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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)**

**VOLUNTARY ANNOUNCEMENT -  
AGREEMENT FOR THE INTENTION TO TRANSFER SHARES  
IN RELATION TO A POSSIBLE VERY SUBSTANTIAL DISPOSAL**

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

**THE AGREEMENT FOR THE INTENTION TO TRANSFER SHARES**

The board (the “**Board**”) of the directors of the Company (the “**Directors**”) is pleased to announce that on 4 April 2019, the Company entered into an agreement for the intention to transfer shares (the “**Intention Agreement**”) with Kunming Yanheng Automobile Sales Services Company Limited (昆明彥恒汽車銷售服務有限公司) (“**Kunming Yanheng**”; together with the Company, the “**Parties**”).

**THE PROPOSED DISPOSAL**

Pursuant to the Intention Agreement, the Company as vendor intends to sell and Kunming Yanheng as purchaser intends to purchase (“**Proposed Disposal**”) the entire equity interests of four indirectly wholly-owned subsidiaries of the Company, namely Rundong Automobile Group Co., Ltd (潤東汽車集團有限公司), Xuzhou Rundong Automobile Sales Management Company Limited (徐州潤東汽車營銷管理有限公司), Xuzhou Yuemei Automobile Sales Management Company Limited (徐州悅美汽車營銷管理有限公司) and Xuzhou Rundong Jiaoguang Automobile Sales and Services Company Limited (徐州潤東交廣汽車營銷管理有限公司) (the “**Target Subsidiaries**”).

## CONSIDERATION AND DEPOSIT

Under the Intention Agreement, the consideration for the Proposed Disposal is estimated to be approximately RMB3.4 billion. It is to be determined with reference to the preliminary valuation of the appraised market value of the net assets of the Target Subsidiaries as at 30 September 2018 from an assets valuation report. In addition, it is subject to the terms and conditions of the Intention Agreement and a further share transfer agreement (the “**Formal SPA**”) which the Parties intend to enter into. Prior to entering into the Formal SPA, Kunming Yanheng shall pay the Company a deposit not less than RMB1.36 billion, which is approximately 40% of the consideration for the Proposed Disposal. The remaining consideration and its manner of payment shall be subject to the terms and conditions of the Formal SPA.

## LISTING RULES IMPLICATIONS

Based on the preliminary calculations of the applicable percentage ratios in respect of the Proposed Disposal, it is expected that the Proposal Disposal (if proceed with) may constitute a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules. The Company will publish further announcement(s) in relation to the Proposed Proposal and comply with all other applicable requirements under the Listing Rules as and when necessary.

## CONDITIONS PRECEDENT TO THE PROPOSED DISPOSAL

Under the Intention Agreement, the completion of the Proposal Disposal is conditional upon the fulfilment or waiver of the following conditions precedent:

- (i) the corporate reorganization of the Group to be stated in the Formal SPA and all relevant registrations, filings and transactions contemplated under the corporate reorganization have been obtained or performed by the Company;
- (ii) the Target Subsidiaries, the Company and Kunming Yanheng having obtained all necessary approvals required for the completion and fulfilment of the terms of the Intention Agreement, including but not limited to internal approvals, the approval of the Shareholders of the Company as required under the Listing Rules and the relevant approvals from the PRC government (if applicable);
- (iii) the overall consolidated asset-liability ratio of the Target Subsidiaries being lower than 80% as at 30 September 2018 based on the management accounts of the Group, being the reference date for the financial due diligence of the Group;
- (iv) between the date of the Intention Agreement and the date of completion to be stated in the Formal SPA (the “**Date of Completion**”), there having been no material adverse effect (as defined in the Intention Agreement) on the assets, operations and management of the Target Subsidiaries;

- (v) the Company and the Target Subsidiaries having fulfilled and complied with the terms of the Intention Agreement and their respective undertakings and obligations having been fulfilled before the Date of Completion in accordance with the terms of the Intention Agreement, and there having been no material breach of any terms of the Intention Agreement until the Date of Completion;
- (vi) there having been no order, prohibition or restriction under any laws or regulations that may hinder the Company in completing the Proposal Disposal under the Intention Agreement; and
- (vii) any other conditions precedent stipulated in the Formal SPA.

## **REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL**

The Group primarily engages in the business of automobile sales whereby it operates numerous automobile dealership stores in various regions in the PRC. As part of the Group's strategic response to the market, the Group intends to dispose the Target Subsidiaries and shift the focus of its automobile sales business to a narrowly-tailored brand portfolio and expands its other sectors of business.

The cost of maintaining automobile dealership stores has been increasing and the profitability of the automobile sales business has been negatively affected by such increased cost. In this regard, the Proposal Disposal (if proceed with) will effectively bring an inflow of cash to the Group to supplement its business operations and expansion. In addition, the Group intends to further develop its automobile insurance agency services and automobile financial lease and related consulting services businesses, which have been growing and churning out profits in the past years.

Taking into consideration the above, the Directors consider that the Proposal Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **INFORMATION ON THE TARGET SUBSIDIARIES AND KUNMING YANHENG**

The Target Subsidiaries are limited liability companies incorporated under the laws of the PRC and are all indirect wholly-owned subsidiaries of the Company. The Target Subsidiaries directly and indirectly hold and manage 62 subsidiaries of the Group in which they operate a total of 56 automobile dealerships stores primarily in Shandong, Anhui, Jiangsu, Zhejiang and Shanghai in the PRC.

Kunming Yanheng is held as to 90% by Mr. Li Zhuo Lin (李卓霖), a PRC citizen and 10% by Lanhai (Shanghai) Investment Co., Ltd (上海覽海投資有限公司) which is in turn wholly-owned by Lanhai Holdings Group Co. Ltd (覽海控股(集團)有限公司). Lanhai Holdings Group Co. Ltd and its subsidiaries engage in a portfolio of businesses, including that of automobile sales and aftersales services, insurance business, commercial banking business and health care business.

To the best of the Board's knowledge, information and belief, and having made all reasonable enquiries, Mr. Li Zhuo Lin, Lanhai Holdings Group Co. Ltd and its ultimate beneficial owners are party(ies) independent of and not connected with the Company and its connected persons (with the meaning ascribed to it in the Listing Rules).

## **ENTERING INTO THE INTENTION AGREEMENT**

The Intention Agreement sets out the preliminary commercial intention between the Parties in respect of the Proposed Disposal. Although the Intention Agreement is legally binding, the terms of the Proposed Disposal are subject to further negotiation between the Parties and the entering into the Formal SPA. Kunming Yanheng will continue to conduct financial due diligence and assessment on the Target Subsidiaries in relation to the Proposed Disposal and may elect not to proceed with the Proposed Disposal should the results of the financial due diligence be unsatisfactory. The financial due diligence has not yet completed as at the date of this announcement. If the Proposed Disposal is materialised, it may constitute a notifiable transaction of the Company pursuant to the Listing Rules and the Company will comply with the relevant requirements of the Listing Rules.

**The Board wishes to emphasize that the terms contained in the Intention Agreement are subject to further negotiations and agreement between the Parties. The Proposed Disposal may or may not proceed and the terms of the Proposed Disposal, which are still subject to further negotiations between the Parties, have yet to be finalized. Even if the Formal SPA is entered into, the conditions precedent to completion of such agreement may or may not be fulfilled, and the Proposed Disposal may or may not materialise. Shareholders of the Company and potential investors are advised to exercise caution when dealing in securities in the Company.**

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

Shanghai, the PRC, 4 April 2019

*As at the date of this announcement, the Board consists of a executive director, Mr. Yang Peng and four independent non- executive directors, namely, Mr. Mei Jianping, Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin.*