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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 under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

PROFIT WARNING

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that the Board is of the view that, based on the preliminary assessment of the Group’s latest unaudited consolidated management accounts of the Group for the six months ended 30 June 2020 and information currently available, the Group is expected to record (i) a significant decline in its revenue in the range of RMB1,400 million to RMB1,500 million; and (ii) the net loss in the range of RMB213 million to RMB313 million for the six months ended 30 June 2020 as compared to the corresponding period in 2019. The Board considers that the expected loss for the six months ended 30 June 2020 was primarily due to the following factors:

1. The outbreak of COVID-19 since January 2020 has severely impacted the business operations of enterprises and consumer spending in China. The Group’s business performance, which had already been impacted by poor market conditions and weak consumer sentiment last year, was even more adversely impacted during the first half of 2020 when the business and operations of the Group were further affected by COVID-19; and

2. During the first half of 2020, passenger vehicle market in China continued to show negative growth during the continuing volatility period due to the impact of COVID-19 and macroeconomic downturn of China. The overall unfavorable market environment of the automobile industry in China as well as the global outbreak of COVID-19 have led to a decline in consumer income expectations and automobile consumption confidence; and
3. In view of the overall negative growth in the automobile industry as described in the preceding paragraphs and considering the operating performance and available financial resources of the Group, the Group has reassessed the economic development level, consumers' power of consumption in the area where the stores are located, as well as taking into consideration the automobile brands, operation scale of stores and operation capability. The Group has gradually shut down dealership stores with poor performance and consolidated stores of same brand in the same city, with a view to further reduce the operating costs and losses, and enhanced the Group's overall competitiveness, profitability and liquidity. Additionally, since the dealership authorization agreements of several stores are expired and were unable to be renewed, the number of dealership stores of the Group has further decreased, which led to a decrease in the sales of the Group.

As at the date of this announcement, the Company is still in the process of finalizing the unaudited consolidated interim results of the Group for the six months ended 30 June 2020. 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 results announcement of the Group for the six months ended 30 June 2020, which is expected to be released by the end of August 2020.

Accordingly, 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, 5 August 2020

As at the date of this announcement, the executive Director 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.