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**CAR INC.**

神州租車有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 0699)**

## **BUSINESS UPDATE FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

This announcement is made by CAR Inc. (“CAR” or the “Company”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The Company would like to update its shareholders and investors on certain key financial and operational information of the Company and its subsidiaries (the “Group”) for the three months and the nine months ended September 30, 2014, respectively, as follows:

### **Financial Highlights**

#### ***Three Months Ended September 30, 2014:***

- Rental revenues were RMB760.4 million, a 20.4% increase over the corresponding period of last year.
- Adjusted EBITDA<sup>(1)</sup> was RMB436.7 million, a 60.2% increase over the corresponding period of last year.
- Adjusted EBITDA margin<sup>(2)</sup> was 57.4%, compared with 43.2% for the corresponding period of last year.

#### ***Nine Months Ended September 30, 2014:***

- Rental revenues were RMB2,141.8 million, a 30.7% increase over the corresponding period of last year.
- Adjusted EBITDA<sup>(1)</sup> was RMB1,232.9 million, a 67.4% increase over the corresponding period of last year.
- Adjusted EBITDA margin<sup>(2)</sup> was 57.6%, compared with 44.9% for the corresponding period of last year.

*Notes:*

<sup>(1)</sup> Adjusted EBITDA represents profit or loss before income taxes, net finance income/costs, depreciation, amortization and impairment, excluding share-based compensation, foreign exchange gain or loss related to the corporate reorganization arrangements undergone by the Group for initial public offering (the “IPO”) on The Stock Exchange of Hong Kong Limited, and IPO-related expenses.

<sup>(2)</sup> Adjusted EBITDA margin represents Adjusted EBITDA divided by rental revenues.

## Operational Highlights

- Total fleet size was 57,745 vehicles as of September 30, 2014, representing an increase of 5,247 vehicles from June 30, 2014. The operating fleet size (comprised of operating vehicles in the short-term rental, long-term rental and leasing fleets) was 52,043 vehicles as of September 30, 2014, compared with 47,616 vehicles as of June 30, 2014.
- The Group disposed of 1,033 used vehicles during the third quarter of 2014, of which 421 vehicles were disposed through sales and 612 vehicles through financial leasing. The third quarter is usually the peak quarter for the Company's business and tends to see fewer vehicles retiring from operation. Consistent with historical periods, the Group did not recognize any significant gross profit/(loss) from the sales of used vehicles in the third quarter of 2014, which again demonstrated the Group's ability to effectively estimate residual values of the rental vehicles. Gross margin from used vehicle sales in the third quarter of 2014 was 4.5%.
- The Group's short-term rental business continued to perform strongly in the third quarter of 2014. ADRR\* continued to remain relatively stable at RMB277 in the third quarter of 2014. Fleet utilization rate\* increased to 63.7% in the third quarter of 2014, driven by high demand from customers. RevPAC\* was RMB177 in the third quarter of 2014, compared with RMB156 for the corresponding period of last year and RMB171 during the six month ended June 30, 2014.

## Key Operating Metrics for Short-term Rental Business

	Three months ended September 30,		Nine months ended September 30,	
	2013	2014	2013	2014
Average daily short-term rental fleet*	34,629	39,376	33,470	36,874
ADRR* (RMB)	273	277	237	277
Fleet utilization rate* (%)	57.4%	63.7%	59.8%	62.5%
RevPAC* (RMB)	156	177	142	173

### Notes:

- \* These terms have the same definitions as disclosed in the prospectus dated 8 September 2014 in connection with the Company's IPO.

The Group strives to continuously enhance mobile and online-to-offline (“O2O”) experience for its customers through technology innovations. During the third quarter of 2014, reservations made from the Group's mobile app continued to grow. In the third quarter of 2014, 38% of total rental reservations were made from its mobile app, compared with 30% in the second quarter of 2014. In September 2014, reservations from its mobile app exceeded 40% of its total rental reservations. The Group intends to strategically expand product innovation, enhance O2O service and continue to offer broader services to satisfy the diverse mobility needs of customers.

The Group achieved solid financial performance with sustained growth and profitability as it continued to benefit from economies of scale and operational efficiency. Over the last three quarters, the Group continued to generate strong operating cash flow to fund its capital expenditure and maintain healthy liquidity. The Group is committed to maintaining high standards of corporate governance, and intends to provide the Company's shareholders and investors with quarterly updates on its operational and financial performance in the future.

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

*The Company's shareholders and potential investors should note that the information in this announcement is based on the management accounts of the Group which have not been audited or reviewed by the Group's auditors, Ernst & Young. The accounting policies applied in the preparation of the management accounts are consistent with those used for the figures in the prospectus. Any forward-looking statements contained herein are not guaranteed of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group and are difficult to predict, that will or may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Therefore, such information is provided to shareholders and potential investors as interim information for reference only. The data shown above do not constitute nor should they be construed as invitations or offers to buy or sell any securities or financial instruments of the Group. Nor are they intended as the offer of any investment services or advices. Shareholders of the Company and investors are cautioned not to unduly rely on such information and are advised to exercise caution when dealing in the securities of the Company. When in doubt, investors are advised to seek professional advice from professional or financial advisers.*

By Order of the Board  
**CAR Inc.**  
**Charles Zhengyao Lu**  
Chairman and CEO

Hong Kong, December 2, 2014

*As at the date of this announcement, the Board of Directors of the Company comprises Charles Zhengyao Lu as Executive Director, Linan Zhu, Erhai Liu, Hui Li, and Narasimhan Brahmadesam Srinivasan as Non-executive Directors, Sam Hanhui Sun, Wei Ding, Li Zhang, and Lei Lin as Independent Non-executive Directors.*