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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 the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the information currently available to the Board, the Group is expected to record a significant decline in its profit for the six months ended 30 June 2018 as compared to the corresponding period of 2017. Such decrease was primarily attributable to the following factors:

1. the Group acquired a number of new entities as detailed in the 2017 annual report of the Company. Upon the completion of these acquisitions, these entities have been undergoing post acquisition integration. The aftermath synergies and combined results were yet to be crystallised in the period ended 30 June 2018 as anticipated, which was due to, among others, the realignment in the overall organisation structure, transitional changes of key management and staff relocation. The increase in total financing amount arising from the acquired entities also contributed to the increase in financial costs; and
2. affected by the factors such as the general slow growth of the passenger vehicle market in the PRC, decline in growth rate of sales of luxury brand vehicles and weak and insufficient demand for entry level vehicles, the Group has adopted more prudent operating strategies and corresponding measures in the first half of 2018, which included slowing down the pace of bulk purchases and gradually reducing level of the inventory, which indirectly led to the short-run slowdown in terms of sales volume of new automobile.

As at the date of the announcement, the Company is still preparing the results of the Group for the six months ended 30 June 2018. The information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the latest available financial and other information of the Group, and such information has not been reviewed by or discussed with the auditor and the audit committee of the Company and may be subject to adjustment. The Shareholders and potential investors are advised to read carefully the unaudited interim results announcement of the Group for the six months ended 30 June 2018, which is expected to be published on 30 August 2018.

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 People's Republic of China, 17 August 2018

As at the date of this announcement, the Executive Directors are Mr. Yang Peng and Mr. Zhao Zhongjie; and the Independent Non-executive Directors are Mr. Mei Jianping, Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin.