

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 B PREFERRED SHARES IN UCAR**

Reference is made to the Company's announcement dated July 1, 2015. On July 1, 2015, the Company, among others, entered into the Series A Subscription Agreement with UCAR Group, pursuant to which the Company agreed to subscribe for 2,500,000 Series A Preferred Shares in UCAR for a consideration of US\$125 million. The Series A Subscription was completed on July 8, 2015.

On September 16, 2015, Tourmaline Gem, the Company, Harmony, Mr. Lu and Haode Investment, amongst others, entered into the Series B Subscription Agreement with UCAR Group, pursuant to which UCAR agreed to issue, and the Series B Investors agreed to subscribe for an aggregate of 4,875,887 Series B Preferred Shares for a total consideration of US\$550 million, among which, 443,263 Series B Preferred Shares will be subscribed by the Company for a consideration of US\$50 million. Tourmaline Gem is an affiliate of Warburg Pincus LLC, a global private equity firm. Harmony 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. The subscription of the Series B Preferred Shares by the Company and other subscribers are several but not joint.

On the assumption that all Series A Preferred Shares and Series B Preferred Shares are fully converted into ordinary shares of UCAR based on the conversion ratio of 1:1, upon the completion of the Proposed Series B Subscription, the Company will hold approximately 9.85% of the total issued and outstanding shares of UCAR.

As at the date of this announcement, Haode Investment holds 28.0% of the total issued ordinary shares of UCAR or 22.4% 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. 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 Series B 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) calculated with reference to the aggregated consideration under the Series A Subscription and the Proposed Series B Subscription exceeds 0.1% but is less than 5%, the Proposed Series B Subscription 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**

Reference is made to the Company's announcement dated July 1, 2015. On July 1, 2015, the Company, among others, entered into the Series A Subscription Agreement with UCAR Group, pursuant to which the Company agreed to subscribe for 2,500,000 Series A Preferred Shares in UCAR for a consideration of US\$125 million. The Series A Subscription was completed on July 8, 2015.

On September 16, 2015, Tourmaline Gem, the Company, Harmony, Mr. Lu and Haode Investment, amongst others, entered into the Series B Subscription Agreement with UCAR Group, pursuant to which UCAR agreed to issue, and the Series B Investors agreed to subscribe for an aggregate of 4,875,887 Series B Preferred Shares for a total consideration of US\$550 million, among which, 443,263 Series B Preferred Shares will be subscribed by the Company for a consideration of US\$50 million. Tourmaline Gem is an affiliate of Warburg Pincus LLC, a global private equity firm. Harmony 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. The subscription of the Series B Preferred Shares by the Company and other subscribers are several but not joint.

On the assumption that all Series A Preferred Shares and Series B Preferred Shares are fully converted into ordinary shares of UCAR based on the conversion ratio of 1:1, upon the completion of the Proposed Series B Subscription, the Company will hold approximately 9.85% of the total issued and outstanding shares of UCAR.

## 2. THE PRINCIPAL TERMS OF THE SERIES B SUBSCRIPTION AGREEMENT

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

Date: September 16, 2015

Parties: Tourmaline Gem, the Company, Harmony, other Series B Investors, Mr. Lu and Haode Investment; and

UCAR Group.

Subscription: UCAR agreed to issue an aggregate of 4,875,887 Series B Preferred Shares under the Series B Subscription Agreement to be subscribed for by the Series B Investors, among which, 443,263 Series B Preferred Shares will be subscribed by the Company. Upon the Completion, the Company will hold approximately 9.85% of the total issued and outstanding shares of UCAR, on the assumption that all Series A Preferred Shares and Series B 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 Series B 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 Series B Investor that are qualified by materiality being true and correct in all respects and all the representations and warranties of each Series B Investor that are not qualified by materiality being true and correct in all material respects; and
- (b) each Series B Investor having performed and complied with, in all material respects, its obligations and conditions contained in the Series B Subscription Agreement that are required to be performed or complied with on or before the Completion.

*Conditions to the obligations of the Series B Investors*

The performance of the obligations of the Series B Investors under the Series B 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 Series B Warrantors that are qualified by materiality being true and correct in all respects and all the representations and warranties provided by the Series B Warrantors that are not qualified by materiality being true and correct in all material respects;
- (b) each Series B Warrantor having performed and complied with, in all material respects, its obligations and conditions contained in the transaction documents that are required to be performed or complied with on or before the Completion; and
- (c) other customary conditions.

**Consideration:** The aggregate consideration payable by the Series B Investors is US\$550 million, including US\$50 million payable by the Company to UCAR for the subscription of 443,263 Series B 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 rapid expansion of UCAR's business and its fast improving operational performance; (iii) UCAR's market position in the chauffeured car service industry and the growth potentials of UCAR; and (iv) the strategic value of UCAR to the Company.

**Payment:** The abovementioned consideration shall be paid by the Company to UCAR by wire transfer of immediately available funds to an account designated by UCAR.

### 3. THE PRINCIPAL TERMS OF THE SERIES B PREFERRED SHARES

According to the Amended Articles to be adopted by UCAR at the Completion, the principal terms of the Series B 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 shall be distributed in the following manner:

- (1) Prior and in preference to any distribution of any of the assets and funds of UCAR to holders of ordinary shares or any other class or series of shares by reason of their ownership of such shares, the holders of Preferred Shares, ranking *pari passu* therewith, shall be entitled to, in each case, as applicable, receive the amount equal to the greater of (i) and (ii) below (the “Preference Amount”):
  - (i) with respect to holders of the Series A Preferred Shares, an amount equal to 100% of the issue price of the 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 Shares, plus all declared but unpaid dividends on the Series A Preferred Shares, and with respect to holders of the Series B Preferred Shares, an amount equal to 100% of the issue price of the Series B 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 B Preferred Shares, plus all declared but unpaid dividends on the Series B Preferred Shares; and
  - (ii) such amount per share as would have been payable ratably had all Preferred Shares been converted into ordinary shares of UCAR immediately prior to such distribution.

(iii) If the assets and funds of UCAR legally available for distribution shall be insufficient to permit payment of the full aggregate Preference Amount of the Series A Preferred Shares and Series B Preferred Shares, the assets and funds of UCAR legally available for distribution shall be first distributed ratably among holders of the Series B Preferred Shares in proportion to the Preference Amount that each holder of the Series B Preferred Shares is otherwise entitled to receive. To the extent that UCAR has remaining assets and funds after distribution to holders of the Series B Preferred Shares, the assets and funds of UCAR legally available for distribution shall be distributed ratably among holders of the Series A Preferred Shares in proportion to the Preference Amount that each holder of the Series A Preferred Shares is otherwise entitled to receive.

(2) After payment has been made to the holders of the Preferred Shares, as applicable, pursuant to paragraph (1) above, the remaining assets and funds of UCAR legally available for distribution shall be distributed to the holders of outstanding ordinary shares on a pro rata basis in proportion to the number of outstanding ordinary shares held by each such holder.

Conversion  
Rights:

Each 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 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 Preferred Shares.

- Conversion Price: The initial conversion price of the Preferred Shares shall be equal to the respective issue price, resulting in an initial conversion ratio for the relevant Preferred Shares of 1:1, subject to customary adjustment events, including, amongst others, share subdivision, consolidation, reorganization, reclassification or distribution payable in securities.
- Redemption: If UCAR has failed to complete a qualified initial public offering at any time after the fifth anniversary of (1) the issue date of the Series A Preferred Shares with respect to the Series A Preferred Shares or (2) the issue date of the Series B Preferred Shares with respect to the Series B Preferred Shares, the relevant holder of such Preferred Shares may request UCAR to redeem all or part of its Preferred Shares in an amount equal to the sum of (i) the issue price of the relevant Series A Preferred Shares or the Series B Preferred Shares, as applicable, plus (ii) an amount accruing thereon daily at a rate of 8% per annum, compounding annually, beginning on the date of issuance of such relevant Preferred Shares, plus (iii) any declared but unpaid dividends on such Preferred Shares.
- Voting: Subject to the provisions of the Amended Articles, at all general meetings of UCAR, the holder of each 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 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 or Series B Preferred Shares to vote separately as a class or series with respect to any matters, the holders of Series A Preferred Shares or Series B 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 Amended 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 Preferred Share 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 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:

	<b>For the year ended December 31, 2014</b>
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**

The strategic collaboration with UCAR since January 2015 has continued to bring the Company committed long term revenues, extensive business synergies, license plate resources, increasing fleet efficiency and increasing profitability. Since the investment in UCAR, the Company believes that its stake in UCAR has reinforced its strategy in becoming China's leading auto mobility provider. The Company is optimistic that its investment in UCAR would further allow the Company to capture the growth opportunities in the fast-growing mobile-enabled chauffeured car services market in China, reinforce the strategic collaboration, and enhance the overall shareholder value of the Company.



## 6. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Haode Investment holds 28.0% of the total issued ordinary shares of UCAR or 22.4% 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. 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 Series B 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) calculated with reference to the aggregated consideration under the Series A Subscription and the Proposed Series B Subscription exceeds 0.1% but is less than 5%, the Proposed Series B Subscription 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. Erhai Liu was absent from the Board meeting in which the Proposed Series B Subscription was considered due to work reasons, and he is also a director of an affiliate of Beinuo and Harmony. Mr. Linan Zhu 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 and Mr. Linan Zhu, through his delegate at the meeting, have abstained from voting on the Board resolutions relating to the Proposed Series B 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 Tourmaline Gem and (iii) Mr. Linan Zhu is a director of an affiliate of Beinuo and Harmony. The remaining Directors of the Company who attended the Board meeting considered that the Proposed Series B Subscription was entered into in the ordinary course of business of the Company on normal commercial terms and the terms of the Proposed Series B 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 Proposed Series B Subscription and none of them has abstained from voting on the relevant Board resolutions.

## **7. INFORMATION ABOUT THE PARTIES TO THE SERIES B 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.

UCAR Group is primarily engaged in providing chauffeured car services in the PRC through its internet and mobile platform. As at the date of this announcement and 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, Haode Investment, Eastrock Capital Partners Fund I, LP, the Company, Sapphire Gem and Beinuo hold 22.4%, 24%, 10%, 4.4% and 4.4% of the total issued and outstanding shares of UCAR, respectively.

Haode Investment is primarily engaged in the business of investment holding. Haode Investment is wholly owned by Ms. Guo, who is the spouse of Mr. Lu. Haode Investment is an affiliate of Haode Group Inc., which as at the date of this announcement, directly holds approximately 12.89% of the total issued shares of the Company.

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.

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 11.06% of the total issued shares of the Company. Tourmaline Gem is primarily engaged in the business of investment holding. It is an affiliate of Sapphire Gem, Amber Gem Holdings Limited and Warburg Pincus LLC.

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 29.0% of the total issued shares of the Company. Harmony is primarily engaged in the business of investment holding, and is ultimately controlled by Beijing Legend Capital Management Co., Ltd. It is an affiliate of Beinuo and Grand Union Investment Fund, L.P.

Mr. Lu is the executive Director and the chief executive officer 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 Series B 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
“Amended Article(s)”	the second amended and restated memorandum and articles of association of UCAR to be adopted at 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 B Preferred Shares under the Series B Subscription Agreement
“Connected Person”	has the meaning ascribed thereto under the Listing Rules
“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
“Harmony”	Harmony Bravo Limited (融慶有限公司), a company incorporated under the laws of the British Virgin Islands on September 1, 2015
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Preferred Share(s)”	collectively, Series A Preferred Shares and Series B Preferred Shares
“Proposed Series B Subscription”	the proposed subscription of Series B Preferred Shares by the Company under the Series B 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 issued by UCAR on July 8 2015
“Series A Subscription”	the subscription of Series A Preferred Shares by the Company which was completed on July 8, 2015
“Series A Subscription Agreement”	the Subscription Agreement entered into, among others, by the Company, UCAR Group, Mr. Lu and Haode Investment on July 1, 2015 pursuant to which the Company and other subscribers subscribed for an aggregate of 5,000,000 Series A Preferred Shares for a total consideration of US\$250 million
“Series B Investors”	Tourmaline Gem, the Company, Harmony and several other subscribers who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its Connected Persons
“Series B Preferred Shares”	the series B Preferred Shares to be issued by UCAR pursuant to the Series B Subscription Agreement

“Series B Subscription Agreement”	the subscription agreement entered into amongst the Series B Investors, UCAR Group, Mr. Lu and Haode Investment on September 16, 2015 pursuant to which UCAR agreed to issue, and the Series B Investors agreed to subscribe for, an aggregate of 4,875,887 Series B Preferred Shares
“Series B Warrantors”	UCAR Group, Mr. Lu and Haode Investment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Tourmaline Gem”	Tourmaline Gem Holdings Limited, a company incorporated under the laws of the British Virgin Islands on June 3, 2015
“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 Series B Subscription Agreement
“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, September 17, 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.*