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潤東汽車

China Rundong Auto Group Limited

中國潤東汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1365)

PROFIT WARNING

This announcement is made by China Rundong Auto Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

PROFIT WARNING

The board of directors (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that the Board is of the view that, based on the preliminary assessment of the Group’s latest unaudited management accounts of the Group for the 11 months ended 30 November 2019 and other information currently available to the Board, the Group is expected to record a significant increase in net loss for the year ended 31 December 2019 (the “**Year**”) as compared to the year ended 31 December 2018. The Board considers that, the expected increase in net loss for the Year was primarily due to the following factors:

1. In the second half of 2019, passenger vehicle market in China continued to show negative growth, particularly during the volatility period when the overall global economy has slowed down, Sino-US trade frictions has intensified, and drivers of growth in domestic economy is undergoing a transformation, consumer income expectations and automobile consumption confidence have declined to certain extent. For the first 11 months of 2019, passenger vehicle sales in China were bleak, overall down by approximately 10.5% on year-on-year basis, according to the report of China Association of Automotive Manufacturers. The Group’s overall new car sales volume decreased during the Year, leading to lower aftersales volume and overall revenue;

2. In 2019, the applicable national five emission standards of the automotive industry have been upgraded and converted into a new national six emission standards, which indirectly led to an increase in the inventory pressure of major automobile dealer groups. The Group continued to undergo the process of transition, and in particular, the destocking of major automobile dealer groups meant that terminal discounts increased, and the decrease in retail price cuts far exceeded management expectations, resulting in the overall revenue and result performance of the Group for the Year being affected;
3. In view of the overall declining growth in the automobile industry as described in the preceding paragraphs, and post-acquisition integration over acquired stores that are yet to be crystalised as per the Group's expectation, the Group continuously realigns its business strategy and restructures the business operation. The Group's management is closely monitoring the working capital and overall liquidity of the Company, and actively communicating with auto manufacturers, business partners and creditors.

As at the date of this announcement, the Company is still in the process of finalizing the annual results of the Group for the Year. The information contained in this announcement is only based on the Board's preliminary assessment of the currently available financial and other information of the Group and may be subject to adjustments. Shareholders and potential investors are advised to read the annual results announcement of the Group for the Year, which is expected to be released by the end of March 2020.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
China Rundong Auto Group Limited
Yang Peng
Chairman

Shanghai, the PRC, 20 December 2019

As at the date of this announcement, the executive director of the Company is Mr. Yang Peng; and the independent non-executive directors are Mr. Mei Jianping, Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin.