
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Rundong Auto Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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润东汽车

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)

(1) PROPOSED RE-ELECTION OF RETIRING DIRECTORS
(2) PROPOSED GRANTING OF GENERAL MANDATES TO
REPURCHASE SHARES AND TO ISSUE SHARES
AND
(3) NOTICE OF ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting of China Rundong Auto Group Limited to be held at No. 1 Meeting Room, 9F, Shenzhou Wisdom Plaza, No. 567, West Tianshan Road, Changning District, Shanghai, the PRC on Friday, 31 July 2020 at 10:00 a.m. is set out on pages 15 to 19 of this circular. A form of proxy for use at the Annual General Meeting is also enclosed. This circular together with the form of proxy are also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.rundong.com.cn).

Whether or not you are able to attend the Annual General Meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 10:00 a.m. (Hong Kong time) on Wednesday, 29 July 2020 or not less than 48 hours before the time appointed for holding of the Annual General Meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Annual General Meeting or any adjourned meeting (as the case may be) if they so wish.

19 June 2020

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Annual General Meeting”	an annual general meeting of the Company to be held at No. 1 Meeting Room, 9F, Shenzhou Wisdom Plaza, No. 567, West Tianshan Road, Changning District, Shanghai, the PRC on Friday, 31 July 2020 at 10:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the Annual General Meeting which is set out on pages 15 to 19 of this circular, or any adjournment thereof
“Articles of Association”	the articles of association of the Company currently in force
“Board”	the board of Directors
“Companies Law”	Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended from time to time
“Company”	China Rundong Auto Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Issuance Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to allot, issue or otherwise deal with additional Shares of not exceeding 20% of the total number of the Shares in issue as at the date of passing of proposed ordinary resolution contained in item 5 of the notice of the Annual General Meeting
“Latest Practicable Date”	12 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Memorandum”	the memorandum of association of the Company currently in force

DEFINITIONS

“PRC”	the People’s Republic of China and for the purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of nominal value of US\$0.0000005 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Share Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange of not exceeding 10% of the total number of the Shares in issue as at the date of passing of the proposed ordinary resolution contained in item 4 of the notice of the Annual General Meeting
“Shareholder(s)”	holder(s) of Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of section 15 of the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as modified from time to time) of the Company
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission as amended from time to time
“%”	per cent

LETTER FROM THE BOARD



润东汽车

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)

Executive Director:

Mr. Yang Peng (*Chairman and
Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Mei Jianping

Mr. Lee Conway Kong Wai

Mr. Xiao Zhengsan

Mr. Li Xin

Registered Office:

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head Office:

9F, Shenzhou Wisdom Plaza
No. 567, West Tianshan Road
Changning District
Shanghai, PRC

Principal Place of Business in Hong Kong:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

19 June 2020

To the Shareholders

Dear Sir/Madam,

**(1) PROPOSED RE-ELECTION OF RETIRING DIRECTORS
(2) PROPOSED GRANTING OF GENERAL MANDATES TO
REPURCHASE SHARES AND TO ISSUE SHARES
AND
(3) NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of certain resolutions to be proposed at the Annual General Meeting to be held on Friday, 31 July 2020.

LETTER FROM THE BOARD

2. PROPOSED RE-ELECTION OF RETIRING DIRECTORS

In accordance with Article 16.18 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. As such, Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin shall retire at the Annual General Meeting.

Recommendations to the Board for the proposal for re-election of Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin as independent non-executive Directors were made by the Nomination Committee of the Company, after evaluating their performance and considering a range of diversity perspectives' including but not limited to professional experience and qualifications, gender, age, ethnicity, and cultural and educational background, as set out in the Board diversity policy of the Company.

In particular, the Nomination Committee has reviewed the structure and composition of the Board, the confirmations and disclosures given by the retiring Directors, and the qualifications, skills and experience, time commitment and contribution of the retiring Directors with reference to the nomination principles and criteria set out in the Company's Board diversity policy, the Directors' nomination policy and the Company's corporate strategy.

The Nomination Committee is of the view that the re-election of Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin as independent non-executive Directors will enhance the professional background of the Board in investment and compliance. The Board noted the positive contributions of each of Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin to the development of the Company's strategy and policies through independent, constructive and informed contributions supported by his basic knowledge of operations of listed companies and compliance requirements, skills, experience, expertise and qualifications and from his active participations at meetings. Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin all have served on the Board for more than 3 years but have never held any executive or management position in the Group nor have they throughout such period been under the employment of any member of the Group. In addition, the Nomination Committee has reviewed and assessed the annual written confirmation of independence of each of Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin based on the independence criteria as set out in Rule 3.13 of the Listing Rules and considered that they remain independent and will continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity.

Notwithstanding Mr. Lee Conway Kong Wai holds directorship in more than seven listed companies, all such directorships are non-executive in nature. Mr. Lee Conway Kong Wai has maintained his professionalism in various directorships of listed companies he served, and has actively participated in the meetings of the Board, Audit Committee and Risk Management Committee of the Company during his tenure as independent non-executive Director. Accordingly, the Board is of the view that he is able to devote sufficient time and attention to perform the duties as an independent non-executive Director.

Based on the Board diversity policy adopted by the Company, the Nomination Committee considers that Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin all are able to provide valuable and relevant insights and contribute to the diversity of the Board, in particular, with their strong and diversified educational background and professional experience in their expertise, including their in-depth knowledge in

LETTER FROM THE BOARD

legal and compliance, financial management, investment strategies, international experience and connections in various industries. Therefore, the Board is of the view that each of the re-election of Mr. Lee Conway Kong Wai, Mr. Xiao Zhengsan and Mr. Li Xin as an independent non-executive Director is in the interest of the Company and Shareholders as a whole and recommends their re-election at the Annual General Meeting.

All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

Details of the above retiring Directors offering themselves for re-election at the Annual General Meeting are set out in Appendix I to this circular.

3. PROPOSED GRANTING OF GENERAL MANDATE TO REPURCHASE SHARES

In order to give the Company the flexibility to repurchase Shares if and when appropriate, an ordinary resolution, full text of which is contained in item 4 of the notice of the Annual General Meeting as set out on pages 15 to 19 of this circular, will be proposed at the Annual General Meeting to approve the granting of the Share Repurchase Mandate. As at the Latest Practicable Date, the total number of the Shares in issue comprised 946,476,000 Shares and on the basis that the total number of the Shares in issue remains unchanged on the date of the Annual General Meeting, the Company will be allowed to repurchase up to a maximum of 94,647,600 Shares, being 10% of the total number of the Shares in issue as at the date of passing of the relevant resolution. The Directors wish to state that they have no immediate plan to repurchase any Shares pursuant to the Share Repurchase Mandate.

An explanatory statement as required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution in relation to the granting of the Share Repurchase Mandate is set out in Appendix II to this circular.

4. PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE SHARES

In order to give the Company the flexibility to issue Shares if and when appropriate, an ordinary resolution, full text of which is contained in item 5 of the notice of the Annual General Meeting as set out on pages 15 to 19 of this circular, will be proposed at the Annual General Meeting to approve the granting of the Issuance Mandate. On the basis that the total number of the Shares in issue remains unchanged on the date of the Annual General Meeting, the Company will be allowed to allot, issue or deal with a maximum of 189,295,200 additional Shares, being 20% of the total number of the Shares in issue as at the date of passing of the relevant resolution. An ordinary resolution to extend the Issuance Mandate by adding the number of Shares repurchased by the Company pursuant to the Share Repurchase Mandate will also be proposed at the Annual General Meeting. Unless the Stock Exchange agrees otherwise, any Shares to be allotted and issued for cash under the authority granted by the proposed Issuance Mandate shall not be at a discount of 20% or more to the “benchmark price” (as described in Rule 13.36(5) of the Listing Rules). The Directors wish to state that they have no immediate plan to issue any new Shares pursuant to the Issuance Mandate.

LETTER FROM THE BOARD

5. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 15 to 19 of this circular.

A form of proxy for use at the Annual General Meeting is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.rundong.com.cn). If you are not able to attend the Annual General Meeting in person, you are requested to complete, sign and return the form of proxy in accordance with the instructions printed thereon and deposit, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than at 10:00 a.m. (Hong Kong time) on Wednesday, 29 July 2020 or not less than 48 hours before the time appointed for holding of the Annual General Meeting or any adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting or any adjourned meeting (as the case may be) if you so wish.

6. VOTING BY WAY OF POLL

Pursuant to Article 13.6 of the Articles of Association, a resolution put to the vote of a general meeting shall be decided by way of a poll. It is also the requirement under Rule 13.39(4) of the Listing Rules that any vote of Shareholders at a general meeting must be taken by poll. Therefore, the chairman of the meeting will demand a poll for every resolution put to the vote at the Annual General Meeting except where the chairman in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. To the best of the knowledge, information and belief of the Directors, none of the Shareholders is required to abstain from voting on any of the resolutions to be proposed at the Annual General Meeting. The Company will announce the results of the poll after the Annual General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

7. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

8. GENERAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I (Details of the Retiring Directors Proposed to be Re-elected at the Annual General Meeting) and Appendix II (Explanatory Statement on the Share Repurchase Mandate) to this circular.

LETTER FROM THE BOARD

9. RECOMMENDATION

The Directors consider that the proposed resolutions for the re-election of retiring Directors and granting of the Share Repurchase Mandate and the Issuance Mandate are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favor of all the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
For and on behalf of the Board
China Rundong Auto Group Limited
Yang Peng
Chairman

APPENDIX I DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT THE ANNUAL GENERAL MEETING

The following are details of the Directors who will retire and being eligible, offer themselves for re-election at the Annual General Meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

(1) Mr. Lee Conway Kong Wai

Mr. Lee Conway Kong Wai (“**Mr. Lee**”), aged 65, is an independent non-executive Director and the chairmen of the Audit Committee and the Risk Management Committee of the Company. Mr. Lee has over 30 years of experience in public accounting and auditing, corporate finance, merger and acquisition and initial public offerings. From September 1980 to September 2009, Mr. Lee served as a partner of Ernst & Young. Mr. Lee is currently an independent non-executive director of West China Cement Limited (HK stock code: 2233), Chaowei Power Holdings Limited (HK stock code: 951), GOME Retail Holdings Limited (HK stock code: 493), NVC International Holdings Limited (formerly known as “NVC Lighting Holding Limited”) (HK stock code: 2222), China Modern Dairy Holdings Ltd. (HK stock code: 1117), Yashili International Holdings Ltd (HK stock code: 1230), Guotai Junan Securities Co., Ltd. (HK stock code: 2611, Shanghai stock code: 601211), GCL New Energy Holdings Limited (HK stock code: 451) and WH Group Limited (HK stock code: 288). Mr. Lee acted as an independent non-executive director of Tibet Water Resources Ltd. (HK stock code: 1115) from March 2011 to February 2020. Mr. Lee also acted as a non-executive director and deputy chairman of China Environmental Technology and Bioenergy Holdings Limited (formerly known as “Merry Garden Holdings Limited”) (HK stock code: 1237) from July 2014 to September 2015. Mr. Lee also acted as an independent non-executive director of CITIC Securities Company Limited (HK stock code: 6030, Shanghai stock code: 600030) from November 2011 to May 2016. Mr. Lee also acted as an independent non-executive director of China Taiping Insurance Holdings Company Limited (HK stock code: 966) from October 2009 to August 2013. Mr. Lee has been a member of the Institute of Chartered Accountants in England and Wales since October 2007, the Institute of Chartered Accountants in Australia and New Zealand since December 1996, the Association of Chartered Certified Accountants since September 1983, the Hong Kong Institute of Certified Public Accountants since March 1984 and the Macau Society of Certified Practising Accountants since July 1995. From 2007 to the end of 2017, Mr. Lee was a member of the Chinese People’s Political Consultative Conference of Hunan Province. Mr. Lee obtained his post graduate diploma in business at Curtin University of Technology in Australia in February 1988.

Mr. Lee has entered into a letter of appointment with the Company for a term of one year commencing on 7 June 2018, renewable automatically for successive term of one year each commencing from the expiry of the then current term of appointment, which shall be terminated in accordance with the provisions of the letter of appointment or, throughout the term of the appointment, by either party giving to the other not less than three months’ prior notice in writing. His term of office is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

According to the letter of appointment of Mr. Lee, he is entitled to receive an annual salary of RMB220,000. His remuneration package is determined with reference to the remuneration policy of the Company, his duties and the prevailing market level of remuneration for executives of similar positions. Mr. Lee’s remuneration for the year ended 31 December 2019 is disclosed in note 9 to the financial statements of the Company’s annual report for the year ended 31 December 2019.

APPENDIX I DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT THE ANNUAL GENERAL MEETING

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Lee did not have any interest in Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Lee did not hold any other directorships in any other public companies the securities of which are listed in Hong Kong or overseas in the last three years and does not hold any other position in the Company or its subsidiaries nor does he have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, there is no information of Mr. Lee that is discloseable pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning Mr. Lee that need to be brought to the attention of the Shareholders.

(2) Mr. Xiao Zhengsan

Mr. Xiao Zhengsan (“**Mr. Xiao**”), aged 56, is an independent non-executive Director and members of the Nomination Committee, the Remuneration Committee, the Audit Committee and the Risk Management Committee of the Company. Mr. Xiao has been a director of the exhibition department and deputy secretary general of China Automobile Dealers Association (中國汽車流通協會) since August 2008, and has been promoted to the secretary general since November 2014. Mr. Xiao has been a vice-chairman of China Auto Modification Accessories Association since January 2017. He has been a vice-chairman and the secretary general of China Automobile Dealers Association (中國汽車流通協會) since November 2018. He served as a supervisor of Baocheng Investment Co., Ltd. (寶誠投資股份有限公司) (Shanghai stock code: 600892) from July 2003 to June 2008. Mr. Xiao obtained a bachelor’s degree in financial accounting from Jiangxi University of Finance and Economics in July 1984.

Mr. Xiao has entered into a letter of appointment with the Company for a term of one year commencing on 7 June 2018, renewable automatically for successive term of one year each commencing from the expiry of the then current term of appointment, which shall be terminated in accordance with the provisions of the letter of appointment or, throughout the term of the appointment, by either party giving to the other not less than three months’ prior notice in writing. His term of office is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

According to the letter of appointment of Mr. Xiao, he is entitled to receive an annual salary of RMB220,000. His remuneration package is determined with reference to the remuneration policy of the Company, his duties and the prevailing market level of remuneration for executives of similar positions. Mr. Xiao’s remuneration for the year ended 31 December 2019 is disclosed in note 9 to the financial statements of the Company’s annual report for the year ended 31 December 2019.

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Xiao did not have any interest in Shares within the meaning of Part XV of the SFO.

APPENDIX I DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT THE ANNUAL GENERAL MEETING

Save as disclosed above, Mr. Xiao did not hold any other directorships in any other public companies the securities of which are listed in Hong Kong or overseas in the last three years and does not hold any other position in the Company or its subsidiaries nor does he have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, there is no information of Mr. Xiao that is discloseable pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning Mr. Xiao that need to be brought to the attention of the Shareholders.

(3) Mr. Li Xin

Mr. Li Xin (“**Mr. Li Xin**”), aged 47, is an independent non-executive Director and members of the Nomination Committee, the Remuneration Committee, the Audit Committee and the Risk Management Committee of the Company. He has been the president of Beijing Zhongzhi Shengdao Management Consultant Limited (北京中智盛道企業管理諮詢有限公司) since 2013. Currently, Mr. Li Xin is currently also a director of Qingdao ZhongFang Elink Development Investment Limited (青島中紡億聯開發投資有限公司), the vice president of Qingdao Elink Group Incorporation Company Limited (青島億聯集團股份有限公司), a director of Ningxia Taihua Corporate Company (寧夏泰華實業集團有限公司), the chairman of Qindao Bielai Xinshe Art and Culture Co., Ltd. (青島別來心舍文化藝術有限公司) and a director of Beijing AZSY Technology Company Limited (北京愛知世元科技股份有限公司), a company listed on the National Equities Exchange and Quotations, stock code: 834817. He is also employed as a professor at the Tsinghua University Training Centre of Professional Managers and a graduate tutor at the Beihang University in China.

Prior to those positions, he was a director of SmartHeat, Inc. (Nasdaq stock code: HEAT) from 2009 to 2015 and the chief executive officer of Shenggao Consulting Group (盛高諮詢集團) from 2007 to 2013. Mr. Li Xin is very experienced in management consulting and has been involved in the consultancy of renowned companies such as the headquarters of China Everbright Bank (中國光大銀行總行), Beijing Haidian Science Park (北京海澱科技園), Xtep International Holdings Limited (Hong Kong stock code: 1368), Shaanxi Xindalu Group (陝西新大陸集團), Panjiang Holdings (盤江控股), Xinjiang Electric Power Design Institute (新疆電力設計院), Delisi Group (德利斯集團) and Baolingbao Biology Company Limited (Shenzhen SME Board stock code: 002286). Mr. Li Xin obtained an MBA degree from Beihang University in China in April 2004.

Mr. Li Xin has entered into a letter of appointment with the Company for a term of one year commencing on 7 June 2018, renewable automatically for successive term of one year each commencing from the expiry of the then current term of appointment, which shall be terminated in accordance with the provisions of the letter of appointment or, throughout the term of the appointment, by either party giving to the other not less than three months’ prior notice in writing. His term of office is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

**APPENDIX I DETAILS OF THE RETIRING DIRECTORS PROPOSED TO
BE RE-ELECTED AT THE ANNUAL GENERAL MEETING**

According to the letter of appointment of Mr. Li Xin, he is entitled to receive an annual salary of RMB220,000. His remuneration package is determined with reference to the remuneration policy of the Company, his duties and the prevailing market level of remuneration for executives of similar positions. Mr. Li Xin's remuneration for the year ended 31 December 2019 is disclosed in note 9 to the financial statements of the Company's annual report for the year ended 31 December 2019.

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Li Xin did not have any interest in Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Li Xin did not hold any other directorships in any other public companies the securities of which are listed in Hong Kong or overseas in the last three years and does not hold any other position in the Company or its subsidiaries nor does he have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, there is no information of Mr. Li Xin that is discloseable pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters concerning Mr. Li Xin that need to be brought to the attention of the Shareholders.

The following is an explanatory statement required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the Annual General Meeting in relation to the granting of the Share Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, there were a total of 946,476,000 Shares in issue.

Subject to the passing of the ordinary resolution set out in item 4 of the notice of the Annual General Meeting in respect of the granting of the Share Repurchase Mandate and on the basis that the total number of the Shares in issue remains unchanged on the date of the Annual General Meeting, i.e. being 946,476,000 Shares, the Directors would be authorized under the Share Repurchase Mandate to repurchase, during the period in which the Share Repurchase Mandate remains in force, a maximum of 94,647,600 Shares, representing 10% of the total number of the Shares in issue as at the date of the Annual General Meeting.

2. REASONS FOR SHARE REPURCHASES

The Directors believe that the Share Repurchase Mandate is in the best interests of the Company and the Shareholders.

Repurchases of Shares may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders. The Directors will decide the number of Shares to be repurchased on each occasion and the price and other terms upon which the same are repurchased at the relevant time having regard to the circumstances then pertaining.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles of Association, the laws of the Cayman Islands and/or any other applicable laws, as the case may be. The Companies Law provides that the repurchase may be made either out of distributable profits, out of the share premium account, out of the proceeds of a new issue of shares made for such purpose or out of capital.

4. IMPACT OF REPURCHASES

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 December 2019) in the event that the Share Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. MARKET PRICES OF SHARES

The highest and lowest prices per Share at which Shares have traded on the Stock Exchange during each of the twelve months immediately preceding and up to and including the Latest Practicable Date were as follows:

Month	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
June, 2019	0.790	0.560
July, 2019	0.700	0.480
August, 2019	0.690	0.355
September, 2019	0.690	0.350
October, 2019	0.415	0.315
November, 2019	0.495	0.310
December, 2019	0.550	0.330
January, 2020	0.530	0.315
February, 2020	0.420	0.290
March, 2020	0.335	0.210
April, 2020	0.255	0.182
May, 2020	0.218	0.155
June, 2020 (<i>up to the Latest Practicable Date</i>)	0.202	0.180

6. TAKEOVERS CODE

If as a result of a repurchase of Shares pursuant to the Share Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of the Company and thereby become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

To the best knowledge of the Company, as at the Latest Practicable Date, Rundong Fortune Investment Limited, being the controlling shareholder of the Company (as defined in the Listing Rules), held 668,018,000 Shares, representing approximately 70.58% of the total number of the Shares in issue of the Company.

In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Share Repurchase Mandate, the percentage of voting rights at a general meeting of the Company held by Rundong Fortune Investment Limited would increase to approximately 78.42% of the total number of the Shares in issue of the Company.

The Directors consider that such increase in shareholding would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code but would reduce the percentage of the Shares held by the public to below the prescribed minimum percentage of 25% required by the Stock Exchange. Save as aforesaid, the Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchase of Shares pursuant to the Share Repurchase Mandate. In any event, the Directors have no present intention to repurchase Shares to such extent which will result in the aggregate number of Shares held by the public shareholders falling below 25%, the prescribed minimum percentage required by the Stock Exchange.

7. SHARE REPURCHASE MADE BY THE COMPANY

During the 6 months prior to the Latest Practicable Date, the Company had not repurchased any of the Shares (whether on the Stock Exchange or otherwise).

8. GENERAL

To the best of the knowledge of the Directors and having made all reasonable enquiries, none of the Directors nor any of their close associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company in the event that the granting of the Share Repurchase Mandate is approved by the Shareholders and the Repurchase Mandate is exercised.

The Company has not been notified by any core connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the granting of the Share Repurchase Mandate is approved by the Shareholders and the Share Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases of Shares pursuant to the Share Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

NOTICE OF ANNUAL GENERAL MEETING



润东汽车

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)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of China Rundong Auto Group Limited (the “**Company**”) will be held at No. 1 Meeting Room, 9F, Shenzhou Wisdom Plaza, No. 567, West Tianshan Road, Changning District, Shanghai, the People’s Republic of China on Friday, 31 July 2020 at 10:00 a.m. for the following purposes:

As ordinary business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

1. To receive the audited consolidated financial statements of the Company and the reports of the directors and auditor of the Company for the year ended 31 December 2019.
2.
 - (a) To re-elect Mr. Lee Conway Kong Wai as an independent non-executive director of the Company.
 - (b) To re-elect Mr. Xiao Zhengsan as an independent non-executive director of the Company.
 - (c) To re-elect Mr. Li Xin as an independent non-executive director of the Company.
 - (d) To authorize the board of directors of the Company to fix the respective directors’ remuneration.
3. To re-appoint Messrs. Ernst & Young as the Company’s auditor and to authorize the board of directors of the Company to fix their remuneration.
4. **“THAT:**
 - (a) subject to paragraph 4(b) below, a general mandate be and is hereby generally and unconditionally given to the directors of the Company to exercise during the Relevant Period (as defined in paragraph 4(c) below) all the powers of the Company to repurchase its ordinary shares of US\$0.0000005 each in the capital of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on another stock exchange on which the Shares may be listed and which is recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, in accordance with all applicable laws, rules and regulations;

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(b) the total number of the Shares to be repurchased pursuant to the mandate in paragraph 4(a) above shall not exceed 10% of the total number of the Shares in issue as at the date of passing of this resolution; and

(c) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

5. **“THAT:**

(a) subject to paragraph 5(c) below, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, a general mandate be and is hereby generally and unconditionally given to the directors of the Company to exercise during the Relevant Period (as defined in paragraph 5(d) below) all the powers of the Company to allot, issue and deal with additional Shares, to grant rights to subscribe for, or convert any security into, Shares and to make or grant offers, agreements and options which would or might require the exercise of such power(s);

(b) the approval in paragraph 5(a) above shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate number of the Shares allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to the mandate in paragraph 5(a) above, otherwise than pursuant to:

- (i) a Rights Issue (as defined in paragraph 5(d) below);
- (ii) the exercise of options under a share option scheme of the Company;
- (iii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any securities of the Company which carry the rights to subscribe or are convertible into the Shares, shall not exceed 20% of the total number of the Shares in issue as at the date of passing of this resolution; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

“**Rights Issue**” means an offer of Shares open for a period fixed by the directors to the holders of the Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognized regulatory body or any stock exchange).”

As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

- 6. “**THAT** conditional upon the passing of resolutions set out in items 4 and 5 of the notice convening this meeting (the “**Notice**”), the general mandate referred to in the resolution set out in item 5 of the Notice be and is hereby extended by the addition to the aggregate number of the Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the directors pursuant to such general mandate of the number of the Shares representing the total number of the Shares repurchased by the Company pursuant to the mandate referred to in resolution set out in item 4 of the Notice, provided that such amount shall not exceed 10% of the total number of the Shares in issue as at the date of passing of this resolution.”

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

Shanghai, the PRC, 19 June 2020

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Notes:

1. In light of the epidemic situation of COVID-19, shareholders may consider appointing the chairman of the Annual General Meeting as his/her proxy to vote on the resolutions, instead of attending the Annual General Meeting in person.
2. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
3. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and vote for him/her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of Shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her.
4. Where there are joint holders of any Shares carrying voting rights, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at any meeting the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names of the joint holders appear in the register of members of the Company in respect of the joint holding.
5. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 10:00 a.m. (Hong Kong time) on Wednesday, 29 July 2020 or not less than 48 hours before the time appointed for holding of the Annual General Meeting or any adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. For the purpose of determining shareholders’ eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed. Details of such closure are set out below:

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 27 July 2020
Closure of register of members	Tuesday, 28 July 2020 to Friday, 31 July 2020, both dates inclusive
Record date	Friday, 31 July 2020

During the above closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the Annual General Meeting, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than the aforementioned latest time.

In the event that the Annual General Meeting is adjourned to a date later than 31 July 2020 because of bad weather or other reasons, the book closure period and record date for determination of entitlement to attend and vote at the above meeting will remain the same as stated above.
7. Further details concerning items 2, 4, 5 and 6 set out in this notice are set out in the accompanied circular which will be sent to all shareholders of the Company together with the 2019 Annual Report.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

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