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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 Rule 13.09 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 185,898,807 ordinary shares and 167,065,880 convertible preference shares to Cheer Hope Holdings Limited (“**Cheer Hope**”) to secure the Cheer Hope Notes (the “**Cheer Hope Charge**”). As disclosed in the 2019 Announcement, Rundong Fortune had defaulted on the Cheer Hope Notes upon maturity and as a result, Cheer Hope has had the right to enforce the Cheer Hope Charge any time.

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 6 May 2021, the Company received a letter (the “**Letter**”) from Cheer Hope informing that Cheer Hope had executed the Charges against 167,065,880 convertible preference shares of Rundong Fortune (the “**Enforcement**”). Cheer Hope became the holder of 167,065,880 convertible preference shares of the Company, representing approximately 26.47% of the total convertible preference shares of the Company in issue as at the date of this announcement.

Further, a request was made in the Letter for (i) the conversion of the 167,065,880 convertible preference shares into ordinary shares of the Company; and (ii) upon conversion, registering the same in the name of Cheer Hope (the “**CPS Conversion**”). It is expected that, upon conversion, Cheer Hope will hold 167,065,880 ordinary shares of the Company, representing approximately 17.06% of the total issued ordinary shares of the Company as at the date of this announcement, and approximately 14.57% of the total issued ordinary shares of the Company as enlarged by the completion of the CPS Conversion.

The Company will conduct the CPS Conversion in accordance with the provisions of the articles of association and make an announcement pursuant to the requirements of the Listing Rules if necessary.

Notwithstanding the Enforcement, it is expected that Rundong Fortune will remain as the controlling shareholder of the Company immediately after the completion of the CPS Conversion.

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, 7 May 2021

As at the date of this announcement, the executive Directors of the Company 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.