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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)

**INSIDE INFORMATION
AGREEMENT OF INTENT IN RELATION TO
JOINT OPERATION**

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 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 is pleased to announce that on 31 August 2020, Rundong Automobile Group Co., Ltd. (“**Rundong Automobile**”), a wholly-owned subsidiary of the Company, entered into an agreement of intent for joint operation (the “**Agreement of Intent**”) with Shanghai Lanhai Automobile Development Co., Ltd. (the “**Business Partner**”, together with Rundong Automobile, the “**Parties**”, and each a “**Party**”) in relation to the proposed business cooperation to the joint operation and management of certain 4S dealership stores (the “**Joint Operation**”).

As the Business Partner has the dealership authorization from certain automobile manufacturers and Rundong Automobile has the ancillary resources required for the operation of 4S dealership stores, including equipment, premises and human resources, the Parties intend to commence joint operation of 4S dealership stores. Based on the preliminary assessment, the Parties are expected to have a joint operation capacity covering more than 15 dealership stores.

Pursuant to the Agreement of Intent, the Parties shall further negotiate and enter into a formal agreement (the “**Formal Agreement**”) in respect of, among others, the term of cooperation, the profit and loss sharing mechanism, the operational decision-making, staff arrangement, provision of ancillary resources and liabilities for breach, etc.

The joint operation relationship under the Agreement of Intent and the Formal Agreement shall be exclusive between the Parties. Commencing on the date of the Agreement of Intent and during the term of the Formal Agreement, except with the prior written consent of Rundong Automobile, the Business Partner shall not enter into any written or oral agreement with any third party, which will form joint operation arrangement of the same or similar purpose of the Agreement of Intent and/or the Formal Agreement.

The Joint Operation will provide an opportunity to the Group for better utilization of its existing operational resources and expansion of its business activities for additional sources of incomes through joint operation of 4S dealership stores in collaboration with independent third parties, which is conducive to the sustainable and stable development of the Group in the long term and is in the interests of the Company and its shareholders as a whole. In the future, the Group will continue to explore strategic business cooperation with its peers. In the meantime, the Company will further explore the opportunity of strategic capital investment by the Business Partner into the Group through the Joint Operation.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Business Partner and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

The Company will make further announcement(s) and/or obtain shareholders' approval as and when appropriate in accordance with applicable Listing Rules.

The shareholders of the Company 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, 31 August 2020

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.