures for evaluation and management methods for supplier rectification and elimination based on the evaluation results, in order to elaborate the management of the suppliers for its relevant staff's learning and reference, and put the special learning into the annual professional evaluation of procurement personnel;

  - In 2020, the Company has launched "Supplier Contract System", to integrate all works of supplier certification, file management and tendering purchase invitation with one of the "Management of Supplier" model. That platform has become a unified management platform for various suppliers of the Company.

- Environmental and social evaluation of suppliers

  - **Environmental evaluation of suppliers:** Suppliers Access Standards《供應商准入標準》has clearly stipulated the evaluation priority of the environmental protection department as environmentally-integrity enterprises or environmentally-friendly enterprises; When selecting products, priority will be given to energy-saving and environmentally-friendly products that have passed environmental labelling product certification, energy-saving product certification or other certifications recognised by the PRC, and the products should meet the conditions in the "Enterprise Green Procurement Guidelines (Pilot)", for example, for selecting products for advertising and materials, system IT hardware, office materials, it is preferable to consider products with environmentally-friendly materials, or low-energy consumption during use, and can be recycled, disassembled and easily refurbished after being disposed and safely disposed; When reviewing contracts involving decoration projects, hazardous waste treatment., the Company's legal affairs committee will cooperate with the demanding department to review the relevant qualifications of suppliers for operating such businesses and whether the validity period of the qualification certificates are effective during the cooperation period. The environmental protection clause was added to the contract to remind the demanding department to strictly abide by the relevant national and local government regulations and standards on the discharge and management of exhausted gases, wastewater and solid waste in the course of business operations.

  - **Social evaluation of suppliers:** When selecting suppliers by bidding, the supplier's corporate reputation and social reputation will become the key indicators in evaluation, which will be conducted by an evaluation team comprising various departments.

3.3 Corruption-Free Operation

The Company strictly comply with the relevant bribery, blackmailing, fraud and corruption provisions under regulations and laws including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and consistently adhered to our established anti-corruption and anti-fraud policies. During the Reporting Period, there were no litigations and corresponding penalties against us arising from acts such as corruption, fraud, bribery and money laundering. In respect of potential fraud and corruption in our operations, the Company has regularly revised relevant business processes and management systems, and further monitored internally the procurement behavior of purchasing staff as to whether they have been observing the procurement policies of the Company and following the relevant national and regional laws and regulations through upgrading the management system and improving the internal control mechanism. As for external suppliers, the Company has set up anti-commercial bribery provisions and independent complaint channels in the procurement contracts to restrain purchasing staff and suppliers from the relevant violations that may occur during the procurement process. Through such policies and systems, the Company has eliminated corruption, embezzlement and bribery from the internal and external levels, respectively. Meanwhile, the induction trainings provided to our new employees include the interpretation of and emphasis on "integrity", one of corporate core values, in order to strengthen the self-regulation awareness of our employees on anti-corruption at the corporate culture level.

During the Reporting Period, the Company implemented the following measures against bribery, blackmailing, fraud and money laundering:

- Improving relevant policies

  The Company has the relevant anti-corruption and anti-fraud policies in place. Our Staff Handbook (《員工手冊》) explicitly stipulates in the form of "high-voltage power lines (高壓線)" that employees shall conduct in a corruption-free manner and may not use their powers and positions to seek improper interests during their term of office, and sets out explanations on specific circumstances of non-compliance with rules and systems.

- Bidding procurement process

  - ➢ The Company regularly revises procurement, supplier and contract management systems and has extended its monitoring scope to the entire process from the initiation of procurement requirements to contract signing, execution and conclusion through the contract management system and has regularly checked the implementation of the procurement process through internal control measures and provided feedbacks to the management to further urge the procurement behavior to follow the Company's procurement policy.

- In order to ensure the independence and transparency of suppliers and to prevent potential bribery and corruption between suppliers and procurement department, the Company has set up anti-commercial bribery provisions in externally-procurement contracts to legally regulate and supervise suppliers' behaviors.

- For key and large amount purchases, the Company has clearly stipulated that the bid processes shall be organised for such purchases, and purchase prices shall be scientifically and reasonably determined so as to reduce the risk of fraud and corruption.

- Carrying out anti-corruption trainings

  - When new employees are enrolled, the human resources department provides the Staff Handbook (《員工手冊》) to them and make explanations accordingly with emphasis on anti-corruption policy therein, in order to strengthen employees' self-regulation awareness from their induction.

  - In respect of new employees in business positions such as procurement, the business department carries out sharing and learning of procurement process management, supplier management and other relevant systems, which plays a role of internal training on corruption-free conduct.

- Whistle-blowing on corruption acts

  The Company has formulated the "Anti-corruption and whistle-blowing system" (《反舞弊與舉報制度》) which clearly stipulates that employees at all levels and all parties in the society who have direct or indirect economic relationship with the Company can report information about factual or suspected fraud cases of the Company and its personnel through e-mail and letters; Anyone who makes complaints and whistle-blowing is protected during investigation. The Company prohibits any discrimination and retaliation or taking hostile measures against employees involved in investigation. Anyone who leaks information about informants in violation of regulations or retaliates against informants shall be dismissed from their positions and their labour contracts shall be terminated. Those who violate the law shall be delivered to the judicial institutions for handling in accordance with laws.

Case 7:"Anti-fraud Training" and "Conduct Training for Procurement Personnel" on learning platform

In the second half of 2020, in order to strengthen the awareness of employees at each level on preventing fraud and further improve the cultural atmosphere of integrity, the Company launched special courses named "Anti-fraud Training" on its internal learning platform, which cover, among other things, basic introduction of fraud, consequences of fraud, relevant laws and regulations and the Company's internal systems on anti-fraud.

In addition to trainings for all staffs, the internal learning platform has also established the "Conduct Training for Procurement Personnel" designed for procurement positions, to enhance their awareness of self-discipline.

Figure 10: Anti-fraud Online Training

3.4 Devotion to Public Welfare

The Company has been actively devoting itself into public welfare and voluntary services since its establishment in 2007. We have been leveraging on its resource strength for contribution to the society while ensuring its own steady operation.

Case 8: CAR Inc. helps in charitable events

In May 2020, CAR Inc. became "Caring Business" of charitable events in Alipay platform, that RMB1 cent of donation is made in every transaction in CAR Inc.. In 2020, CAR Inc. has made directed donations to two charitable events, namely "Learning Space for Rural Children" (鄉村兒童的義學空間) and "Light Up the Countryside" (點亮鄉村 光明萬家). As of 31 December 2020, the accumulated donation amounted to RMB35,799.95.

"Learning Space for Rural Children" (鄉村兒童的義學空間) is a platform with a focus on children services in society. Volunteers and compassionate people provide services, such as tutoring classes, interest cultivation and quality trainings, to unattended children after school, enhance their strengths in psychical quality, teamwork spirits, aesthetic quality and self-awareness, as well as supplement educational resources for rural children to help them grow better.

"Light Up the Countryside" (點亮鄉村　光明萬家) aims to advocate rural scattered households and rural boarding schools in underdeveloped areas in the central and western regions to install street lights, so as to light up their roads to home, including children, elderly and villagers, and even their kindness in hearts, and also reshape the vitality of the beautiful countryside. From September 2018 to present, this project has installed 10,929 LED solar street lights in 6 towns and 65 administrative villages in 3 counties, which are Shifang of Sichuan, Badong of Hubei and Chunhua of Shanxi. More than 1.03 million people have enjoyed the benefits.

Case 9: CAR Inc. supports "Changjiang Times 2020 Yunnan Charity Tour"

In November 2020, CAR Inc. fully supported "Changjiang Times 2020 Yunnan Charity Tour" organised by Changjiang Times in Yunnan, and sponsored 3 Borgward SUV for Changjiang Times to fulfill our social responsibility. This event started from Kunming and lasted for 13 days. Changjiang Times team has visited places in Xiangyun County of Dali City, Cangyuan County and Yongde County of Lincang City, and Longyang District of Baoshan City. They have executed poverty alleviation subscription agreements, interviewed and studied the fruitful results of poverty alleviation, industrial revitalization and ecological environmental protection in various regions, while helping rural revitalization for poverty alleviation through consumption, news and technology.

Figure 11: CAR Inc. provided cars for "Changjiang Times 2020 Yunnan Charity Tour"

ESG INDICATOR INDEX

No.	Description of Indicators	Particulars of Disclosure	Location in the ESG Report
A1 Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Disclosed	2.2 Emissions Management
A1 Emissions	A1.1 The types of emissions and respective emissions data.	Disclosed	2.2 Emissions Management
A1 Emissions	A1.2 Greenhouse gas emissions in total (in ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	2.2 Emissions Management
A1 Emissions	A1.3 Total hazardous waste produced (in weight or measurement) and, where appropriate, intensity (e.g. per unit of production volume, per facility, per formal employee).	Disclosed	2.2 Emissions Management
A1 Emissions	A1.4 Total non-hazardous waste produced (in ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility, per formal employee).	Disclosed	2.2 Emissions Management

No.	Description of Indicators	Particulars of Disclosure	Location in the ESG Report
A1 Emissions	A1.5 Description of measures to mitigate emissions and results achieved.	Disclosed	2.2 Emissions Management
A1 Emissions	A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed	2.2 Emissions Management
A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Disclosed	2.3 Resource Saving
A2 Use of Resources	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (in piece or kWh) and intensity (e.g. per unit of production volume, per facility).	Disclosed	2.3 Resource Saving
A2 Use of Resources	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	2.3 Resource Saving
A2 Use of Resources	A2.3 Description of energy use efficiency initiatives and results achieved.	Disclosed	2.1 Low-carbon Transportation 2.3 Resource Saving
A2 Use of Resources	A2.4 Description of whether there is any issue in sourcing water, as well as the programmes of water efficiency enhancing and the results achieved.	Disclosed	2.3 Resource Saving
A2 Use of Resources	A2.5 Total packaging material used for finished products (in ton) and, if applicable, with reference to per unit produced.	N/A	As the principal business of the Company is car rental services, it has not been involved in issues of significance regarding the use of packaging material.

No.	Description of Indicators	Particulars of Disclosure	Location in the ESG Report
A3 The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Disclosed	2.1 Low-carbon Transportation
A3 The Environment and Natural Resources	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	2.1 Low-carbon Transportation
B1 Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and elfare.	Disclosed	3.1 Staff Care
B1 Employment	B1.1 Total workforce by gender, employment type, age group and geographical region.	Disclosed	3.1 Staff Care
B1 Employment	B1.2 Employee turnover rate by gender, age group and geographical region.	To be disclosed in the future	
B2 Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	3.1 Staff Care

No.	Description of Indicators	Particulars of Disclosure	Location in the ESG Report
B2 Health and Safety	B2.1 Number and rate of work-related fatalities.	Disclosed	3.1 Staff Care
B2 Health and Safety	B2.2 Lost days due to work injury.	To be disclosed in the future	
B2 Health and Safety	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	3.1 Staff Care
B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Disclosed	3.1 Staff Care
B3 Development and Training	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Partly Disclosed	3.1 Staff Care Disclosure of total number of employees trained and total number of sessions organized for training
B3 Development and Training	B3.2 The average training hours completed per employee by gender and employee category.	Partly Disclosed	3.1 Staff Care Disclosure of average hours of each employee for training

No.	Description of Indicators	Particulars of Disclosure	Location in the ESG Report
B4 Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Disclosed	3.1 Staff Care
B4 Labour Standards	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Disclosed	3.1 Staff Care
B4 Labour Standards	B4.2 Description of steps taken to eliminate such practices when discovered.	Disclosed	3.1 Staff Care
B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Disclosed	3.2 Win-win Partnerships
B5 Supply Chain Management	B5.1 Number of suppliers by geographical region.	Partly Disclosed	3.2 Win-win Partnerships Disclosure of the total number of suppliers and disclosure of number of suppliers by type
B5 Supply Chain Management	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	3.2 Win-win Partnerships

No.	Description of Indicators	Particulars of Disclosure	Location in the ESG Report
B6 Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	1.2 Quality Experience
B6 Product Responsibility	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	As the Company's main business is vehicle rental service, the Company has not yet carried out any product recall.
B6 Product Responsibility	B6.2 Number of products and service related complaints received and how they are dealt with.	Disclosed	1.2 Quality Experience
B6 Product Responsibility	B6.3 Description of practices relating to observing and protecting intellectual property rights.	To be disclosed in the future	
B6 Product Responsibility	B6.4 Description of quality assurance process and recall procedures.	Disclosed	1.2 Quality Experience
B6 Product Responsibility	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	1.2 Quality Experience
B7 Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	3.3 Corruption-free Operation

No.	Description of Indicators	Particulars of Disclosure	Location in the ESG Report
B7 Anti-corruption	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	3.3 Corruption-free Operation
B7 Anti-corruption	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	3.3 Corruption-free Operation
B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	3.4 Devotion to Public Welfare
B8 Community Investment	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	3.4 Devotion to Public Welfare
B8 Community Investment	B8.2 Resources contributed (e.g. money or time) to the focus area.	Disclosed	3.4 Devotion to Public Welfare

To the shareholders of CAR Inc.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CAR Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 129 to 273, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Accounting for investment in equity shares	
At 31 December 2020, the Group held 6.27% of ordinary shares of UCAR Inc., which was engaged in the online businesses for the trade-in of used cars and the provision of chauffeured car services. The investment was classified as a financial asset at fair value through profit or loss and recorded as "an Investment in equity shares" on the statement of financial position. The investment in ordinary shares was carried at fair value determined at each reporting period end date in accordance with IFRS 9 Financial Instruments. The investment in ordinary shares was stated at nil at 31 December 2020 and the Group recognised a net loss on fair value of RMB2,800.64 million, which was recorded as "Other income and expenses, net" in the statement of profit or loss. The investment was classified as Level 3 in the fair value hierarchy. The determination of the fair value involved the use of significant assumptions and estimations including the use of observable and unobservable inputs to the valuation model. Related disclosures are included in Note 3 "Significant accounting judgements and estimations", Note 6 "Other income and expenses, net" and Note 20 "Investment in equity shares" to the financial statements.	Our procedures included checking the registration forms to the relevant documents and assessing whether the investment in equity shares was properly classified in accordance with IFRS 9. We also evaluated the methodology adopted by the Group to determine the fair value of the equity share investment at 31 December 2020 and tested the key assumptions and estimations used in the valuation by testing the observable data to third party derived data sources and corroborating the reasonableness of unobservable inputs by comparing them to available data sources. We employed our internal valuation specialists to assist us with the valuation. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Residual values of rental vehicles acquired outside of repurchase programs	
The book amount of rental vehicles acquired outside of repurchase programs at 31 December 2020 was RMB6,789.60 million. As such rental vehicles constituted a significant portion of the Group's assets and its business requires the Group to constantly replenish its fleet, the Group faces significant risks related to the estimated residual values of these rental vehicles acquired outside of repurchase programs. The Group estimates the residual values as at the expected time of disposal and the vehicles are depreciated over the estimated holding period on a straight-line basis, taking into account the residual values. The Group periodically reviews and makes adjustments, if necessary, to the depreciation rates of rental vehicles acquired outside of repurchase programs in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. Significant estimation and judgement are required in determining the residual values of the Group's rental vehicles acquired outside of repurchase programs.	Our procedures included evaluating the design of controls and testing their operating effectiveness over the periodical review of the residual values of the rental vehicles acquired outside of repurchase programs. In addition, we assessed the key factors (primarily the available market information) applied by the Group to determine the estimated residual values, for a samples of disposals during the year, we evaluated the reasonableness of the estimated residual values by comparing them to the disposal proceeds.
Related disclosures are included in Note 3 "Significant accounting judgements and estimates" to the financial statements.	

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report of the Group for the year ended 31 December 2020 (the "Annual Report"), but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the correction be made.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai, Ricky.

Ernst & Young
Certified Public Accountants

Hong Kong
15 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Rental revenue	5	**3,993,779**	5,558,702
Sales of used vehicles	5	**2,130,629**	2,131,958
Total revenue		**6,124,408**	7,690,660
Depreciation of rental vehicles	8	**(2,011,190)**	(1,835,717)
Direct operating expenses of rental services		**(1,468,556)**	(1,829,445)
Cost of sales of used vehicles	8	**(2,209,908)**	(2,188,531)
Gross profit		**434,754**	1,836,967
Other income and expenses, net	6	**(2,351,180)**	47,914
Selling and distribution expenses		**(127,892)**	(27,755)
Administrative expenses		**(682,494)**	(603,198)
Impairment losses on financial and contract assets	8	**(679,671)**	(4,231)
Finance costs	7	**(681,197)**	(983,940)
Share of (loss)/profit of associates	19	**(4,796)**	6,286
(Loss)/profit before tax	8	**(4,092,476)**	272,043
Income tax expense	10	**(70,675)**	(241,267)
(Loss)/profit for the year		**(4,163,151)**	30,776
Attributable to:			
Owners of the parent		**(4,163,151)**	30,776
(Loss)/earnings per share attributable to ordinary equity holders of the parent	12		
Basic		**RMB(1.963)**	RMB0.015
Diluted		**RMB(1.963)**	RMB0.014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(4,163,151)**	30,776
Other comprehensive (loss)/income for the year, net of tax	**–**	–
Total comprehensive (loss)/income for the year	**(4,163,151)**	30,776
Attributable to:		
Owners of the parent	**(4,163,151)**	30,776

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**31 December 2020 RMB'000**	31 December 2019 RMB'000
NON-CURRENT ASSETS			
Rental vehicles	13	**6,814,459**	10,792,336
Other property, plant and equipment	14	**684,637**	659,383
Finance lease receivables – non-current	15	**182,470**	855,952
Right-of-use assets	16	**431,796**	561,175
Goodwill	17	**6,728**	6,728
Other intangible assets	18	**154,722**	154,530
Investments in associates	19	**103,946**	117,048
Investment in equity shares	20	**–**	2,800,641
Deposits for sale-leaseback borrowings – non-current		**–**	54,250
Restricted cash – non-current	24	**–**	1,275
Deferred tax assets	31	**158,540**	240,595
Other non-current assets		**18,813**	9,813
Total non-current assets		**8,556,111**	16,253,726
CURRENT ASSETS			
Inventories	21	**78,837**	227,634
Trade receivables	22	**57,383**	96,810
Due from a related party	38	**134,211**	443,861
Prepayments, other receivables and other assets	23	**769,318**	1,343,958
Finance lease receivables – current	15	**302,171**	341,319
Deposits for sale-leaseback borrowings – current		**14,250**	–
Derivative financial instruments – current	30	**–**	42,693
Restricted cash – current	24	**11,949**	522,510
Cash and cash equivalents	24	**2,179,659**	5,360,520
Total current assets		**3,547,778**	8,379,305

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
CURRENT LIABILITIES			
Trade payables	25	**66,742**	86,753
Other payables and accruals	26	**681,292**	964,641
Advances from customers		**285,135**	241,943
Interest-bearing bank and other borrowings – current	27	**871,294**	3,554,423
Senior notes – current	28	**2,699,231**	2,284,546
Due to related parties	38	**136,615**	101,831
Income tax payable		**62,181**	55,475
Total current liabilities		**4,802,490**	7,289,612
NET CURRENT (LIABILITIES)/ASSETS		**(1,254,712)**	1,089,693
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,301,399**	17,343,419

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT LIABILITIES			
Senior notes – non-current	28	**2,424,746**	5,427,090
Corporate bonds	29	**–**	1,024,221
Interest-bearing bank and other borrowings – non-current	27	**665,727**	2,589,269
Deposits received for rental vehicles		**400**	604
Deferred tax liabilities	31	**204,056**	209,555
Total non-current liabilities		**3,294,929**	9,250,739
Net assets		**4,006,470**	8,092,680
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**131**	131
Reserves	34	**4,652,156**	4,554,351
(Accumulated losses)/retained earnings		**(645,817)**	3,538,198
Total equity		**4,006,470**	8,092,680

Yifan SONG
Director

Sam Hanhui SUN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent							
	Share capital *RMB'000*	Merger reserve* *RMB'000*	Statutory reserve* *RMB'000*	Share premium* *RMB'000*	Share option reserve* *RMB'000*	Treasury shares *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
As at 1 January 2019	131	2,382,719	313,597	1,572,069	145,665	–	3,558,847	7,973,028
Profit for the year	–	–	–	–	–	–	30,776	30,776
Other comprehensive income for the year	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	30,776	30,776
Appropriation of statutory reserve	–	–	51,425	–	–	–	(51,425)	–
Exercise of share options (note 33)	–	–	–	5,246	(3,976)	–	–	1,270
Equity-settled share option arrangements (note 33)	–	–	–	–	87,606	–	–	87,606
As at 31 December 2019	131	2,382,719	365,022	1,577,315	229,295	–	3,538,198	8,092,680

	Attributable to owners of the parent							
	Share capital ***RMB'000***	**Merger reserve*** ***RMB'000***	**Statutory reserve*** ***RMB'000***	**Share premium*** ***RMB'000***	**Share option reserve*** ***RMB'000***	**Treasury shares** ***RMB'000***	**Retained earnings/ (Accumulated losses)** ***RMB'000***	**Total equity** ***RMB'000***
As at 1 January 2020	**131**	**2,382,719**	**365,022**	**1,577,315**	**229,295**	**–**	**3,538,198**	**8,092,680**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(4,163,151)**	**(4,163,151)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(4,163,151)**	**(4,163,151)**
Appropriation of statutory reserve	**–**	**–**	**20,864**	**–**	**–**	**–**	**(20,864)**	**–**
Exercise of share options (note 33)	**–**	**–**	**–**	**11,039**	**(8,222)**	**–**	**–**	**2,817**
Equity-settled share option arrangements (note 33)	**–**	**–**	**–**	**–**	**74,124**	**–**	**–**	**74,124**
As at 31 December 2020	**131**	**2,382,719**	**385,886**	**1,588,354**	**295,197**	**–**	**(645,817)**	**4,006,470**

* These reserve accounts comprise the consolidated reserves of RMB4,652,156,000 (2019: RMB4,554,351,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(4,092,476)**	272,043
Adjustments for:			
Finance costs	7	**681,197**	983,940
Share of loss/(profit) of associates	19	**4,796**	(6,286)
Interest income	6	**(48,352)**	(81,449)
Loss on disposal of items of other property, plant and equipment	8	**1,329**	275
Fair value loss on an investment in equity shares	6	**2,800,641**	9,000
Fair value changes on derivative instrument transactions not qualifying as hedges	6,39	**3,666**	(56,588)
Rental vehicles written off	13	**29,471**	–
Depreciation of rental vehicles	13,16	**2,011,190**	1,835,717
Depreciation of right-of-use assets/amortisation of prepaid land lease payments	16	**144,018**	158,840
Depreciation of other property, plant and equipment	14	**53,932**	64,728
Amortisation of other intangible assets	18	**2,374**	3,118
Impairment of trade receivables	22	**55,800**	4,231
Impairment of amount due from a related party	38	**410,402**	–
Impairment of prepayments, other receivables and other assets	23	**86,280**	–
Impairment of finance lease receivables	15	**127,189**	–
Impairment of investments in associates	19	**8,306**	–
Exchange (gain)/loss	6	**(354,541)**	158,245
Equity-settled share option expenses	33	**74,124**	87,606
		1,999,346	3,433,420
Decrease/(increase) in rental vehicles		**1,937,217**	(1,839,681)
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 finance lease receivables		**585,441**	150,498
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
Tax paid, net		**(10,709)**	(330,011)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**5,013,914**	1,676,026

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of other property, plant and equipment		**(82,093)**	(150,980)
Proceeds from disposal of items of other property, plant and equipment		**98**	226
Purchases of other intangible assets		**(2,566)**	(8,820)
Decrease in other current financial assets		**–**	522,510
Proceeds from settlement of derivative financial instruments	40	**39,027**	–
Increase in investments in associates		**–**	(68,851)
Interest received		**39,806**	76,672
NET CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(5,728)**	370,757
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)
Proceeds from issuance of senior notes	28	**–**	1,338,656
Compensation of senior notes modification		**(15,601)**	(17,918)
Repayment of corporate bonds		**(1,030,000)**	–
Repayment of senior notes		**(2,256,086)**	–
Proceeds from exercise of share options		**2,817**	1,270
Principal portion of lease payments		**(266,199)**	(194,526)
Interest paid		**(715,901)**	(813,442)
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(8,182,389)**	126,986
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
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,179,659**	5,360,520

	Notes	2020 RMB'000	2019 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**1,853,414**	3,485,538
Non-pledged time deposits with original maturity of less than three months when acquired	24	**326,245**	1,874,982
Cash and cash equivalents as stated in the statement of financial position		**2,179,659**	5,360,520
Cash and cash equivalents as stated in the statement of cash flows		**2,179,659**	5,360,520

1. CORPORATE AND GROUP 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.

Information about subsidiaries and the controlled structured entity

Particulars of the Company's subsidiaries and the controlled structured entity are as follows:

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
北京神州汽車租賃有限公司 Beijing China Auto Rental Co., Ltd. ("CAR Beijing")	PRC/ Mainland China/ limited liability company	RMB 378.8 million	–	100	Car rental
重慶神州汽車租賃有限公司 Chongqing China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.3 million	–	100	Car rental
上海神州華東汽車租賃有限公司 Shanghai Shenzhou Huadong Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 9 million	–	100	Car rental
北京凱普停車管理有限公司 Beijing Kaipu Parking Management Co., Ltd. ("Beijing Kaipu")	PRC/ Mainland China/ limited liability company	RMB 5 million	–	100	Vehicle parking management

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
無錫神州汽車租賃有限公司 Wuxi China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 2.01 million	–	100	Car rental
廣州神州汽車租賃有限公司 Guangzhou China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 1 million	–	100	Car rental
北京北辰汽車租賃有限公司 Beijing Beichen Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 35 million	–	100	Car rental
貴陽敬呂商貿有限公司 Guiyang Jinglv Trade Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 30,000	–	100	Car rental
北京達世行華威勞務服務有限公司 Beijing Dashihang Warwick Labor Services Co., Ltd.	PRC/Mainland China/ limited liability company	RMB 5 million	–	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
China Auto Rental Limited (formerly known as Legend Capital Management (Hong Kong) Limited and LC Industrial Investment Limited)	Hong Kong/ company limited by shares	US$ 11.2 million	–	100	Investment holding
聯慧汽車(廊坊)有限公司 Lianhui Auto (Langfang) Co., Ltd. (formerly known as United Auto (Langfang) Co., Ltd.) ("Lianhui")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 5 million	–	100	Processing and manufacture of auto parts
上海泰暢汽車駕駛服務有限公司 Shanghai Taichang Auto Driving Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.2 million	–	100	Chauffeured services
北京卡爾汽車租賃有限公司 Beijing Carl Auto Rental Co., Ltd.	PRC/Mainland China/ limited liability company	RMB 0.5 million	–	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Main Star Global Limited	British Virgin Islands/ limited liability company	US$2	–	100	Investment holding
Haike Leasing (China) Limited	Hong Kong/ company limited by shares	HK$1	–	100	Investment holding
海科融資租賃(北京)有限公司 Haike Leasing (Beijing) Limited	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 199 million	–	100	Car rental
海科融資租賃(福建)有限公司 Haike Leasing (Fujian) Limited	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 49 million	–	100	Car rental
浩科融資租賃(上海)有限公司 Haoke Leasing (Shanghai) Limited	PRC/ Mainland China/ wholly foreign-owned enterprise	RMB 1,760 million	–	100	Car rental
神州准新車(中國)有限公司 Shenzhou Used Car Limited ("Zhunxinche")	Hong Kong/ company limited (China) by shares	HK$1	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
廣州神洲汽車租賃有限公司 Guangzhou Shenzhou Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 1 million	–	100	Car rental
廣州市安淼汽車維修有限公司 Guangzhou Anmiao Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
杭州國嘉名流汽車維修有限公司 Hangzhou Guojia Mingliu Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.3 million	–	100	Auto repair service
廈門市駿洲汽車維修服務有限公司 Xiamen Junzhou Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 1 million	–	100	Auto repair service
南京兆和汽車服務有限公司 Nanjing Zhaohe Auto Service Co., Ltd. ("Nanjing ZH")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
深圳市富港汽車維修服務有限公司 Shenzhen Fugang Auto Repair Service Co., Ltd. ("Shenzhen Fugang")	PRC/ Mainland China/ limited liability company	RMB 0.58 million	–	100	Auto repair service
長沙神州汽車維修有限責任公司 Changsha China Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
濟南申源汽車維修有限公司 Jinan Shenyuan Auto Repair Co., Ltd. ("Jinan Shenyuan")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
武漢凱普汽車服務有限公司 Wuhan Kaipu Auto Service Co., Ltd. ("Wuhan Kaipu")	PRC/Mainland China/ limited liability company	RMB 0.3 million	–	100	Auto repair service
Premium Auto Rental (China) Limited ("Premium")	Hong Kong/ company limited by shares	US$ 35.83 million	–	100	Investment holding
Rent A Car Holdings (HK) Limited ("Rent A Car")	Hong Kong/ company limited by shares	HK$ 148.64 million	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
赫兹汽車租賃(上海)有限公司 Hertz Rent A Car (Shanghai) Co., Ltd. ("RAC SH")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 31.14 million	–	100	Car rental
佑安汽車租賃(北京)有限公司 You An Auto Rental (Beijing) Co., Ltd. (formerly known as Hertz Rent A Car (Beijing) Co., Ltd.) ("RAC BJ")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 22 million	–	100	Car rental
廣州卓越汽車租賃有限公司 Guangzhou Zhuoyue Auto Rental Co., Ltd. (formerly known as Hertz Rent A Car (Guangzhou) Co., Ltd.) ("RAC GZ")	PRC/ Mainland China/ wholly foreign-owned enterprise	RMB 19 million	–	100	Car rental
上海必兹國際租車諮詢有限責任公司 Shanghai Bizi International Car Rental Consulting Co., Ltd. ("Shanghai Hertz")	PRC/Mainland China/ wholly foreign-owned enterprise	US$ 0.14 million	–	100	Consulting service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
海口神州暢行商旅服務有限公司 Haikou Shenzhou Changxing Travel Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Consulting service
成都雙新汽車維修有限公司 Chengdu Shuangxin Auto Repair Co., Ltd. ("Chengdu SX")	PRC/ Mainland China/ limited liability company	RMB 0.1 million	–	100	Auto repair service
鄭州眾德立汽車維修服務有限公司 Zhengzhou Zhongdeli Auto Repair Service Co., Ltd. ("Zhengzhou ZD")	PRC/ Mainland China/ limited liability company	RMB 1 million	–	100	Auto repair service
三亞凱普汽車維修有限公司 Sanya Kaipu Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
重慶凱州汽車維修服務有限公司 Chongqing Kaizhou Auto Repair Service Co., Ltd. ("CQ Kaizhou")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
上海凱普汽車維修服務有限公司 Shanghai Kaipu Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
北京華威汽車修理有限責任公司 Beijing Huawei Auto Repair Co., Ltd. ("Beijing HW")	PRC/ Mainland China/ limited liability company	RMB 1 million	–	100	Auto repair service
神州租車(天津)有限公司 China Auto Rental (Tianjin) Co., Ltd.	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 100 million	–	100	Car rental
北京神州暢達汽車服務有限公司 Beijing Shenzhou Changda Auto Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 3 million	–	100	Auto repair service
昆明萬眾汽車維修服務有限公司 Kunming Wanzhong Auto Repair Service Co., Ltd. ("Kunming WZ")	PRC/Mainland China/ limited liability company	RMB 0.3 million	–	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
天津神州汽車租賃有限公司 Tianjin China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 50 million	–	100	Car rental
天津優品汽車租賃有限公司 Tianjin Youpin Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 50 million	–	100	Car rental
青島福聯華信諾汽車維修有限公司 Qingdao Fulianhua Xinruo Auto Repair Co., Ltd. ("Qingdao FLH")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
重慶州凱汽車銷售信息諮詢有限公司 Chongqing Zhoukai Auto Sales Consulting Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 3 million	–	100	Sale of used cars and consultation service
海科(平潭)信息技術有限公司 Haike (Pingtan) Information Technology Co., Ltd. ("Haike Pingtan")	PRC/ Mainland China/ limited liability company	RMB 100 million	–	100	Car rental information system service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
拉薩神州租車有限公司 Lhasa China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 100 million	–	100	Car rental and consulting service
東莞市鑫發汽車維修服務有限公司 Dongguan Xinfa Auto Repair Service Co., Ltd. ("Dongguan XF")	PRC/ Mainland China/ limited liability company	RMB 0.3 million	–	100	Sale of used cars and auto repair service
神州租車投資有限公司 China Auto Rental Investment Inc. company	British Virgin Islands/ limited liability	US$1	100	–	Investment holding
西安眾德汽車維修服務有限公司 Xi'an Zhongde Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
陝西迪卡爾商務諮詢有限公司 Shanxi Dika'er Business Consulting Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 3 million	–	100	Car rental and sale of used cars

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
蘇州神州汽車租賃有限公司 Suzhou China Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 1 million	–	100	Car rental
海科融資租賃(天津)有限公司 Haike Leasing (Tianjin) Limited ("Haike Tianjin")	PRC/ Mainland China/ wholly foreign-owned enterprise	RMB 1,600 million	–	100	Car rental
神州租車(廈門)有限公司 China Auto Rental (Xiamen) Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 30 million	–	100	Car rental
蘇州凱普商務諮詢有限公司 Suzhou Kaipu Business Consulting Co., Ltd. ("SZ Kaipu")	PRC/ Mainland China/ limited liability company	RMB 5 million	–	100	Consulting service
神州租車(中國)有限公司 China Auto Rental Co., Ltd.	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 10 million	–	100	Car rental

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
湖南神州暢元商務信息諮詢有限公司 Hunan Shenzhou Changyuan Business Information Service Co., Ltd. ("HN SZ Changyuan")	PRC/ Mainland China/ limited liability company	RMB 5 million	–	100	Management
北京翺翔嘉業科技有限公司 Beijing AoXiang Jiaye Technology Co., Ltd. ("Beijing AX")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	IT service
神州租車電子商務（福建）有限公司* China Auto Rental E-Commerce (Fujian) Co., Ltd. ("CAR EC Fujian")	PRC/ Mainland China/ limited liability company	RMB 20 million	–	100	IT service
神州租車信息技術（福建）有限公司 China Auto Rental Information Technology (Fujian) Co., Ltd. ("CAR IT FJ")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 100 million	–	100	IT service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
神州租車服務管理（福建）有限公司 China Auto Rental Service Management (Fujian) Co., Ltd. ("CAR FJ")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 50 million	–	100	Car rental
長沙神州新　商務諮詢有限公司 Changsha Shenzhou Xin Zhe Business Consulting Co., Ltd. ("Changsha Xinzhe")	PRC/ Mainland China/ limited liability company	RMB 5 million	–	100	Consulting service
廣東全程汽車租賃有限公司 Guangdong Quancheng Auto Rental Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 10 million	–	100	Car rental
海神（福建）信息技術有限公司 Haishen (Fujian) Information Technology Co., Ltd. ("Haishen FJ")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 100 million	–	100	IT service
天津海科信息技術有限公司 Tianjin Haike Information Technology Co., Ltd. ("Tianjin Haike")	PRC/ Mainland China/ limited liability company	RMB 10 million	–	100	IT service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company: Direct	Percentage of equity interest attributable to the Company: Indirect	Principal activities
天津凱普汽車維修有限公司 Tianjin Kaipu Auto Repair Co., Ltd. ("TJ Kaipu")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
深圳市凱普汽車維修服務有限公司 Shenzhen Kaipu Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
廣州市安鑫汽車維修有限公司 Guangzhou Anxin Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
武漢神州凱普機動車維修有限公司 Wuhan Shenzhou Kaipu Auto Repair Co., Ltd. ("Wuhan Shenzhou Kaipu")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
成都凱普汽車維修服務有限公司 Chengdu Kaipu Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
CAR Holdings Limited (HK)	Hong Kong/ company limited by shares	US$1	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
蘇州晉善晉美汽車服務有限公司 Suzhou Jin Shan Jin Mei Auto Service Co., Ltd. ("Jin Shan Jin Mei")	PRC/ Mainland China/ limited liability company	RMB 1 million	–	100	Auto repair service
哈爾濱凱普汽車維修服務有限公司 Harbin Kaipu Auto Repair Service Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
佛山市堅信汽車維修有限公司 Foshan Jianxin Auto Repair Service Co., Ltd. ("Foshan Jianxin")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
福州凱普汽車維修服務有限公司 Fuzhou Kaipu Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability	RMB 1 million	–	100	Auto repair service
西寧凱普汽車維修服務有限公司 Xining Kaipu Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
西安凱普汽車維修服務有限公司 Xi'an Kaipu Auto Repair Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
上海凱申汽車維修服務有限公司 Shanghai Kaishen Auto Repair Service Co., Ltd. ("Shanghai Kaishen")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
福州市長樂區神州租車電子商務有限公司 Fuzhou Changle China Auto Rental E-Commerce Co., Ltd. (formerly known as China Auto Rental E-Commerce (Changle) Co., Ltd.) ("Changle E-Commerce")	PRC/ Mainland China/ limited liability company	RMB 200 million	–	100	IT service
合肥凱普汽車維修服務有限公司 Hefei Kaipu Auto Repair Service Co., Ltd. ("Hefei Kaipu")	PRC/ Mainland China/ limited liability company	RMB 0.5 million	–	100	Auto repair service
海科(廈門)汽車服務有限公司 Haike (Xiamen) Auto Service Co., Ltd. ("Haike Xiamen")	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 200 million	–	100	Car service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

Name	Place of incorporation/ registration and business/ nature of legal entity	Particulars of issued shares held	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
海科(廈門)電子商務有限公司 Haike (Xiamen) E-Commerce Co., Ltd.	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 300 million	–	100	Car rental
神州租車服務管理(廈門)有限公司 China Auto Rental Service Management (Xiamen) Co., Ltd.	PRC/ Mainland China/ wholly foreign-owned enterprise	US$ 30 million	–	100	Car rental
神州租車電子商務(廈門)有限公司 China Auto Rental E-Commerce (Xiamen) Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 30 million	–	100	IT service
神州租車信息技術(廈門)有限公司 China Auto Rental Information Technology (Xiamen) Co., Ltd.	PRC/ Mainland China/ limited liability company	RMB 30 million	–	100	IT service
神州智慧(福建)出行有限公司 China Wisdom (Fujian) Travel Co., Ltd. ("China Wise")	PRC/ Mainland China/ wholly foreign-owned enterprise	RMB 50 million	–	100	IT service

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries and the controlled structured entity *(continued)*

Particulars of the Company's subsidiaries and the controlled structured entity are as follows: *(continued)*

* A series of contractual agreements (the "Structured Contracts") was effectuated on 1 July 2015 among CAR EC Fujian, Haike Pingtan, Mr. Chen Min and Mr. Wang Shuangyun (collectively, the "Registered Shareholders") who are employees of the Group and the legal shareholders of CAR EC Fujian.

The Structured Contracts provide the Group, through Haike Pingtan, with effective control over CAR EC Fujian. In particular, Haike Pingtan undertakes to provide CAR EC Fujian with certain technical services as required to support its operations. In return, Haike Pingtan is entitled to substantially all of the operating profits and residual benefits generated by CAR EC Fujian through intercompany charged levied on these services rendered. The Registered Shareholders are also required to transfer their interests in CAR EC Fujian to Haike Pingtan's designee upon a request made by Haike Pingtan when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in CAR EC Fujian have also been pledged by the Registered Shareholders to Haike Pingtan in respect of the continuing obligations of CAR EC Fujian. Haike Pingtan intends to continuously provide to or assist CAR EC Fujian in obtaining financial support when deemed necessary. Accordingly, Haike Pingtan has rights to variable returns from its involvement with CAR EC Fujian and has the ability to affect those returns through its power over CAR EC Fujian.

As a result, CAR EC Fujian was accounted for as a controlled structured entity of the Group. The formation of the Structured Contracts for CAR EC Fujian was accounted for as a transaction without substance and the Group consolidated CAR EC Fujian as if it was in the Group from date of incorporation of 29 April 2015.

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 Standards 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.

2.1 BASIS OF PRESENTATION *(continued)*

Going concern

As at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB1,254,712,000 and the Group suffered losses of RMB4,163,151,000 for the twelve months ended 31 December 2020. In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

When preparing the consolidated financial statements as of 31 December 2020, the directors of the Company concluded that a going concern basis of preparation was appropriate after analysing the forecasted cash flows for the twelve months from 31 December 2020 which indicates that the Group will have sufficient liquidity during the next twelve months from cash flows generated by operations and currently available fund. In preparing the forecasted cash flows analysis, the directors consider that 1) the Company has already issued and received proceeds of convertible bonds with an amount of USD175 million in January 2021, 2) it will sell a portion of its car fleet at market prices in the next twelve months from 31 December 2020, and 3) it can successfully carry out the Group's business plan notwithstanding the decrease in the fleet size so as to generate sufficient operating cash flows. The analysis indicates that the Group will have the financial resources to settle borrowings and payables that will be due in the next twelve months.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PRESENTATION *(continued)*

Basis of consolidation *(continued)*

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's financial statements.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the 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 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 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(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, the Group 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 recognised as an adjustment to the right-of-use assets.

(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.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
	Disclosure of Accounting Policies[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Renminbi and foreign currencies based on various Interbank Offered Rates as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the “economically equivalent” criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

The Group's share of the post-acquisition results and other comprehensive income of the associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting year. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting year as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the year in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the year in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Rental vehicles

Rental vehicles are stated at cost, net of accumulated depreciation.

Certain rental vehicles have been acquired under repurchase programs, pursuant to which the Group has the option to require the car dealer to repurchase vehicles at a specified price and date, subject to certain vehicle condition and mileage. The Group plans to execute the repurchase option and depreciates vehicles over the holding period with an amount equal to the difference of the initial purchase payment and the contractual repurchase price, thereby minimising any gain of loss.

Rental vehicles acquired outside of repurchase programs are depreciated over the estimated holding year on a straight-line basis. The initial estimated number of holding years of such rental vehicles is generally about 3 years. The Group also estimates the residual value of the rental vehicles acquired outside of repurchase programs at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values are based on factors including model, usage, age, mileage and location. Quarterly adjustments are made the Group to the depreciation rates of such rental vehicles in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. Such adjustments are accounted for as changes in accounting estimates. During 2020, rental vehicles acquired outside of repurchase programs were depreciated at rates ranging from 3.0% to 25.8% per annum.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Rental vehicles *(continued)*

When an item of rental vehicles is classified as held for sale, it is not depreciated and is accounted for as held for sale, as further explained in the accounting policy for "Inventories".

Other property, plant and equipment

Other property, plant and equipment primarily include buildings, office furniture and equipment, and certain in-car accessories that can be separated from rental vehicles and leasehold improvements.

Depreciation is calculated on the straight-line basis to write off the cost of each item of other property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

In-car accessories	15.83% to 33.33%
Leasehold improvements	20% to 100%
Office furniture and equipment	15.83% to 33.33%
Buildings	1.8% to 4.74%

Where parts of an item of other property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of other property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Vehicle rental business licences

Vehicle rental business licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 18 to 25 years.

Licence plates

Licence plates are estimated to have indefinite useful lives.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Rental vehicles	3 years
Licence plates	1.2 to 3 years
Offices and stores	1.1 to 15 years
Parking lots	1.1 to 6.5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

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

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

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of offices and stores and parking lots (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss *(continued)*

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories comprise used rental vehicles for sale, fuels and spare parts and are stated at the lower of cost and net realisable value. Cost of used rental vehicles for sale is calculated on a specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the vehicles to their present location and condition. Costs of fuels and spare parts are based on purchase costs and are determined by the weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Operating lease rental income

Rental revenue derived from operating lease contracts is classified as car rental revenue and fleet rental revenue base on the business natures. The minimum lease payment is recognised as revenue over the lease period on a straight-line basis.

Customer loyalty award credits granted in the rendering of operating leases services are accounted for as a separate component of the lease transaction in which they are granted. The consideration received in the lease transaction is allocated between the loyalty award credits and the other components of the lease. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

(b) Finance lease income

The Group records revenue attributable to finance leases over the lease term on a systematic and rational basis so as to produce a constant rate of return on the net investment in the finance lease.

(c) Sales of used rental vehicles

Revenue from the sales of used rental vehicles is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the used rental vehicles.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(d) Royalty and franchise income

Royalty and franchise income are recognised on an accrual basis in accordance with the terms of the relevant agreements.

(e) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(f) Other service income

Other service income is generally derived from auto repair and maintenance services, leasing of parking spaces, advertising income and referral fees from other vehicle rental companies, and is recognised upon the provision of services.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The group companies operating in Mainland China participate in defined contribution retirement benefit plans organised by the relevant government authorities for its employees in Mainland China and contribute to these plans based on a certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognised as employee benefit expenses when incurred.

During the reporting period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

Housing benefits

Employees of the group companies operating in Mainland China participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases and, in respect of finance leases, determining the appropriate discount rate implicit in the lease to discount minimum lease payments. In respect of leases classified as finance leases, it has not been possible to reliably estimate lessors' residual values and management has been required to independently estimate an appropriate discount rate. The accounting policy for leases is set out in note 2.4.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Lease accounting *(continued)*

The Group has entered into sale-leaseback arrangements with certain financial institutions (the "Lenders") to obtain financing. Under such arrangements, the Group received the sales proceeds which represented the principal upon the lease inception, and would make monthly instalments during the lease term. The Group is subject to substantially the entire benefits and risks incidental to the ownership of such rental vehicles through leaseback. Under the sale-leaseback agreements, ownership of the underlying vehicles is transferred to the lenders upon the lease inception, and the Group is entitled to obtain their ownership for nil consideration at the end of the lease term. The leaseback was a finance lease due to the transfer of ownership back to the Group at the end of the lease term. The Group accounted for such arrangements as long term borrowings collateralised by rental vehicles and no gain or loss was recognised from these sale- leaseback transactions.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The renewal options for leases of offices and stores and parking lots are not included as part of the lease term as these are not reasonably certain to be exercised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of rental vehicles

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's rental vehicles. This estimate is based on the estimated holding period of such rental vehicles. Management will increase the depreciation charge where useful lives are less than previously estimated, or will write off or write down technically obsolete or damaged rental vehicles that have been abandoned or sold. The actual holding period may differ from estimated useful lives. Periodic review could result in a change in useful lives and residual values which impact depreciation charges in the future periods.

The Group's management determines the estimated residual values at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values for rental vehicles are based on factors including model, age, mileage and location. Management will increase the depreciation charge where residual values are less than previously estimated values, or will write off or write down technically obsolete or damaged rental vehicles that have been abandoned or sold. Actual value at the time of disposal may differ from estimated residual values. Periodic review could result in a change in residual values and therefore depreciation charge in the future periods. The net carrying value of rental vehicles was RMB6,814,459,000 (2019: RMB10,792,336,000) as at 31 December 2020.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in used car market conditions. Management reassesses these estimates at each reporting date. The net carrying value of inventories was RMB78,837,000 (2019: RMB227,634,000) as at 31 December 2020.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and finance lease receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and finance lease receivables is disclosed in note 22 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group determine the interest rate implicit for the leases of rental vehicles. The Group cannot readily determine the interest rate implicit for other leases of licence plates, offices and stores, parking lots, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Contract liabilities related to credit award

The amount of revenue attributable to the credit award earned by the customers of the Group's loyalty program is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate is estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed. Before the adoption of IFRS 15, the Group recognised deferred revenue included in advance from customers. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals. The carrying value of contract liabilities related to credit award was RMB38,285,000 (2019: RMB51,841,000) as at 31 December 2020.

Useful lives and residual values of other property, plant and equipment

In determining the useful life and residual value of an item of other property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of other property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on the changes in circumstances. The net carrying value of other property, plant and equipment was RMB684,637,000 (2019: RMB659,383,000) as at 31 December 2020.

Provision for expected credit losses on finance lease receivables

Impairment loss on finance lease receivables represent management's best estimate of losses incurred in finance lease receivables at the reporting date under ECL models. Management assesses whether the credit risk of finance lease receivables have increased significantly since their initial recognition and apply a three-stage impairment model to calculate their ECL. The Group is required to exercise judgement in making assumptions and estimates when calculating impairment loss on finance lease receivables, including any observable data indicating that there is a measurable decrease in the estimated future cash flows from finance lease receivables and historical loss experience on the basis of the relevant observable data that reflects current economic conditions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on finance lease receivables *(continued)*

The measurement of the ECL involves significant management judgments and assumptions, primarily including the selection of appropriate models and determination of relevant key measurement parameters, criteria for determining whether there was a significant increase in credit risk or a default was incurred, economic indicators for forward-looking measurement, and the application of economic scenarios and weightings, management consideration due to significant uncertain factors not covered in the models and the estimated future cash flows in stage 3. The information about the ECLs on the Group's finance lease receivables is disclosed in note 15 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB158,540,000 (2019: RMB240,595,000) as at 31 December 2020.

Fair value of an investment in equity shares

The fair value of the equity share investment in UCAR Inc. ("UCAR") 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. This valuation requires the Group to make estimates about expected future sales forecast, adjusted market multiple, volatility and dividend yield, and hence they are subject to uncertainty. The fair value loss on the equity share investment in UCAR was RMB2,800,641,000 for the year ended 31 December 2020 (2019 fair value loss: RMB9,000,000). Further details are included in note 20 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying value of goodwill was RMB6,728,000 (2019: RMB6,728,000) as at 31 December 2020.

4. OPERATING SEGMENT INFORMATION

The Group's principal business is the provision of car rental and 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 areas

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 in accordance with IFRS 8 Operating Segments is presented.

Information about major customers

Revenue of approximately RMB93,119,000 (2019: RMB548,161,000), accounting for 1.5% (2019: 7.1%) of the Group's revenue, was derived from a single customer for the year ended 31 December 2020.

5. REVENUE

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from other sources		
Car rental revenue	**3,755,109**	4,916,440
Finance lease income	**117,985**	173,453
Fleet rental revenue	**114,365**	434,391
Sales of used rental vehicles under lease contracts	**5,018**	307,270
	3,992,477	5,831,554
Revenue from contracts with customers		
Sales of used rental vehicles	**2,125,611**	1,824,688
Franchise related income	**1,265**	1,186
Other service income	**5,055**	33,232
	2,131,931	1,859,106
	6,124,408	7,690,660

5. REVENUE *(continued)*

Revenue from contracts with customers

(a) Disaggregated revenue information

	2020 RMB'000	2019 RMB'000
Types of goods or services		
Sales of used rental vehicles	**2,125,611**	1,824,688
Franchise related income	**1,265**	1,186
Other service income	**5,055**	33,232
Total revenue from contracts with customers	**2,131,931**	1,859,106
Timing of revenue recognition		
Goods transferred at a point in time	**2,125,611**	1,824,688
Services transferred over time	**6,320**	34,418
Total revenue from contracts with customers	**2,131,931**	1,859,106

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of used rental vehicles

The performance obligation is satisfied upon delivery of the used rental vehicles and payment is generally due within 10 to 15 days from delivery, except for new customers, where payment in advance is normally required.

Franchise related income

The performance obligation is satisfied over the franchised period and payment is generally due monthly, except for new customers, where payment in advance is normally required.

Other service income

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Other service contracts are for periods of one year or less, and are billed based on the time incurred.

6. OTHER INCOME AND EXPENSES, NET

	2020 RMB'000	2019 RMB'000
Interest income	**48,352**	81,449
Exchange gain/(loss)	**354,541**	(158,245)
Fair value loss on an investment in equity shares (note 20)	**(2,800,641)**	(9,000)
Fair value changes on derivative instrument transactions not qualifying as hedges (note 30)	**(3,666)**	56,588
Government grants*	**63,191**	69,417
Loss on disposal of items of other property, plant and equipment	**(1,329)**	(275)
Others	**(11,628)**	7,980
	(2,351,180)	47,914

* There were no unfulfilled conditions or other contingencies attaching to government grants that had been recognised.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank and other borrowings	**198,176**	309,936
Interest on lease liabilities	**26,751**	22,280
Interest on senior notes (note 28)	**430,641**	586,004
Interest on corporate bonds (note 29)	**25,629**	65,720
	681,197	983,940

8. (LOSS)/PROFIT BEFORE TAX

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

	2020 **RMB'000**	2019 RMB'000
Cost of sales of used vehicles	**2,209,908**	2,188,531
Depreciation of rental vehicles (note 13, note 16)	**2,011,190**	1,835,717
Depreciation of other property, plant and equipment (note 14)	**53,932**	64,728
Depreciation of right-of-use assets (excluding depreciation of rental vehicles) (note 16)	**144,018**	158,840
Amortisation of other intangible assets*(note 18)	**2,374**	3,118
Lease payments not included in the measurement of lease liabilities (note 16)	**124,971**	133,095
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):		
Wages and salaries	**642,242**	676,360
Equity-settled share option expenses (note 9, note 33)	**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 (note 6)	**(354,541)**	158,245
Finance costs (note 7)	**681,197**	983,940
Auditors' remuneration	**5,000**	4,500
Loss on disposal of items of other property, plant and equipment (note 6)	**1,329**	275
Advertising and promotion expenses	**93,765**	2,341
Share of loss/(profit) of associates (note 19)	**4,796**	(6,286)
Fair value changes on derivative instrument transactions not qualifying as hedges (note 30)	**3,666**	(56,588)
Impairment losses on financial and contract assets	**679,671**	4,231
Including impairment of:		
Trade receivables	***55,800***	*4,231*
Due from a related party (note 38)	***410,402***	–
Prepayments other receivables and other assets (note 23)	***86,280***	–
Finance lease receivables (note 15)	***127,189***	–
Impairment of investment in associates (note 19)	**8,306**	–
Fair value loss on an investment in equity shares (note 20)	**2,800,641**	9,000

* The amortisation of other intangible assets for the year is included in "Administrative expenses" in the consolidated statement 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.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Fees	**2,378**	2,067
Other emoluments		
– Salaries, allowances and benefits in kind	**4,857**	1,968
– Equity-settled share option expense	**17,238**	14,957
– Pension scheme contributions	**119**	158
	22,214	17,083
	24,592	19,150

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020	2019
	RMB'000	*RMB'000*
Sun Hanhui	**830**	689
Ding Wei	**774**	689
Zhang Li	**774**	689
	2,378	2,067

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(b) Executive director and chief executive and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2020						
Executive director and the chief executive:						
– Song Yifan	**–**	**4,592**	**–**	**17,238**	**111**	**21,941**
Non-executive directors:						
– Lu Zhengyao*	**–**	**265**	**–**	**–**	**8**	**273**
– Yan Leping**	**–**	**–**	**–**	**–**	**–**	**–**
– Yu Hongfei**	**–**	**–**	**–**	**–**	**–**	**–**
– Yan Xuan**	**–**	**–**	**–**	**–**	**–**	**–**
– Li Xiaogeng*	**–**	**–**	**–**	**–**	**–**	**–**
– Zhu Linan	**–**	**–**	**–**	**–**	**–**	**–**
– Wei Zhen*	**–**	**–**	**–**	**–**	**–**	**–**
	–	**4,857**	**–**	**17,238**	**119**	**22,214**
2019						
Executive director and the chief executive:						
– Song Yifan	–	927	–	14,957	126	16,010
Non-executive directors:						
– Lu Zhengyao	–	1,041	–	–	32	1,073
– Li Xiaogeng	–	–	–	–	–	–
– Zhu Linan	–	–	–	–	–	–
– Wei Zhen	–	–	–	–	–	–
	–	1,968	–	14,957	158	17,083

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(b) Executive director and chief executive and non-executive directors *(continued)*

* On 9 June 2020, Mr. Lu Zhengyao resigned from his position of the Chairman of the Board and a non-executive director of the Company.

On 1 August 2020, Ms. Li Xiaogeng resigned from her position as a non-executive director of the Company.

On 3 November 2020, Mr. Wei Zhen resigned from his position as a non-executive director of the Company.

** On 12 June 2020, Mr. Yan Leping was appointed as a non-executive director of the Company.

On 15 December 2020, Mr. Yu Hongfei was appointed as a non-executive director of the Company.

On 15 December 2020, Mr. Yan Xuan was appointed as a non-executive director of the Company.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group during the year. There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(c) Five highest paid employees

The five highest paid employees during the year included the chief executive (2019: the chief executive), details of whose remuneration are set out in note 9(b) above. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**9,817**	3,072
Equity-settled share option expense	**25,357**	11,483
Pension scheme contributions	**214**	504
	35,388	15,059

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(c) Five highest paid employees *(continued)*

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following bands is as follows:

	2020 Number of Individuals	2019 Number of individuals
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	–
Over HK$2,000,000	**4**	1
	4	4

During the year and in prior years, share options were granted to some of the above non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosure.

10. INCOME TAX

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

	2020 *RMB'000*	2019 *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 (note 31)	**76,556**	(12,125)
Total tax charge for the year	**70,675**	241,267

* 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.

10. INCOME TAX *(continued)*

Pursuant to the rules and regulations of the Cayman Islands and 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 a promising industry company established in the comprehensive experimentation area in Pingtan, Fujian Province, and therefore is entitled 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 subsidiaries has been provided at the rate of 16.5% as there was no assessable profit arising in Hong Kong during the year.

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,614,972,000 at 31 December 2020 (2019: RMB1,572,938,000).

10. INCOME TAX *(continued)*

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

	2020	2019
	RMB'000	*RMB'000*
(Loss) /Profit before tax	**(4,092,476)**	272,043
Tax at the PRC statutory tax rate of 25%	**(1,023,119)**	68,011
Tax effect of tax rate differences between PRC entities and overseas entities	**278,361**	155,887
Tax losses and temporary differences 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)
Income not subject to tax	**(1,809)**	(1,603)
Expenses not deductible for tax	**16,992**	3,843
Utilisation of unrecognised tax losses and temporary differences	**(2,285)**	(11,124)
Withholding tax on the deemed income	**21,483**	36,504
Total charge for the year	**70,675**	241,267

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

11. DIVIDENDS

The board of the directors did not recommend the payment of any dividend to the ordinary equity holders of the Company for the year ended 31 December 2020 (2019: Nil).

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

The calculation of the diluted 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 earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2020	2019
	RMB'000	*RMB'000*
(Loss) /Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculations	**(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 options	**–**	9,047,485
	2,120,963,983	2,128,559,427

13. RENTAL VEHICLES

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

Rental vehicles with a total carrying value of RMB353,369,000 as at 31 December 2020 (2019: RMB1,570,536,000) were pledged as security for certain of the Group's interest-bearing loans (note 27).

14. OTHER PROPERTY, PLANT AND EQUIPMENT

	In-car accessories *RMB'000*	Leasehold improvements *RMB'000*	Office furniture and equipment *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2020:						
Cost	177,233	43,847	106,333	322,635	295,170	945,218
Accumulated depreciation	(132,206)	(21,483)	(82,469)	(49,677)	–	(285,835)
Net carrying amount	45,027	22,364	23,864	272,958	295,170	659,383
At 1 January 2020, net of accumulated depreciation	45,027	22,364	23,864	272,958	295,170	659,383
Additions	7,154	2,921	3,878	–	66,660	80,613
Depreciation provided during the year	(28,411)	(6,414)	(7,590)	(11,517)	–	(53,932)
Disposals	(1,240)	–	(187)	–	–	(1,427)
At 31 December 2020, net of accumulated depreciation	22,530	18,871	19,965	261,441	361,830	684,637
At 31 December 2020:						
Cost	177,591	46,768	104,478	322,635	361,830	1,013,302
Accumulated depreciation	(155,061)	(27,897)	(84,513)	(61,194)	–	(328,665)
Net carrying amount	22,530	18,871	19,965	261,441	361,830	684,637

14. OTHER PROPERTY, PLANT AND EQUIPMENT *(continued)*

	In-car accessories *RMB'000*	Leasehold improvements *RMB'000*	Office furniture and equipment *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2019:						
Cost	164,893	36,922	105,975	309,282	185,334	802,406
Accumulated depreciation	(103,600)	(12,033)	(74,805)	(38,324)	–	(228,762)
Net carrying amount	61,293	24,889	31,170	270,958	185,334	573,644
At 1 January 2019, net of accumulated depreciation	61,293	24,889	31,170	270,958	185,334	573,644
Additions	19,050	6,925	1,804	13,353	109,836	150,968
Depreciation provided during the year	(35,067)	(9,450)	(8,858)	(11,353)	–	(64,728)
Disposals	(249)	–	(252)	–	–	(501)
At 31 December 2019, net of accumulated depreciation	45,027	22,364	23,864	272,958	295,170	659,383
At 31 December 2019:						
Cost	177,233	43,847	106,333	322,635	295,170	945,218
Accumulated depreciation	(132,206)	(21,483)	(82,469)	(49,677)	–	(285,835)
Net carrying amount	45,027	22,364	23,864	272,958	295,170	659,383

15. FINANCE LEASE RECEIVABLES

Certain rental vehicles have been leased out through finance leases entered into by the Group. These leases have remaining terms ranging generally from 0 to 2.4 years. Finance lease receivables are comprised of the following:

	2020	2019
	RMB'000	*RMB'000*
Net minimum lease payments receivable	**761,822**	1,639,128
Unearned finance income	**(149,992)**	(441,857)
	611,830	1,197,271
Less: impairment of finance lease receivables	**127,189**	–
Total net finance lease receivables	**484,641**	1,197,271
Less: current portion	**302,171**	341,319
Non-current portion	**182,470**	855,952

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

	2020	2019
	RMB'000	*RMB'000*
Within one year	**521,585**	485,816
In the second to fifth years, inclusive	**240,237**	1,153,312
	761,822	1,639,128

15. FINANCE LEASE RECEIVABLES *(continued)*

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

	2020	2019
	RMB'000	*RMB'000*
Within one year	**302,171**	341,319
In the second to fifth years, inclusive	**182,470**	855,952
	484,641	1,197,271

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of the year	**–**	–
Impairment losses	**127,189**	–
At end of the year	**127,189**	–

Impairment on finance lease receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

15. FINANCE LEASE RECEIVABLES *(continued)*

Reconciliation of allowance for finance lease receivables are as follows:

As at 31 December 2020

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2 Collective basis	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	–	–	–	–
Impairment losses,net	11,396	40,651	75,142	127,189
At end of year	11,396	40,651	75,142	127,189

As at 31 December 2019, there was no expected credit loss as these finance lease receivables had no history of default.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, rental vehicles, licence plates, offices and stores, parking lots used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of rental vehicles generally have lease terms of 3 years, licence plates generally have lease terms between 1.2 and 3 years, offices and stores generally have lease terms between 1.1 and 15 years and parking lots generally have lease terms between 1.1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	Rental vehicles* *RMB'000*	Licence plates *RMB'000*	Offices and stores *RMB'000*	Parking lots *RMB'000*	Total *RMB'000*
As at 1 January 2019	58,791	–	20,600	149,388	63,227	292,006
Additions	–	250,334	10,714	71,347	137,337	469,732
Depreciation expense	(1,614)	(41,723)	(16,268)	(58,135)	(82,823)	(200,563)
As at 31 December 2019	57,177	208,611	15,046	162,600	117,741	561,175

	Leasehold land ***RMB'000***	**Rental vehicles*** ***RMB'000***	**Licence plates** ***RMB'000***	**Offices and stores** ***RMB'000***	**Parking lots** ***RMB'000***	**Total** ***RMB'000***
As at 1 January 2020	**57,177**	**208,611**	**15,046**	**162,600**	**117,741**	**561,175**
Additions	**–**	**–**	**–**	**28,380**	**69,733**	**98,113**
Covid-19-related rent concessions from lessors	**–**	**–**	**–**	**–**	**(29)**	**(29)**
Depreciation expense	**(1,614)**	**(83,445)**	**(12,110)**	**(47,822)**	**(82,472)**	**(227,463)**
As at 31 December 2020	**55,563**	**125,166**	**2,936**	**143,158**	**104,973**	**431,796**

* 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.

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	482,041	219,013
New leases	104,429	457,554
Accretion of interest recognised during the year	26,751	22,953
Covid-19-related rent concessions from lessors	(29)	–
Payments	(292,950)	(217,479)
Carrying amount at 31 December	320,242	482,041
Analysed into:		
Current portion	155,716	203,615
Non-current portion	164,526	278,426

The maturity analysis of lease liabilities is disclosed in note 41 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	26,751	22,953
Depreciation charge of right-of-use assets	227,463	200,563
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December (included in direct operating expenses of rental services)	124,971	133,095
Total amount recognised in profit or loss	379,185	356,611

17. GOODWILL

	2020	2019
	RMB'000	*RMB'000*
Cost and net carrying amount at beginning and end of the year	**6,728**	6,728

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

Vehicle rental cash-generating unit

The recoverable amount of the vehicle rental cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. A terminal growth rate of 3% (2019: 3%) has been projected beyond five years and the discount rate applied to the cash flow projections is 13.5% (2019: 13.5%).

Assumptions were used in the value in use calculation of the above cash-generating unit for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on the market development of the vehicle rental industry and the discount rate are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

	Software RMB'000	Customer relationship RMB'000	Vehicle rental business licences RMB'000	Auto repair service business licences RMB'000	Licence plates RMB'000	Trademark use right RMB'000	Total RMB'000
At 1 January 2020:							
Cost	**35,913**	**180**	**42,525**	**3,144**	**125,699**	**7,030**	**214,491**
Accumulated amortisation	**(35,268)**	**(180)**	**(14,393)**	**(3,090)**	**–**	**(7,030)**	**(59,961)**
Net carrying amount	**645**	**–**	**28,132**	**54**	**125,699**	**–**	**154,530**
At 1 January 2020, net of accumulated depreciation	**645**	**–**	**28,132**	**54**	**125,699**	**–**	**154,530**
Additions	**–**	**–**	**–**	**–**	**2,566**	**–**	**2,566**
Amortisation provided during the year	**(463)**	**–**	**(1,868)**	**(43)**	**–**	**–**	**(2,374)**
At 31 December 2020, net of accumulated depreciation	**182**	**–**	**26,264**	**11**	**128,265**	**–**	**154,722**
At 31 December 2020:							
Cost	**35,913**	**180**	**42,525**	**3,144**	**128,265**	**7,030**	**217,057**
Accumulated amortisation	**(35,731)**	**(180)**	**(16,261)**	**(3,133)**	**–**	**(7,030)**	**(62,335)**
Net carrying amount	**182**	**–**	**26,264**	**11**	**128,265**	**–**	**154,722**
At 1 January 2019:							
Cost	35,913	180	42,525	3,144	116,879	7,030	205,671
Accumulated amortisation	(34,085)	(180)	(12,526)	(3,022)	–	(7,030)	(56,843)
Net carrying amount	1,828	–	29,999	122	116,879	–	148,828
At 1 January 2019, net of accumulated depreciation	1,828	–	29,999	122	116,879	–	148,828
Additions	–	–	–	–	8,820	–	8,820
Amortisation provided during the year	(1,183)	–	(1,867)	(68)	–	–	(3,118)
At 31 December 2019, net of accumulated depreciation	645	–	28,132	54	125,699	–	154,530
At 31 December 2019:							
Cost	35,913	180	42,525	3,144	125,699	7,030	214,491
Accumulated amortisation	(35,268)	(180)	(14,393)	(3,090)	–	(7,030)	(59,961)
Net carrying amount	645	–	28,132	54	125,699	–	154,530

19. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Beijing QWOM Technology Co., Ltd. (北京氫動益維科技股份有限公司)(a)	22,158	46,222
Botpy Inc. (b)	81,788	70,826
	103,946	117,048

(a) Beijing QWOM Technology Co., Ltd. (北京氫動益維科技股份有限公司)

	2020 RMB'000	2019 RMB'000
Share of net assets	22,158	37,916
Goodwill on acquisition	8,306	8,306
Impairment of goodwill	(8,306)	–
	22,158	46,222

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
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

The Group, through its wholly-owned subsidiary, Haike Pingtan, acquired a 30% equity interest 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 National Equities Exchange and Quotations ("NEEQ") in December 2016.

19. INVESTMENTS IN ASSOCIATES *(continued)*

(a) Beijing QWOM Technology Co., Ltd. (北京氫動益維科技股份有限公司) *(continued)*

The following table illustrates the financial information of the Group's associate that is not material:

	2020	2019
	RMB'000	*RMB'000*
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	**22,158**	46,222

(b) Botpy Inc.

	2020	2019
	RMB'000	*RMB'000*
Share of net assets	**21,561**	4,576
Goodwill on acquisition	**66,250**	66,250
Deemed disposal of Goodwill	**(6,023)**	–
	81,788	70,826

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Botpy Inc.	Preference shares	Cayman Islands	36.36	Automotive insurance business and providing solutions for the automotive aftermarket

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

19. INVESTMENTS IN ASSOCIATES *(continued)*

(b) Botpy Inc. *(continued)*

The following table illustrates the financial information of the Group's associate that is not material:

	2020	2019
	RMB'000	*RMB'000*
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	**81,788**	70,826

20. INVESTMENT IN EQUITY SHARES

	2020	2019
	RMB'000	*RMB'000*
Investment in equity shares of a publicly held company – UCAR Inc. ("神州優車股份有限公司" Or "UCAR")	**–**	2,800,641

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

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 experienced significant decrease in its business and operations due to the outbreak of COVID-19 and change of operational environment. In view of certain non-compliance of UCAR in the requirements of timely publication of its 2019 annual result announcement, UCAR will be subjected to delisting process as detailed in UCAR's announcement dated 1 September 2020 pursuant to relevant regulations of NEEQ. The associated fair value loss of RMB2,800,641,000 for the year ended 31 December 2020 (note 6) was recognised through profit or loss under "Other income and expenses, net".

21. INVENTORIES

	2020 RMB'000	2019 RMB'000
Used rental vehicles held for sale	**8,042**	137,458
Fuel	**31,597**	55,102
Others	**39,198**	35,074
	78,837	227,634

22. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**112,362**	100,836
Impairment provision	**(54,979)**	(4,026)
	57,383	96,810

The Company generally does not provide credit terms to car rental customers. The credit period for fleet 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.

22. TRADE RECEIVABLES *(continued)*

An ageing analysis of the trade receivables as at the end of 2020, based on the invoice date and net of loss allowance, is as follows:

	2020	2019
	RMB'000	*RMB'000*
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

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of the year	**4,026**	4,095
Impairment losses, net	**50,953**	(69)
At end of the year	**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.

22. TRADE RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

		Past due			
	Current	**Less than 3 months**	**4 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**6.98%**	**6.98%**	**17.88%**	**100.00%**	**48.93%**
Gross carrying amount	**1,036**	**31,234**	**33,320**	**46,772**	**112,362**
Expected credit losses	**72**	**2,179**	**5,956**	**46,772**	**54,979**

As at 31 December 2019

		Past due			
	Current	Less than 3 months	4 to 12 months	Over 1 year	Total
Expected credit loss rate	1.18%	1.18%	4.53%	14.50%	3.99%
Gross carrying amount	1,330	56,735	28,698	14,073	100,836
Expected credit losses	16	669	1,300	2,041	4,026

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	RMB'000	*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
	855,598	1,343,958
Impairment allowance	**(86,280)**	–
	769,318	1,343,958

As at 31 December 2020, the impairment allowance of other receivables amounting to RMB86,280,000 (2019: Nil) was provided.

Movements in the provision for impairment of other receivables are as follows:

	2020
	RMB'000
At beginning of year	**–**
Impairment losses, net	**86,280**
At end of year	**86,280**

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

Reconciliation of allowance for other receivables is as follows:

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2 Individual basis	Stage 2 Collective basis	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	–	–	–	–	–
Impairment losses,net	–	86,280	–	–	86,280
At end of year	–	86,280	–	–	86,280

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2020	2019
	RMB'000	*RMB'000*
Cash and bank balances	**1,853,414**	3,485,538
Time deposits	**338,194**	2,398,767
	2,191,608	5,884,305
Less: Pledged time deposits:		
Pledged for bank loans*	**6,733**	522,510
Pledged for electricity	**1,488**	–
Pledged for bank overdraft facilities	**1,275**	1,275
Pledged for others	**2,453**	–
	11,949	523,785
Cash and cash equivalents	**2,179,659**	5,360,520

* The Group pledged certain deposits of RMB6,733,000 and RMB522,510,000 to secure the Group's bank loans as at 31 December 2020 and 31 December 2019 respectively.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(continued)*

The cash and bank balances of the Group denominated in RMB amounted to RMB1,319,864,000 and RMB3,407,502,000 as at 31 December 2020 and 31 December 2019, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

25. TRADE PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**21,021**	55,049
3 to 6 months	**19,917**	10,329
Over 6 months	**25,804**	21,375
	66,742	86,753

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

26. OTHER PAYABLES AND ACCRUALS

	Note	2020 RMB'000	2019 RMB'000
Interest payables		**91,118**	205,735
Deposits by customers		**213,688**	202,241
Contract liabilities	(a)	**49,590**	212,287
Payroll payable		**81,437**	75,552
Other tax payable		**171,264**	184,108
Payable for other property, plant and equipment		**13,838**	13,838
Others		**60,357**	70,880
		681,292	964,641

Other payables and accruals are non-interest-bearing.

Note:

(a) Details of contract liabilities as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Advance received from customers		
Sales of used vehicles	**11,226**	160,381
Contract liability related to credit award	**38,285**	51,841
Franchise related income	**79**	65
	49,590	212,287

Contract liabilities include advances received from sales of used vehicles, and from rendering credit award and franchise service. The decrease in contract liabilities in 2020 and 2019 was mainly due to the decrease in short-term advances received from customers in relation to sales of used vehicles at the end of each of the years.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current:						
Lease liabilities (note 16(b))	**6.30**	**2021**	**155,716**	6.30	2020	203,615
Short-term bank loans						
– guaranteed	**–**	**–**	**–**	4.43-5.53	2020	359,286
– unsecured and unguaranteed	**–**	**–**	**–**	4.35-6.15	2020	1,330,040
– pledged	**–**	**–**	**–**	3.10	2020	522,953
Current portion of long-term bank loans						
– guaranteed	**3.49-4.14**	**2021**	**348,412**	5.30-5.92	2020	219,407
– unsecured and unguaranteed	**–**	**–**	**–**	6.41	2020	150,000
Current portion of sale and leaseback obligations						
– secured	**2.85-6.40**	**2021**	**77,166**	3.09-7.38	2020	669,122
Current portion of long-term other loans						
– guaranteed	**6.85**	**2021**	**290,000**	6.85	2020	100,000
			871,294			3,554,423
Non-current						
Lease liabilities (note 16(b))	**6.30**	**2022-2030**	**164,526**	6.30	2021-2024	278,426
Bank loans						
– guaranteed	**3.49**	**2022-2023**	**181,201**	5.30	2021-2022	1,141,746
– unsecured and unguaranteed	**–**	**–**	**–**	6.41	2021	75,000
Sale and leaseback obligations						
– secured	**–**	**–**	**–**	3.09-7.38	2021-2022	294,097
Other loans						
– guaranteed	**6.85**	**2022**	**320,000**	6.85	2022	800,000
			665,727			2,589,269
			1,537,021			6,143,692

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2020	2019
	RMB'000	*RMB'000*
Analysed into:		
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, inclusive	**59,107**	111,388
Above five years	**15,979**	12,455
	320,242	482,041
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
	529,613	3,798,432
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
	77,166	963,219
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
	610,000	900,000
	1,537,021	6,143,692

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 utilised.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Bank and other loans with the following amounts outstanding as at 31 December 2020 and 2019 were secured/guaranteed by the following:

Security or guarantee	**2020** **RMB'000**	2019 RMB'000
Guaranteed by CAR Inc.	**610,000**	1,177,653
Guaranteed by CAR Inc. and Changle E-Commerce	**–**	100,000
Guaranteed by 7 offshore subsidiaries of the Group	**529,613**	1,342,786
Unsecured and unguaranteed	**320,242**	2,037,081
Pledged by restricted cash	**–**	522,953
	1,459, 855	5,180,473

Sale and leaseback obligations with the following amounts outstanding as at 31 December 2020 and 2019 were secured/guaranteed by the followings:

Security or guarantee	**2020** **RMB'000**	2019 RMB'000
Guaranteed by Lianhui and Changle E-Commerce and secured by certain of rental vehicles and deposits	**–**	177,730
Guaranteed by CAR Inc. and secured by certain of rental vehicles	**–**	148,657
Guaranteed by CAR Inc. and Changle E-Commerce and secured by certain of rental vehicles and deposits	**–**	19,700
Guaranteed by CAR Inc. and secured by certain of rental vehicles and deposits	**66,000**	454,211
Secured by certain of rental vehicles and deposits	**11,166**	162,921
	77,166	963,219

Sale and leaseback obligations of RMB77,166,000 (2019: RMB963,219,000) as at 31 December 2020 were secured by certain of the Group's rental vehicles, the total carrying amount of which at 31 December 2020 was RMB353,369,000 (2019: RMB1,570,536,000) (note 13).

28. SENIOR NOTES

(1) The 2015 Notes (A)

On 4 February 2015, the Company issued senior notes with an aggregate principal amount of US$500,000,000 due 2020 (the "2015 Notes (A)"). The 2015 Notes (A) were listed on the Stock Exchange of Hong Kong Limited. The 2015 Notes (A) carry interest at the rate of 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.

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	101.53125%

(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 defined in the Indenture of the 2015 Notes (A)) as at the redemption date, and the accrued and unpaid interest, if any, up 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, up to (but not including) the redemption date, subject to certain conditions.

On 10 May 2019, the Company completed an exchange offer up 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 with the maturity date extended to 10 May 2022.

28. SENIOR NOTES *(continued)*

(1) The 2015 Notes (A) *(continued)*

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

The carrying amount of the 2015 Notes (A) recognised in the statement of financial position was calculated as follows:

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

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

28. SENIOR NOTES *(continued)*

(2) The 2015 Notes (B)

On 11 August 2015, the Company issued senior notes with an aggregated nominal value of US$300 million due 2021 (the "2015 Notes (B)"). The 2015 Notes (B) are listed on the Stock Exchange of Hong Kong Limited. 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, up 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 carrying amount of the 2015 Notes (B) recognised in the statement of financial position was calculated as follows:

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

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

28. SENIOR NOTES *(continued)*

(3) The 2018 Notes (A)

On 4 April 2018, the Company issued senior notes with an aggregate nominal value of RMB400 million due 2021 (the "2018 Notes (A)"). The 2018 Notes (A) are listed on the Stock Exchange of Hong Kong Limited. 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, up 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 of the 2018 Notes (A)) as at the redemption date, plus accrued and unpaid interest, if any, up to (but not including) the redemption date.

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

	2020	2019
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**400,642**	396,586
Impact of senior notes modification	**(1,222)**	–
Addition, net of issuance costs	**–**	–
Interest expenses	**30,826**	30,056
Interest expense payment	**(26,107)**	(26,000)
Total carrying amount at 31 December	**404,139**	400,642
Less: Interest payables due within one year reclassified to other payables and accruals	**6,250**	6,251
	397,889	394,391

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

28. SENIOR NOTES *(continued)*

(4) The 2018 Notes (B)

On 2 May 2018, the Company issued the 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) are listed on the Stock Exchange of Hong Kong Limited. 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, up 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 of the 2018 Notes (B)) as at the redemption date, plus accrued and unpaid interest, if any, up to (but not including) the redemption date.

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

	2020	2019
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**352,742**	350,819
Impact of senior notes modification	**(1,071)**	–
Addition, net of issuance costs	**–**	–
Interest expenses	**25,204**	24,673
Interest expense payment	**(22,777)**	(22,750)
Total carrying amount at 31 December	**354,098**	352,742
Less: Interest payables due within one year reclassified to other payables and accruals	**5,469**	5,403
	348,629	347,339

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

28. SENIOR NOTES *(continued)*

(5) The 2019 Notes

On 10 May 2019, the Company issued senior notes with an aggregate principal amount of US$200,000,000 due 2022 (the "2019 Notes"). The 2019 Notes are listed on the Stock Exchange of Hong Kong Limited. The 2019 Notes carries 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 carrying amount of the 2019 Notes recognised in the statement of financial position was calculated as follows:

	2020	2019
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**1,396,147**	–
Impact of senior notes modification	**(3,978)**	–
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)
Total carrying amount at 31 December	**1,306,973**	1,396,147
Less: Interest payables due within one year reclassified to other payables and accruals	**16,317**	17,349
	1,290,656	1,378,798

28. SENIOR NOTES *(continued)*

(5) The 2019 Notes *(continued)*

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

References are made to 1) the 2015 Notes (A); 2) the 2015 Notes (B); 3) the 2018 Notes (A); 4) the 2018 Notes (B); and 5) the 2019 Notes (together with the "Notes", "Series of Notes"). On 16 November 2020, the Company commenced the solicitations of consent from the holders of the Notes to proposed amendments of a certain provision of each indenture constituting relevant particular Series of the Notes (each an "Indenture", and collectively, the "Indentures") including definitions of "Permitted Holders", "Change of Control" and "Rating Decline". The Company will make a payment to holders of any particular Series of Notes who validly deliver a consent to the proposed amendments with respect to such Series of Notes On 27 November 2020, the Company has received the required consents for the proposed amendments to each Indentures. On 2 December 2020, all conditions of the consent payment have been satisfied (or waived by the Company).

29. 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 RMB2,000,000,000 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 2017 Corporate Bonds (A) is RMB300,000,000 with a coupon rate of 5.5% per annum and with a tenure of five years. The Company has an option to adjust the coupon rate and the investors are entitled to request the Company to repurchase the Corporate Bonds after the end of the third year from the date of issuance. The Corporate Bonds are listed on the Shanghai Stock Exchange.

29. CORPORATE BONDS *(continued)*

(1) The 2017 Corporate Bonds (A) *(continued)*

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

	2020	2019
	RMB'000	RMB'000
Total carrying amount at 1 January	309,009	308,169
Addition, net of issuance costs	–	–
Principal repayment	(300,000)	–
Interest expenses incurred	7,491	17,340
Interest expense payment	(16,500)	(16,500)
Total carrying amount at 31 December	–	309,009
Less: Interest payables due within one year reclassified to other payables and accruals	–	11,225
	–	297,784

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.

29. CORPORATE BONDS *(continued)*

(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 the repurchase of the 2018 Corporate Bonds (B).

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

	2020	2019
	RMB'000	*RMB'000*
Total carrying amount at 1 January	**757,852**	755,462
Addition, net of issuance costs	**–**	–
Principal repayment	**(730,000)**	–
Interest expenses incurred	**18,138**	48,380
Interest expense payment	**(45,990)**	(45,990)
Total carrying amount at 31 December	**–**	757,852
Less: Interest payables due within one year reclassified to other payables and accruals	**–**	31,415
	–	726,437

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.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Derivative financial instruments – current assets	–	42,693

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the years are as follows:

Deferred tax assets

	Right-of-use assets RMB'000	Accumulated losses RMB'000	Deductible temporary differences RMB'000	Total RMB'000
At 31 December 2019	865	49,623	190,107	240,595
(Charged)/credited to the statement of profit or loss during the year	(587)	1,862	(83,330)	(82,055)
At 31 December 2020	278	51,485	106,777	158,540
At 1 January 2019	–	8,627	223,568	232,195
Credited/(charged) to the statement of profit or loss during the year	865	40,996	(33,461)	8,400
At 31 December 2019	865	49,623	190,107	240,595

The Group had unused tax losses of RMB322,947,000 (2019: RMB58,697,000) available for offsetting against future profits in respect of certain subsidiaries as at 31 December 2020, and the deferred tax assets have not been recognised. Such tax losses will expire between 2021 and 2025.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

31. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Lease liabilities RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 31 December 2019	**3,485**	**11,316**	**194,754**	**209,555**
(Credited)/charged to the statement of profit or loss during the year	**11,084**	**(238)**	**(16,345)**	**(5,499)**
At 31 December 2020	**14,569**	**11,078**	**178,409**	**204,056**
At 1 January 2019	–	11,854	201,426	213,280
(Credited)/charged to the statement of profit or loss during the year	3,485	(538)	(6,672)	(3,725)
At 31 December 2019	3,485	11,316	194,754	209,555

There was no significant unrecognised deferred tax liability as at 31 December 2020 and 31 December 2019 for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. For the Group, the applicable rate is 10%.

As at 31 December 2020, no deferred tax (2019: Nil) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

	2020	2019
	RMB'000	RMB'000
Authorised:		
26,000,000,000 ordinary shares of US$0.00001 each	**1,586**	1,586
Issued and fully paid:		
2,122,454,581 (2019: 2,119,880,411) ordinary shares of US$0.00001 each	**131**	131

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 April 2014 by China Auto Rental Holdings Inc. ("CARH") with authorised share capital of US$260,000 divided into 5,200,000,000 shares of US$0.00005 each. On the date of incorporation, one ordinary share at par value of US$0.00005 was allotted and issued as fully paid by CARH. On 12 June 2014, the Company further issued and allotted 373,444,013 shares to CARH at par value.

On 2 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares, and the par value of the share was changed from US$0.00005 per share to US$0.00001 per share. Immediately after the share split, the authorised share capital of the Company became US$260,000 divided into 26,000,000,000 ordinary shares of par value of US$0.00001 each and issued share capital became 1,867,220,070 shares of par value of US$0.00001 each.

On 19 September 2014, the Company issued 426,341,000 shares in its initial public offering at the price of HK$8.50 per share.

On 25 September 2014, the Company issued additional 63,951,000 shares at the price of HK$8.50 per share as a result of exercise of over-allotment options by the underwriters. Total proceeds from the initial public offering (including the over-allotment) were HK$4,167,482,000 (approximately RMB3,302,729,000), and net proceeds were HK$4,026,035,684 (approximately RMB3,183,191,000) after deduction of related issuance costs.

32. SHARE CAPITAL *(continued)*

Shares *(continued)*

A summary of movements in the Company's share capital for the year ended 31 December 2020 is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid:				
As at 1 January 2019	2,118,717,220	131	1,572,069	1,572,200
Issuance of shares pursuant to the option scheme (note 33)	1,163,191	–	5,246	5,246
At 31 December 2019 and 1 January 2020	**2,119,880,411**	**131**	**1,577,315**	**1,577,446**
Issuance of shares pursuant to the option scheme (note 33) (a)	**2,574,170**	**–**	**11,039**	**11,039**
At 31 December 2020	**2,122,454,581**	**131**	**1,588,354**	**1,588,485**

(a) The subscription rights attaching to 2,574,170 share options were exercised during the year ended 31 December 2020, at the average subscription price of US$0.16 per share (note 33), resulting in the issue of 2,574,170 ordinary shares for a total cash consideration of RMB2,817,000, of which RMB2,817,000 was charged to share premium. Meanwhile, an amount of RMB8,222,000 was transferred from the share option reserve to share premium upon exercise of the share options.

33. SHARE OPTION SCHEME

China Auto Rental Holdings Inc. ("CARH") operated a share option scheme ("2013 CARH Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants within the Group who contributed to the success of the Group's operation. Eligible participants of the Scheme included the directors and other employees of the Group. The Scheme became effective on 18 December 2013.

The maximum number of share options currently permitted to be granted under the Scheme was in aggregate 14,035,595 shares, including the Tranche A Options granted for a total number of 7,017,798 shares and the Tranche B Options granted for a total number of 7,017,797 shares. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

On 18 December 2013, 7,017,798 Tranche A options and 7,017,797 Tranche B options have been granted with exercise prices of US$0.29, and US$0.87, respectively. The exercise prices of share options were determined by the directors. The Tranche A Options granted were fully vested on 31 December 2013 with no further service conditions attached, and the Tranche B Options granted become vested in four equal batches on 31 December 2014, 2015, 2016 and 2017, respectively.

In March 2014, CARH further adopted the 2014 share option scheme ("2014 CARH Pre-IPO Share Option Scheme") which was approved by a board resolution passed on 1 March 2014 and further approved by a resolution passed by CARH shareholders on 1 March 2014. The 2014 CARH Pre-IPO Share Option Scheme Options granted become vested in four equal batches on 1 May 2015, 2016, 2017 and 2018, respectively.

As part of the reorganisation, the Company was incorporated in the Cayman Islands on 25 April 2014. The Company subsequently became the fully-owned subsidiary of CARH and the holding company of the Group accordingly. In connection with the above restructuring, CARH cancelled the 2013 CARH Pre-IPO Share Option Scheme and the 2014 CARH Pre-IPO Share Option Scheme while the Company adopted a new share option scheme (the "2014 Pre-IPO Share Option Scheme") as a replacement. The replacement plan was approved by board resolutions of CARH and the Company, respectively, on 15 June 2014.

The cancelled and the replacement awards involve exactly the same conditions including exercise prices and the vesting year, and were treated as modification with the incremental fair value being recognised over the vesting year of the replacement share-based payment award.

On 14 August 2014, 4,456,688 Tranche C options have been granted with an exercise price of US$0.87, of which 300,000 share options granted to certain management members were vested in three equal batches on each of 1 August 2015, 2016 and 2017. The remaining share options were vested on each of 1 August 2015, 2016, 2017 and 2018.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

33. SHARE OPTION SCHEME *(continued)*

On 3 July 2014, the Company effected a share split, pursuant to which each ordinary share was subdivided into five ordinary shares. Immediately after the share split, the exercise price of each share option was amended to one-fifth of the exercise price before split.

On 12 April 2016, the employment contracts of 21 executives of the Group were terminated, who then held 14,606,233 unvested share options. As approved by the directors of the Company as at 11 April 2016 and agreed with the employees, such share options became fully vested immediately before the terminations with the exercise price unchanged. The Group treated the immediate vesting as a simultaneous forfeiture of the unvested share options and a grant of an ex-gratia award, which resulted in a net charge of share option expense of RMB54,775,000 during the six months ended 30 June 2016.

On 5 April 2016, the Company adopted a Share Option Scheme by an ordinary resolution passed by its shareholders ("2016 Post-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants within the Group who contribute to the success of the Group's operation. The 2016 Post-IPO Share Option Scheme has become effective for the period of 10 years commencing on the effective date. The maximum number of the Company's shares in respect of which options may be granted pursuant to the 2016 Post-IPO Share Option Scheme is 239,494,759 shares, being 10% of the total issued shares of the Company on the date of approval of the 2016 Post-IPO Share Option Scheme.

The Board announced that on 18 October 2019, a total of 119,747,379 share options were granted to certain eligible persons pursuant to the 2016 Post-IPO Share Option Scheme. The exercise price was HK$6.360 per share and the validity period of the share options was 10 years from date of grant, i.e. from 18 October 2019 to 17 October 2029 (both days inclusive). One-third of the share options granted will be vested on 18 October 2019, one-third of the share options granted will be vested on 18 October 2020 and one-third of the share options granted will be vested on 18 October 2021; and the share options granted will be exercisable until the expiry date of the validity period.

33. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Pre-IPO Share Option Scheme during the years ended 31 December 2020 and 2019:

	2020		2019	
	Weighted average exercise price ***US$ per share***	**Number of options**	Weighted average exercise price *US$ per share*	Number of options
At 1 January, after share split	**0.15**	**27,536,766**	0.15	28,699,957
Exercised during the year	**0.16**	**(2,574,170)**	0.17	(1,163,191)
At 31 December	**0.15**	**24,962,596**	0.15	27,536,766

The following share options were outstanding under the Post-IPO Share Option Scheme during the years ended 31 December 2020 and 2019:

	2020		2019	
	Weighted average exercise price ***HK$ per share***	**Number of options**	Weighted average exercise price *HK$ per share*	Number of options
At 1 January, after share split	**6.36**	**119,747,379**		–
Granted during the year		**–**	6.36	119,747,379
Forfeited during the year	**6.36**	**(17,505,971)**		–
At 31 December	**6.36**	**102,241,408**	6.36	119,747,379

33. SHARE OPTION SCHEME *(continued)*

The exercise prices and exercise years of the share options outstanding as at the reporting date are as follows:

Number of options	Exercise price *per share*	Exercise year
6,049,090	US$0.058	Till 31 December 2023
10,199,316	US$0.174	Till 31 December 2023
8,714,190	US$0.174	Till 31 August 2024
102,241,408	HK$6.360	Till 17 October 2029
127,204,004		

The fair values of equity-settled share options granted during the reporting period were estimated as at the date of grant using a binomial model, taking into account of the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

2020

CARH share option scheme	Tranche A	Tranche B	Tranche C	2014 CARH Pre-IPO Share option Scheme	2016 CARI Post-IPO Share option Scheme
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Expected volatility	54.0%	54.0%	50.0%	53.0%	41.2%
Risk-free interest rate	2.54%	2.54%	2.58%	2.59%	2.19%
Expected life of options (year)	5.5	1.5-5.5	2-6	2-6	10
Weighted average exercise price, after share split	US$0.058	US$0.174	US$0.174	US$0.174	HK$2.072

33. SHARE OPTION SCHEME *(continued)*

2019

CARH share option scheme	Tranche A	Tranche B	Tranche C	2014 CARH Pre-IPO Share option Scheme	2016 CARI Post-IPO Share option Scheme
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Expected volatility	54.0%	54.0%	50.0%	53.0%	41.2%
Risk-free interest rate	2.54%	2.54%	2.58%	2.59%	2.19%
Expected life of options (year)	5.5	1.5-5.5	2-6	2-6	10
Weighted average exercise price, after share split	US$0.058	US$0.174	US$0.174	US$0.174	HK$2.072

34. RESERVES

The amount of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity of the Group.

Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

Statutory reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

35. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

36. PLEDGE OF ASSETS

Details of the Group's bank borrowings, which are secured by certain assets of the Group, are included in notes 13 and 27, to the financial statements.

37. COMMITMENTS

The Group had the following capital commitments at the end of the year:

	2020	2019
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Buildings	**91,186**	90,573

38. RELATED PARTY TRANSACTIONS

a) Related party

Related party relationship for the years ended 31 December 2020 and 2019 was as follows:

Name	**Relationship**
MBK Partners	A shareholder of the Company
UCAR and its affiliates (i)	A former shareholder of the Company
Botpy Inc.	An associate of the Group

(i) 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 MBK Partners, through its affiliate Indigo Glamour Company Limited (the "Offeror") 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 2019:

(i) Vehicle rental services provided to related parties:

	2020	2019
	RMB'000	*RMB'000*
UCAR	**92,326**	407,374
Botpy Inc.	**9,503**	–
	101,829	407,374

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.

38. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions *(continued)*

(ii) Commission charged by a related party:

	2020	2019
	RMB'000	*RMB'000*
UCAR	**–**	1,482

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

(iii) Office rental income from a related party:

	2020	2019
	RMB'000	*RMB'000*
UCAR	**793**	3,171

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

(iv) Office rental expense to a related party:

	2020	2019
	RMB'000	*RMB'000*
UCAR	**3,380**	5,059

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.

38. RELATED PARTY TRANSACTIONS *(continued)*

b) Related party transactions *(continued)*

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

	2020	2019
	RMB'000	*RMB'000*
UCAR	**22,070**	2,604,859

The purchases from a related party were made according to the published prices and conditions offered by the related party to their major customers.

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

	2020	2019
	RMB'000	*RMB'000*
UCAR	**–**	115,360

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.

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

	2020	2019
	RMB'000	*RMB'000*
UCAR	**–**	22,256

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.

(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. Further details are included in note 16(a) to the financial statements.

38. RELATED PARTY TRANSACTIONS *(continued)*

c) Outstanding balances with related parties

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

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, the Company has recognised 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	2019
	RMB'000	*RMB'000*
Short term employee benefits	**14,734**	4,629
Equity-settled share option expenses	**42,595**	26,440
	57,329	31,069

38. RELATED PARTY TRANSACTIONS *(continued)*

d) Compensation of key management personnel of the Group: *(continued)*

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

The related party transactions in respect of items (b) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2020

Financial assets

	Financial assets at amortised cost *RMB'000*
Finance lease receivables – non-current (note 15)	**182,470**
Deposits for sale-leaseback borrowings – current	**14,250**
Restricted cash – current (note 24)	**11,949**
Other non-current assets	**18,813**
Trade receivables (note 22)	**57,383**
Amount due from a related party (note 38)	**134,211**
Financial assets included in prepayments, other receivables and other assets (note 23)	**105,493**
Finance lease receivables- current (note 15)	**302,171**
Cash and cash equivalents (note 24)	**2,179,659**
	3,006,399

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

As at 31 December 2020 *(continued)*

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables (note 25)	**66,742**
Financial liabilities included in other payables and accruals (note 26)	**379,001**
Interest-bearing bank loans an other borrowings – current (note 27)	**871,294**
Due to related parties (note 38)	**136,615**
Senior notes – non-current (note 28)	**2,424,746**
Senior notes – current (note 28)	**2,699,231**
Corporate bonds (note 29)	**–**
Interest-bearing bank loans and other borrowings – non-current (note 27)	**665,727**
Deposits received for rental vehicles	**400**
	7,243,756

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

As at 31 December 2019

Financial assets

	Financial assets at fair value through profit or loss *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Finance lease receivables – non-current (note 15)	–	855,952	855,952
Investment in equity shares (note 20)	2,800,641	–	2,800,641
Deposits for sale-leaseback borrowings – non-current	–	54,250	54,250
Restricted cash – current (note 24)	–	522,510	522,510
Restricted cash – non-current (note 24)	–	1,275	1,275
Other non-current assets	–	9,813	9,813
Trade receivables (note 22)	–	96,810	96,810
Amount due from a related party (note 38)	–	443,861	443,861
Financial assets included in prepayments, other receivables and other assets (note 23)	–	126,667	126,667
Finance lease receivables – current (note 15)	–	341,319	341,319
Derivative financial instruments (note 30)	42,693	–	42,693
Cash and cash equivalents (note 24)	–	5,360,520	5,360,520
	2,843,334	7,812,977	10,656,311

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

As at 31 December 2019 *(continued)*

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables (note 25)	86,753
Financial liabilities included in other payables and accruals (note 26)	704,981
Interest-bearing bank loans and other borrowings – current (note 27)	3,554,423
Due to related parties (note 38)	101,831
Senior notes – non-current (note 28)	2,284,546
Senior notes – current (note 28)	5,427,090
Corporate bonds (note 29)	1,024,221
Interest-bearing bank loans and other borrowings – non-current (note 27)	2,589,269
Deposits received for rental vehicles	604
	15,773,718

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Investment in equity shares (note 20)	–	2,800,641	–	2,800,641
Derivative financial instruments (note 30)	–	42,693	–	42,693
	–	2,843,334	–	2,843,334

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivable, trade payables, financial assets included in prepayments, other receivables and other assets, amounts due from a related party, finance lease receivables, financial liabilities included in other payables and accruals, amounts due to related parties, and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits, finance lease receivables, other non-current assets, interest-bearing bank loans and other borrowings and senior notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts. The Group's own non-performance risk for interest-bearing bank loans and other borrowings and senior notes as at 31 December 2020 was assessed to be insignificant.

The Group entered into derivative financial instruments with various counterparties, principally financial institutions with good credit ratings. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to the discounted cash flow model and the Black-Scholes option pricing model. The models incorporate various market observable inputs including foreign exchange spot, forward rates, risk-free interest rate curves and implied volatility of the foreign exchange rate. The carrying amounts of forward currency contracts are the same as their fair values.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Investment in equity shares (note 20)	–	–	2,800,641	2,800,641
Derivative financial instruments (note 30)	–	42,693	–	42,693
	–	42,693	2,800,641	2,843,334

The movement in fair value measurements within Level 2 during the year is as follows:

	2020 **_RMB'000_**	2019 *RMB'000*
Derivative financial instruments:		
At 1 January	**42,693**	–
Total gain recognised in the statement of profit or loss included in other income	**(42,693)**	42,693
At 31 December	**–**	42,693

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

The movement in fair value measurements within Level 3 during the year is as follows:

	2020	2019
	RMB'000	*RMB'000*
Investment in financial assets at fair value through profit or loss		
At 1 January	**2,800,641**	2,809,641
Total (loss) recognised in the statement of profit or loss included in other income	**(2,800,641)**	(9,000)
Disposal	**–**	–
At 31 December	**–**	2,800,641

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

As at 31 December 2020

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Investment in equity shares of UCAR	Market approach	Concluded market multiples	1.1-5.3	5% increase/(decrease) in concluded market multiples would have no impact in fair value

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

As at 31 December 2019

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investment in equity shares of UCAR	Market approach	Concluded market multiples	1.56-7.04	5% increase/(decrease) in concluded market multiples would result in increase/(decrease) in fair value by RMB156,311,000/(RMB156,311,000)

Liability measured at fair value:

The movement in fair value measurements within Level 2 during the year is as follows:

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Derivative financial instruments		
At 1 January	**–**	13,895
Total (gain)/loss recognised in the statement of profit or loss included in other income	**–**	(13,895)
Settlement	**–**	–
At the end of the year	**–**	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, finance leases, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks as summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank loans and loans from related parties with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	(Decrease)/ increase in basis points	Change in (loss)/profit before tax *RMB'000*	Change in equity* *RMB'000*
31 December 2020			
RMB	**(100)**	**5,542**	**–**
RMB	**100**	**(5,542)**	**–**
31 December 2019			
RMB	(100)	37,927	–
RMB	100	(37,927)	–

* Excluding retained earnings

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures which mainly arise from borrowings by operating units in currencies other than the functional currencies of the units.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB-US$ exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying values of monetary assets and liabilities and equity due to changes in the foreign currency exchange reserve.

	Fluctuation in foreign exchange rate %	Increase/ (decrease) in (loss)/profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
31 December 2020			
If RMB weakens against US$	**(5)**	**284,029**	**–**
If RMB strengthens against US$	**5**	**(284,029)**	**–**
31 December 2019			
If RMB weakens against US$	(5)	260,519	–
If RMB strengthens against US$	5	(470,855)	–

* Excluding retained earnings

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2020

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage1	Stage2	Stage3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease receivables (note 15)	417,984	66,657	–	–	484,641
Trade receivables* (note 22)	–	–	–	57,383	57,383
Restricted cash					
– current (note 24)	11,949	–	–	–	11,949
Restricted cash					
– non-current (note 24)	–	–	–	–	–
Other non-current assets	18,813	–	–	–	18,813
Amount due from a related party (note 38)	134,211	–	–	–	134,211
Financial assets included in prepayments, other receivables and other assets (note 23)					
– Normal**	105,493	–	–	–	105,493
– Doubtful**	–	–	–	–	–
Cash and cash equivalents (note 24)					
– Not yet past due	2,179,659	–	–	–	2,179,659
	2,868,109	66,657	–	57,383	2,992,149

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage1	Stage2	Stage3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease receivables – non-current (note 15)	–	–	–	855,952	855,952
Trade receivables* (note 22)	–	–	–	96,810	96,810
Restricted cash – current (note 24)	522,510	–	–	–	522,510
Restricted cash – non-current (note 24)	1,275	–	–	–	1,275
Other non-current assets	9,813	–	–	–	9,813
Amount due from a related party (note 38)	443,861	–	–	–	443,861
Financial assets included in prepayments, other receivables and other assets (note 23)					
– Normal**	126,667	–	–	–	126,667
– Doubtful**	–	–	–	–	–
Finance lease receivables – current (note 15)	–	–	–	341,319	341,319
Cash and cash equivalents (note 24) – Not yet past due	5,360,520	–	–	–	5,360,520
	6,464,646	–	–	1,294,081	7,758,727

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure as at 31 December 2019

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial lease receivables, amounts due from a related party, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22.

Liquidity risk

The Group monitors its cash flow positions on a regular basis to ensure that the cash flows of the Group are positive and closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available, and obtaining borrowing loans from banks and other financial institutions.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2020			
	On demand or less than 1 year *RMB'000*	1 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Trade payables	66,742	–	–	66,742
Financial liabilities included in other payables and accruals	379,001	–	–	379,001
Interest-bearing bank and other borrowings	900,963	634,981	50,655	1,586,599
Due to related parties	136,615	–	–	136,615
Senior notes	3,006,182	2,537,242	–	5,543,424
	4,489,503	3,172,223	50,655	7,712,381

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	31 December 2019			
	On demand or less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	86,753	–	–	86,753
Financial liabilities included in other payables and accruals	704,981	–	–	704,981
Interest-bearing bank and other borrowings	3,817,269	2,771,421	–	6,588,690
Due to related parties	101,831	–	–	101,831
Senior notes	2,760,723	5,873,278	–	8,634,001
Corporate bonds	62,490	1,108,990	–	1,171,480
	7,534,047	9,753,689	–	17,287,736

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The Group monitors capital using a net debt/asset ratio, which is net debt divided by total assets. Net debt includes bank loans and other borrowings, senior notes and corporate bonds less cash and cash equivalents and restricted cash. The gearing ratio as at the reporting date was as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings – current	**871,294**	3,554,423
Interest-bearing bank and other borrowings – non-current	**665,727**	2,589,269
Senior notes – current	**2,699,231**	2,284,546
Senior notes – non-current	**2,424,746**	5,427,090
Corporate bonds	**–**	1,024,221
Cash and cash equivalents	**(2,179,659)**	(5,360,520)
Restricted cash	**(11,949)**	(523,785)
Net debt	**4,469,390**	8,995,244
Total assets	**12,103,889**	24,633,031
Net debt/asset ratio	**37%**	37%

42. EVENTS AFTER THE REPORTING PERIOD

(i) In January 2021, the Company has completed the issuance of convertible bonds in the aggregate principal amount of US$175,000,000 to Mcqueen SS Ltd. which will mature in 2026.

(ii) In February 2021, the Company fully repaid the 2015 Notes (B) with US$300 million.

(iii) On 4 March 2021, a joint announcement was issued in relation to the satisfaction of a series of conditions for the privatisation of the Company by the Offeror.

(iv) As previously reported, 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 would depend on the pandemic preventive measures and the duration of the pandemic. 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.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,908**	86,447
Restricted cash – current	**6,733**	–
Due from subsidiaries	**4,669,793**	8,530,697
Derivative financial instruments	**–**	42,693
Cash and cash equivalents	**857,263**	2,041,100
Total current assets	**5,535,697**	10,700,937
CURRENT LIABILITIES		
Other payables and accruals	**108,666**	224,495
Senior notes	**2,699,231**	2,284,546
Interest-bearing bank and other borrowings – current	**348,412**	740,486
Total current liabilities	**3,156,309**	3,249,527
NET CURRENT ASSETS	**2,379,388**	7,451,410
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,379,388**	7,451,410
NON-CURRENT LIABILITIES		
Senior notes	**2,424,746**	5,427,090
Corporate bonds	**–**	1,024,221
Interest-bearing bank and other borrowings – non-current	**181,201**	1,125,254
Total non-current liabilities	**2,605,947**	7,576,565
Net liabilities	**(226,559)**	(125,155)
EQUITY		
Equity attributable to owners of the parent		
Share capital	**131**	131
Reserves	**1,760,674**	1,683,733
Treasury shares	**–**	–
Accumulated losses	**(1,987,364)**	(1,809,019)
Total equity	**(226,559)**	(125,155)

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Number of shares in issue	Share capital *RMB'000*	Share premium *RMB'000*	Share option reserve *RMB'000*	Treasury shares *RMB'000*	Retained earnings/ (accumulated losses) *RMB'000*	Total equity *RMB'000*
As at 1 January 2019	2,118,717,220	131	1,547,513	47,344	–	(1,153,109)	441,879
Loss for the year	–	–	–	–	–	(655,910)	(655,910)
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	(655,910)	(655,910)
Repurchase of shares	–	–	–	–	–	–	–
Cancellation of shares	–	–	–	–	–	–	–
Exercise of share options	1,163,191	–	1,270	–	–	–	1,270
Equity-settled share option arrangements	–	–	–	87,606	–	–	87,606
As at 31 December 2019	2,119,880,411	131	1,548,783	134,950	–	(1,809,019)	(125,155)
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(178,345)**	**(178,345)**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(178,345)**	**(178,345)**
Repurchase of shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cancellation of shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exercise of share options	**2,574,170**	**-**	**11,039**	**(8,222)**	**-**	**-**	**2,817**
Equity-settled share option arrangements	**-**	**-**	**-**	**74,124**	**-**	**-**	**74,124**
As at 31 December 2020	**2,122,454,581**	**131**	**1,559,822**	**200,852**	**-**	**(1,987,364)**	**(226,559)**

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained earnings should the related options expire or be forfeited.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2021.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements for the years ended 31 December 2016, 2017, 2018, 2019 and 2020 is set out below:

	For the years ended 31 December				
	2016	2017	2018	2019	**2020**
	(in RMB thousands)				
Total revenue	6,453,958	7,717,338	6,443,698	7,690,660	**6,124,408**
Depreciation of rental vehicles	(1,257,679)	(1,373,645)	(1,494,832)	(1,835,717)	**(2,011,190)**
Direct operating expenses of rental services	(1,629,311)	(1,701,352)	(1,718,188)	(1,829,445)	**(1,468,556)**
Cost of sales of used vehicles	(1,480,922)	(2,697,472)	(1,146,913)	(2,188,531)	**(2,209,908)**
Gross profit	2,086,046	1,944,869	2,083,765	1,836,967	**434,754**
Other income and expenses, net	877,732	383,090	(169,965)	47,914	**(2,351,180)**
Selling and distribution expenses	(65,093)	(29,954)	(78,258)	(27,755)	**(127,892)**
Impairment losses on financial and contract assets	(30,289)	(4,650)	(5,146)	(4,231)	**(679,671)**
Administrative expenses	(523,840)	(465,379)	(463,082)	(603,198)	**(682,494)**
Finance costs	(590,779)	(652,777)	(782,185)	(983,940)	**(681,197)**
Share of profit of an associate	5,968	107	9,426	6,286	**(4,796)**
Profit before tax	1,759,745	1,175,306	594,555	272,043	**(4,092,476)**
Income tax	(300,154)	(294,195)	(304,710)	(241,267)	**(70,675)**
Profit for the year attributable to equity holders of the Company	1,459,591	881,111	289,845	30,776	**(4,163,151)**
Earnings per share – Basic	RMB0.617	RMB0.391	RMB0.135	RMB0.015	**(RMB1.963)**
Earnings per share – Diluted	RMB0.607	RMB0.386	RMB0.134	RMB0.014	**(RMB1.963)**

	As at 31 December				
	2016	2017	2018	2019	**2020**
	(in RMB thousands)				
Total assets	21,189,219	20,639,895	22,204,909	24,633,031	**12,103,889**
Total liabilities	12,970,613	12,765,984	14,231,881	16,540,351	**8,097,419**
Net assets	8,218,606	7,873,911	7,973,028	8,092,680	**4,006,470**

CORPORATE INFORMATION

As at 15 March 2021

BOARD OF DIRECTORS

Executive Director

Ms. Yifan SONG *(Chief Executive Officer)*

Non-executive Directors

Mr. Hongfei YU
Mr. Xuan YAN
Mr. Stephen LE Ee Boon
Mr. Jun XU
Ms. Shengping YU

Independent Non-executive Directors

Mr. Sam Hanhui SUN
Mr. Wei DING
Mr. Li ZHANG

CHIEF FINANCIAL OFFICER

Mr. Guangyu CAO

COMPANY SECRETARY

Ms. Ka Man SO *(FCS (PE), FCG)*

AUDIT AND COMPLIANCE COMMITTEE

Mr. Sam Hanhui SUN *(Chairman)*
Mr. Li ZHANG
Mr. Jun XU

NOMINATION COMMITTEE

Mr. Li ZHANG *(Chairman)*
Mr. Sam Hanhui SUN
Mr. Xuan YAN

REMUNERATION COMMITTEE

Mr. Wei DING *(Chairman)*
Mr. Li ZHANG
Mr. Hongfei YU

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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183 Queen's Road East
Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
(Certified Public Accountants)

CORPORATE INFORMATION

As at 15 March 2021

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
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Cayman Islands

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Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

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COMPANY WEBSITE

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