TARGET
Intelligence Report

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CHINA RUNDONG AUTO GROUP LTD:

THIS COMPANY HAS STATED, DEFINITIVELY, THAT IT

HAS BEEN UNABLE TO PAY ITS DEBTS, IN FULL, AS THEY FELL DUE

And Management Is Engaged

In The Desperate Hunt For Cash

It would appear, prima facie, that China Rundong Auto Group Ltd () (Code: 1365, Main Board, The Stock Exchange of Hongkong Ltd) is in dire straits.

Whether or not the Company will be able to survive is dependent on a number of factors, all of which, today, only a very few people are privy.

The Interim Report Of China Rundong Auto Group Ltd

On Friday, August 30, 2019, China Rundong Auto Group Ltd published its Interim Report in respect of the six months, ended June 30, 2019.

Briefly, the following are some of the highlights of this Interim Report:

	As At June 30, 2019	As at June 30, 2018	Percentage Increase/(Decrease)
	All Figures Are Denominated In Renminbi'000 (except where otherwise stated)		
Revenue*	4,955,749	7,506,535	(33.98)
Gross Profit	16,570	498,959	(96.68)
Net Profit/(Loss) Attributable to Shareholders	(1,216,871)	32,960	Not Applicable
Pledged Bank Deposits and Cash and Cash Equivalents	1,607,316	2,252,581	(28.65)
Net Assets (Shareholders' Funds)	880,540	2,097,155	(58.01)
Gearing Ratio (in percentages)	503.20	303.50 (as at December 31, 2018	199.70 percentage points

***** Revenue is derived from sales of motor vehicles and after-sales services.

At Page 28 of the Interim Report, it was stated:

'***New Car Sales***

'In the first half of 2019, the overall sales of the automobile consumption market fell by 12.4%. The Group made reassessment and integration on business, slowed down the pace of bulk purchase and committed to maintaining the profit of new car sales. In the first half of 2019, the overall gross profit margin of the Group's new vehicles was -3.6%, representing a decrease of 6.4% compared with the first half of 2018, mainly due to the clearance of the National V stocks of the Group and the price cuts of new vehicles.

'In the first half of 2019, the Group recorded a revenue of RMB4,280.8 million from new car sales, representing a year-on-year decrease of 33.9%, among which, luxury and ultra-luxury car sales revenue reached RMB3,300.2 million, representing a year-on-year

decrease of 33.3%, and accounting for 77.09% of the new car sales revenue.

'***After-sales Services***

'*In the first half of 2019, our after-sales services performance was directly affected by the decrease in the number of in-store automobile maintenance and sales of automobile decoration caused by the decrease in new car sales. For the six months ended 30 June 2019, revenue from our after-sales services amounted to RMB674.9 million, representing a year-on-year decrease of 34.3%, accounting for 13.6% of the Group's total revenue, the gross profit margin of after-sales service was 25.3%.*

'***Value-added Business***

'*Car value-added business, especially automobile finance and new auto insurance agency business, also were affected by the decline in sales volume of new vehicles. In the first half of 2019, the revenue derived from our finance agency services amounted to RMB43.3 million, representing a decrease of 27.2% compared with the same period of 2018. The revenue derived from the insurance agency business of the Group amounted to RMB50.7 million in the first half of 2019, representing a decrease of 38.7% as compared with the same period of 2018.'*

As at **...**