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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)

CONNECTED TRANSACTION

SUBSCRIPTION OF SERIES A PREFERRED SHARES IN UCAR

On July 1, 2015, the Company, Sapphire Gem, Beinuo, Deqing Investments, UCAR Group, Mr. Lu and Haode Investment entered into the Subscription Agreement, pursuant to which UCAR agreed to issue, and the Company, Sapphire Gem, Beinuo and Deqing Investments agreed to subscribe for an aggregate of 5,000,000 Series A Preferred Shares for a total consideration of US\$250 million, among which, 2,500,000 Series A Preferred Shares will be subscribed by the Company for a consideration of US\$125 million. Sapphire Gem is an affiliate of Warburg Pincus LLC, a global private equity firm. Beinuo is ultimately controlled by Beijing Legend Capital Management Co., Ltd. Legend Holdings Corporation holds a 20% non-controlling interest in Beijing Legend Capital Management Co., Ltd.

On the assumption that all Series A Preferred Shares are fully converted into ordinary shares of UCAR based on the conversion ratio of 1:1, the Company will hold 10% of the total issued shares of UCAR.

As at the date of this announcement and prior to the Completion, Haode Investment holds 28% of the total issued ordinary shares of UCAR. Haode Investment is wholly owned by Ms. Guo, who is the spouse of Mr. Lu. As such, Haode Investment is an associate of Mr. Lu. As Mr. Lu is the executive Director and the chief executive officer of the Company, the Proposed Subscription constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Proposed Subscription exceeds 0.1% but is less than 5%, such transaction is subject to the announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. INTRODUCTION

On July 1, 2015, the Company, Sapphire Gem, Beinuo, Deqing Investments, UCAR Group, Mr. Lu and Haode Investment entered into the Subscription Agreement, pursuant to which UCAR agreed to issue, and the Company, Sapphire Gem, Beinuo and Deqing Investments agreed to subscribe for an aggregate of 5,000,000 Series A Preferred Shares for a total consideration of US\$250 million, among which, 2,500,000 Series A Preferred Shares will be subscribed by the Company for a consideration of US\$125 million. Sapphire Gem is an affiliate of Warburg Pincus LLC, a global private equity firm. Beinuo is ultimately controlled by Beijing Legend Capital Management Co., Ltd. Legend Holdings Corporation holds a 20% non-controlling interest in Beijing Legend Capital Management Co., Ltd.

On the assumption that all Series A Preferred Shares of UCAR are fully converted into ordinary shares of UCAR based on the conversion ratio of 1:1, the Company will hold 10% of the total issued shares of UCAR.

2. THE PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are summarized as follows:

Date: July 1, 2015

Parties: UCAR Group; the Company; Sapphire Gem; Beinuo; Deqing Investments; Mr. Lu and Haode Investment.

Subscription: UCAR agreed to issue an aggregate of 5,000,000 Series A Preferred Shares under the Subscription Agreement to be subscribed for by the Investors, among which, 2,500,000 Series A Preferred Shares will be subscribed by the Company. After the Completion, the Company will hold 10% of the total issued shares of UCAR, on the assumption that all Series A Preferred Shares are fully converted into ordinary shares of UCAR based on the conversion ratio of 1:1.

Conditions *Conditions to the obligations of UCAR*

Precedent:

The performance of the obligations of UCAR under the Subscription Agreement is subject to the satisfaction of, on or prior to the Completion, the conditions, including but not limited to the following:

- (a) all the representations and warranties of each Investor that are qualified by materiality being true and correct in all respects and all the representations and warranties of each Investor that are not qualified by materiality being true and correct in all material respects; and

- (b) each Investor having performed and complied with, in all material respects, its obligations and conditions contained in the Subscription Agreement.

Conditions to the obligations of the Company, Sapphire Gem, Beinuo and Deqing Investments

The performance of the obligations of the Company, Sapphire Gem, Beinuo and Deqing Investments under the Subscription Agreement is subject to the satisfaction of, on or prior to the Completion, the conditions, including but not limited to the following:

- (a) all the representations and warranties provided by the Warrantors that are qualified by materiality being true and correct in all respects and all the representations and warranties provided by the Warrantors that are not qualified by materiality being true and correct in all material respects;
- (b) each Warrantor having performed and complied with, in all material respects, its obligations and conditions contained in the transaction documents; and
- (c) other customary conditions.

Consideration: The aggregate consideration payable by Investors is US\$250 million, including US\$125 million payable by the Company to UCAR for the subscription of 2,500,000 Series A Preferred Shares.

The consideration was determined after arm's length negotiations among the parties with reference to (i) the financial conditions of UCAR; (ii) the growth potentials of UCAR; and (iii) the market conditions in the chauffeured car service industry.

Payment: The abovementioned consideration shall be paid by the Company, Sapphire Gem, Beinuo and Deqing Investments to UCAR by wire transfer of immediately available funds to an account designated by UCAR.

3. THE PRINCIPAL TERMS OF THE SERIES A PREFERRED SHARES

According to the Articles to be adopted by UCAR prior to the Completion, the principal terms of the Series A Preferred Shares are set out below:

Issue Date: The date of Completion

Liquidation Preference: In the event of any liquidation, dissolution or winding up of UCAR, whether voluntary or involuntary, all assets and funds of UCAR legally available for distribution to its members (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the members as set forth in sub-paragraph (1) or (2) below, whichever yields the higher return for the holders of the Series A Preferred Shares:

- (1) (i) First, the holders of the Series A Preferred Shares shall be entitled to receive for each Series A Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of UCAR to the holders of any other class or series of shares by reason of their ownership of such shares, the amount equal to 100% of the issue price of Series A Preferred Shares, plus an amount accruing thereon daily at a rate of 8% per annum, compounding annually, beginning on the date of issuance of such Series A Preferred Share, plus all declared but unpaid dividends; distributed ratably in the event of insufficient funds; and
- (ii) Second, if there are any assets or funds of UCAR remaining after the distribution is completed pursuant to sub-paragraph (1)(i), such remaining assets and funds available for distribution to the members of UCAR shall be distributed ratably among the holders of outstanding ordinary shares in proportion to the number of outstanding ordinary shares held.
- (2) All assets and funds of UCAR available for distribution to its members shall be distributed ratably among the holders of outstanding Series A Preferred Shares and ordinary shares in proportion to the number of outstanding Series A Preferred Shares (on an as-converted basis) and ordinary shares held by each such holder.

Conversion Rights: Each Series A Preferred Share may be converted at any time after the relevant date of its issuance at the option of the holder thereof into such number of fully-paid ordinary shares of UCAR as determined by dividing the issue price by the then effective conversion price.

Each Series A Preferred Share shall be automatically be converted, based on the then-effective conversion price, without the payment of any additional consideration, into ordinary shares of UCAR upon the earlier of (i) the closing of a qualified initial public offering, or (ii) the date specified by written consent or agreement of all holders of Series A Preferred Shares.

Conversion Price: The initial conversion price shall be equal to the issue price, resulting in an initial conversion ratio for the Series A Preferred Shares of 1:1, subject to customary adjustment events, including, amongst others, share subdivision, consolidation, reorganization, reclassification or distribution payable in securities.

Redemption: At any time after the fifth anniversary of the original issue date of Series A Preferred Shares, if UCAR has failed to complete a qualified initial public offering, then any holder of the Series A Preferred Shares may request UCAR to redeem all or part of its Series A Preferred Shares in an amount equal to the sum of (i) the issue price of the Series A Preferred Shares, plus (ii) an amount accruing thereon daily at a rate of 8% per annum, compounding annually, beginning on the date of issuance of the Series A Preferred Shares, plus (iii) any declared but unpaid dividends on such Series A Preferred Shares.

Voting: Subject to the provisions of the Articles, at all general meetings of UCAR, the holder of each Series A Preferred Share shall be entitled to such number of votes as equals the whole number of ordinary shares of UCAR into which such holder's total Series A Preferred Shares are convertible immediately after the close of business on the record date of the determination of the shareholders of UCAR entitled to vote or, if no such record date is established, at the date on which such vote is taken or any written consent of the shareholders of UCAR is first solicited. To the extent that the Companies Law of the Cayman Islands and the provisions of the Articles allow the holders of the Series A Preferred Shares to vote separately as a class or series with respect to any matters, the holders of Series A Preferred Shares shall have the right to vote separately as a class or series with respect to those matters.

Dividend: Except for certain exempted distribution set out in the Articles, no dividend or distribution shall be declared, paid, set aside or made with respect to the ordinary shares of UCAR at any time, unless a dividend or distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each outstanding Series A Preferred Shares such that the dividend or distribution declared, paid, set aside or made to the holder thereof shall be equal to the dividend or distribution that such holder would have received if such Series A Preferred Share had been converted into ordinary shares immediately prior to the record date for such dividend or distribution, or if no such record date is established, the date such dividend or distribution is made.

4. FINANCIAL INFORMATION ABOUT UCAR

The unaudited accounts of UCAR were prepared under the generally accepted accounting principles of the United States of America.

The net profit/(loss) before and after taxation of UCAR based on the unaudited accounts were as follows:

	For the year ended December 31, 2014
Net profit/(loss) before taxation	(RMB38,206,000)
Net profit/(loss) after taxation	(RMB38,206,000)
Net profit/(loss) excluding extraordinary items before taxation	(RMB38,206,000)

Based on the unaudited accounts, the net asset value of UCAR as at December 31, 2014 was approximately negative RMB36,206,000.

5. REASONS FOR AND BENEFITS OF THE TRANSACTION

Since the commencement of the recent business collaboration with UCAR, the collaboration has brought the Company a large volume of committed long term revenues, extensive business synergies, license plate resources, increasing fleet efficiency and profit margin. The Company believes that its investment in UCAR would further strengthen the collaboration and demonstrate the Company's strategy in securing the growth opportunities in the chauffeured car services sector and building up China's leading auto mobility platform and smart travel ecosystem. The Company is optimistic that its investment in UCAR would also lead to attractive financial return, and thus enhancing the overall shareholder value of the Company.

6. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement and prior to the Completion, Haode Investment holds 28% of the total issued ordinary shares of UCAR. Haode Investment is wholly owned by Ms. Guo, who is the spouse of Mr. Lu. As such, Haode Investment is an associate of Mr. Lu. As Mr. Lu is the executive Director and the chief executive officer of the Company, the Proposed Subscription constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Proposed Subscription exceeds 0.1% but is less than 5%, such transaction is subject to the announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Narasimhan Brahmadesam Srinivasan was absent from the Board meeting in which the Proposed Subscription was considered due to work reasons. Mr. Hui Li was unable to attend the Board meeting due to work reasons and has authorized his delegate to attend the meeting on his behalf. Mr. Lu, Mr. Hui Li, through his delegate at the meeting, Mr. Linan Zhu and Mr. Erhai Liu have abstained from voting on the Board resolutions relating to the Proposed Subscription as (i) Mr. Lu is interested in UCAR through his connection with Haode Investment as disclosed above, (ii) Mr. Hui Li is a managing director of an affiliate of Sapphire Gem and (iii) Mr. Linan Zhu and Mr. Erhai Liu are both directors of an affiliate of Beinuo. The remaining Directors of the Company who attended the Board meeting considered that the Proposed Subscription was entered into in the ordinary course of business of the Company on normal commercial terms and the terms of the Proposed Subscription are fair and reasonable and in the interest of the Company and its Shareholders.

Save as disclosed above, none of the Directors has a material interest in the Subscription and none of them has abstained from voting on the relevant Board resolutions.

7. INFORMATION ABOUT THE PARTIES TO THE SUBSCRIPTION AGREEMENT

The Group is the largest car rental company in China, offering comprehensive car rental services including short-term rentals, long-term rentals and leasing.

Sapphire Gem is primarily engaged in the business of investment holding. Sapphire Gem is an affiliate of Warburg Pincus LLC, a global private equity firm. Sapphire Gem is also an affiliate of Amber Gem Holdings Limited, which as at the date of this announcement, directly holds approximately 11.07% of the total issued shares of the Company.

Beinuo is primarily engaged in the business of investment holding. Beinuo is ultimately controlled by Beijing Legend Capital Management Co., Ltd. Legend Holdings Corporation holds a 20% non-controlling interest in Beijing Legend Capital Management Co., Ltd. Beinuo is an affiliate of Grand Union Investment Fund, L.P., which as at the date of this announcement, directly holds approximately 29.02% of the total issued shares of the Company.

Deqing Investments is primarily engaged in the business of investment holding. Deqing Investments is an independent third party of the Company.

UCAR Group is primarily engaged in providing chauffeured car services in the PRC through internet and mobile platform. As at the date of this announcement and prior to the Completion, UCAR is held by (i) Haode Investment with 28% shareholding, (ii) Eastrock Capital Partners Fund I, LP with 30% shareholding; and (iii) other independent third parties of the Company with 42% shareholding. As disclosed above, Haode Investment is wholly owned by Ms. Guo, while the general partner of Eastrock Capital Partners Fund I, LP is 38% owned by Mr. Wang, who is a nephew of Mr. Lu; and Mr. Wang is also a member of the limited partners of Eastrock Capital Partners Fund I, LP.

Mr. Lu is the executive Director and the chief executive officer of the Company.

Haode Investment is primarily engaged in the business of investment holding. Haode Investment is an affiliate of Haode Group Inc., which as at the date of this announcement, directly holds approximately 12.41% of the total issued shares of the Company.

Save as disclosed in this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the counterparties to the Proposed Subscription and their ultimate beneficial owners are third parties independent of the Company and its Connected Persons.

DEFINITIONS

“affiliate”	an affiliate of any person means any other person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person
“Article(s)”	the amended and restated memorandum and articles of association of UCAR to be adopted prior to the Completion
“Associate”	has the meaning ascribed thereto under the Listing Rules
“Beinuo”	Beinuo Limited (貝諾有限公司), a company incorporated under the laws of the British Virgin Islands on May 20, 2015
“Board”	the board of Directors

“Company”	CAR Inc. (神州租車有限公司), an exempted company incorporated in the Cayman Islands on April 25, 2014 (formerly known as China Auto Rental Inc. (神州租車有限公司)) with limited liability, with its shares listed on the Stock Exchange
“Completion”	the completion of the issue and subscription of the Series A Preferred Shares under the Subscription Agreement
“Connected Person”	has the meaning ascribed thereto under the Listing Rules
“Deqing Investments”	DEQING INVESTMENTS LIMITED (德慶投資有限公司), a company incorporated under the laws of the British Virgin Islands on May 27, 2015
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Haode Investment”	Haode Investment Inc., a company incorporated under the laws of the British Virgin Islands on July 28, 2011
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investors”	the Company, Sapphire Gem, Beinuo and Deqing Investments
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Lu”	Mr. Charles Zhengyao Lu (陸正耀), the executive Director and the chief executive officer of the Company
“Mr. Wang”	Mr. Eric Peiqiang Wang (王培強), a nephew of Mr. Lu
“Ms. Guo”	Ms. Lichun Guo (郭麗春), the spouse of Mr. Lu
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Subscription”	the proposed subscription of Series A Preferred Shares by the Company under the Subscription Agreement

“RMB”	Renminbi, the lawful currency of the PRC
“Sapphire Gem”	Sapphire Gem Holdings Limited, a company incorporated under the laws of the British Virgin Islands on April 16, 2015
“Series A Preferred Shares”	the series A preferred shares to be issued by UCAR pursuant to the Subscription Agreement
“Subscription Agreement”	the Subscription Agreement entered into amongst the Company, Sapphire Gem, Beinuo, Deqing Investments, UCAR Group, Mr. Lu and Haode Investment on July 1, 2015 pursuant to which UCAR agreed to issue, and the Company, Sapphire Gem, Beinuo and Deqing Investments agreed to subscribe for, an aggregate of 5,000,000 Series A Preferred Shares, for a total consideration of US\$250 million
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“UCAR”	UCAR Technology Inc. (优车科技有限公司), formerly known as UCAR Inc., a limited liability company incorporated and organized under the laws of the Cayman Islands on December 1, 2014
“UCAR Group”	UCAR, its subsidiaries and its controlled entities as set out in the Subscription Agreement
“Warrantors”	UCAR Group, Mr. Lu and Haode Investment
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percent

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

Hong Kong, July 1, 2015

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