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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
ANNOUNCEMENT IN RELATION TO THE ENFORCEMENT OF CHARGE
OVER CONVERTIBLE PREFERENCE SHARES HELD BY
THE CONTROLLING SHAREHOLDER**

This announcement is made by China Rundong Auto Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 and 13.25(1)(b) 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 under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (the “**SFO**”) (Cap. 571 of the Laws of Hong Kong).

Reference is made to (i) the announcement of the Company dated 17 May 2015 in relation to, amongst others, the subscription for ordinary shares and convertible preference shares (the “**2015 Announcement**”); and (ii) the announcement of the Company dated 12 August 2019 in relation to the default on the bridging loan by Rundong Fortune Investment Limited (“**Rundong Fortune**”) and the potential enforcement of share charges and outstanding loan (the “**2019 Announcement**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2019 Announcement.

Rundong Fortune is the controlling shareholder of the Company and a wholly-owned subsidiary indirectly and legally owned by the trustee to the Rue Feng family trust for the benefit of the beneficiaries of the Rue Feng family trust, of which Mr. Yang Peng, the Chairman, the Chief Executive Officer and an executive director of the Company, acts as its protector. As disclosed in the 2019 Announcement, Rundong Fortune had pledged, amongst others, (i) 13,000,000 convertible preference shares to Giant Profit Enterprises Limited (“**Giant Profit**”) to secure the Giant Profit Notes (the “**Giant Profit Charge**”); and (ii) 20,007,320 convertible preference shares to Prosperous Luck Limited (“**Prosperous Luck**”) to secure the Prosperous Luck Notes (the “**Prosperous Luck Charge**”, together with the Giant Profit Charge, collectively referred to as the “**Charges**”). As disclosed in the 2019 Announcement, Rundong Fortune had defaulted on the Giant Profit Notes and

the Prosperous Luck Notes upon maturity and as a result, Giant Profit and Prosperous Luck has had the right to enforce the Giant Profit Charge and the Prosperous Luck Charge any time. The Company was also informed that the Prosperous Luck Charge was subsequently assigned to Giant Profit.

As disclosed in the 2015 Announcement, each of the subject convertible preference shares (at the option of its holder) is convertible at any time after issue by way of re-designation the ordinary shares of the Company on a one to one basis, provided that the conversion right will be suspended to the extent that it would result in the Company failing to comply with the public float requirement as prescribed under the Listing Rules.

On 16 February 2021, the Company received a letter (the “**Letter**”) from the counsel representing Giant Profit informing that Giant Profit had executed the Charges against Rundong Fortune. By virtue of execution of the Charges, Giant Profit effected the transfer (the “**CPS Transfer**”) of an aggregate of 33,007,320 convertible preference shares held by Rundong Fortune to CJ China Asset Management Limited (“**CJ China**”) on 11 February 2021. Further, a request was made in the Letter for (i) the conversion of the 33,007,320 convertible preference shares into ordinary shares of the Company; and (ii) upon conversion, registering the same in the name of CJ China (the “**CPS Conversion**”).

On 19 February 2021, the Company issued an aggregate of 33,007,320 ordinary shares of the Company to CJ China pursuant to the CPS Conversion. Following the CPS Transfer and the CPS Conversion, (i) CJ China becomes the holder of 33,007,320 ordinary shares of the Company, representing approximately 3.37% of the total issued shares of the Company as at the date of this announcement, and approximately 2.05% of the total issued shares of the Company as enlarged by the conversion of all outstanding convertible preference shares upon exercise of the related conversion rights; (ii) Rundong Fortune holds an aggregate of (a) 624,069,000 ordinary shares of the Company, representing approximately 63.71% of the total issued shares of the Company as at the date of this announcement, and approximately 38.74% of the total issued shares of the Company as enlarged by the conversion of all outstanding convertible preference shares upon exercise of the related conversion rights, and (b) 631,261,427 convertible preference shares, representing approximately 39.19% of the total issued shares of the Company as enlarged by the conversion of all outstanding convertible preference shares upon exercise of the related conversion rights.

Shareholders and potential investors of the Company 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, 19 February 2021

As at the date of this announcement, the executive Directors are Mr. Yang Peng and Mr. Pei Yuanhe; and the independent non-executive Directors are Mr. Mei Jianping, Mr. Chow Ming Sang, Mr. Xiao Zhengsan and Mr. Li Xin.