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## **China Yongda Automobiles Services Holdings Limited**

**(中國永達汽車服務控股有限公司)**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 03669)**

### **CONTINUING CONNECTED TRANSACTIONS 2023 PROPERTIES LEASING AGREEMENT**

On December 29, 2023, the Company (as the lessee) entered into the 2023 Properties Leasing Agreement with Yongda Holding (as the lessor), pursuant to which Yongda Holding and its relevant subsidiaries will lease certain properties to the Group for a term of three years commencing on January 1, 2024 and ending on December 31, 2026.

The IFRSs applicable to the Group include IFRS 16 “Leases” which came into effect on January 1, 2019. Under IFRS 16 and in the consolidated statement of financial position of the Group, the Group as the lessee shall recognize a lease as a right-of-use asset and a lease liability.

As Yongda Holding is a majority-controlled company held by an immediate relative and a family member of Mr. Cheung Tak On, being the Controlling Shareholder and a Director of the Company, Yongda Holding is a connected person of the Company and the Continuing Connected Transactions contemplated under the 2023 Properties Leasing Agreement would therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios of the Continuing Connected Transactions are more than 0.1% but less than 5%, in accordance with Rule 14A.76 of the Listing Rules, the Continuing Connected Transactions are only subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules but are exempt from the circular and shareholders’ approval requirements. The Continuing Connected Transactions are also subject to annual review requirements under Rules 14A.55 and 14A.56 of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated November 25, 2020 in relation to the entering into of the 2020 Properties Leasing Agreement between the Company and Yongda Holding. Pursuant to the 2020 Properties Leasing Agreement, Yongda Holding and its relevant subsidiaries agreed to lease certain properties to the Group for a term of three years commencing on January 1, 2021 and ending on December 31, 2023. The Company is entitled to require Yongda Holding or its relevant subsidiaries to extend the term of the lease by giving written notice of at least six months before the expiry of the 2020 Properties Leasing Agreement subject to compliance with all applicable requirements under PRC laws and the Listing Rules.

## **THE 2023 PROPERTIES LEASING AGREEMENT**

### **Parties, Terms and Scope**

On December 29, 2023, the Company entered into the 2023 Properties Leasing Agreement with Yongda Holding, pursuant to which Yongda Holding and its relevant subsidiaries will lease certain properties to the Group for a term of three years commencing on January 1, 2024 and ending on December 31, 2026.

### **Principal Terms**

Pursuant to the 2023 Properties Leasing Agreement, the Company is entitled to require Yongda Holding or its relevant subsidiaries to extend the term of the lease by giving written notice of at least six months before the expiry of the 2023 Properties Leasing Agreement subject to compliance with all applicable requirements under PRC laws and the Listing Rules. The Company may, at any time before the 2023 Properties Leasing Agreement expires, terminate the lease of all or some of the leased properties set out therein by giving written notice of at least six months in advance. If the lease of some of the leased properties is terminated, the total rental payable by the Company shall be reduced accordingly. Pursuant to the 2023 Properties Leasing Agreement, Yongda Holding and its relevant subsidiaries cannot terminate the 2023 Properties Leasing Agreement unilaterally without the Company's consent unless the Company changes the use of the properties without permission which results in serious consequences. The total annual rental payable under the 2023 Properties Leasing Agreement shall be paid every year. The leased properties under the 2023 Properties Leasing Agreement are mainly used for the Group's 4S dealerships, city showrooms, repair and maintenance service centres and offices.

## Rents Payable and Pricing Policy

The rent shall be calculated based on the gross floor area of the target properties multiplied by the rent per unit area which shall be determined with reference to the rent of similar properties in the vicinity and the local market rental level, subject to adjustment by the parties in accordance with the actual condition of the target properties, and shall be no less favorable than that may be offered by independent third parties.

## Historical Annual Caps and Transaction Amounts

The total rental paid/to be paid by the Group under the 2020 Properties Leasing Agreement, together with the relevant annual caps, are as follows:

<b>For the year ended/ending December 31,</b>	<b>Historical annual caps (RMB)</b>	<b>Total rental paid/to be paid by the Group to Yongda Holding under the 2020 Properties Leasing Agreement (RMB)</b>
2021	38,500,000	33,546,000
2022	38,500,000	31,992,000
2023	38,500,000	38,038,000

## Annual Caps

The IFRSs applicable to the Group include IFRS 16 “Leases” which came into effect on January 1, 2019. Under IFRS 16 and in the consolidated statement of financial position of the Group, the Group as the lessee shall recognize a lease as a right-of-use asset and a lease liability. The right-of-use asset represents its right to use the underlying leased properties over the lease term and the lease liability represents its obligation to make lease payments (i.e. the rental payment). The accounting treatments for the actual leases made under the 2023 Properties Leasing Agreement shall comply with the applicable standards of IFRS 16.

Having considered (i) the estimated maximum annual rent for the next three years not exceeding RMB45,000,000 (the estimate is based on: the historical rental paid; the prevailing and trend of market rentals of properties with similar locations and sizes to the leased properties; various conditions of the leased properties, including but not limited to the increase in leased area over previous years, the location of the leased properties as well as the facilities and management services associated with the properties; the availability of properties with similar sizes at nearby locations); and (ii) lease incremental borrowing rate in China as the lease will be recognized as right-of-use asset according to IFRS 16 and the

Group's anticipated future demand for leasing properties, the annual caps of right-of-use asset under the 2023 Properties Leasing Agreement for each of the three years ending December 31, 2024, 2025 and 2026 is RMB125,684,000, RMB125,684,000 and RMB125,684,000, respectively.

The rent payable by the Company under the 2023 Properties Lease Agreement is expected to be financed by the internal resources of the Group.

The Directors (including the independent non-executive Directors) are of the view that the annual caps for the transactions under the 2023 Properties Leasing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL MEASURES ON CONTINUING CONNECTED TRANSACTIONS**

To safeguard the interests of the Shareholders as a whole, including minority Shareholders, the Group has implemented internal control measures on the Continuing Connected Transactions, including but not limited to the following:

1. the Group's financial department and other relevant departments shall inspect continuously and collect and evaluate regularly the pricing policy, transaction terms and actual transaction amounts under the 2023 Properties Leasing Agreement to ensure that (i) the Continuing Connected Transactions thereunder are conducted on normal commercial terms and no less favorable than those available from independent third parties; and (ii) the transaction amounts will not exceed the annual caps determined by the 2023 Properties Leasing Agreement; and
2. the auditor and the independent non-executive Directors will conduct annual review on the pricing policy, transaction terms and annual caps under the 2023 Properties Leasing Agreement.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE 2023 PROPERTIES LEASING AGREEMENT**

The leased properties are for the purpose of the Group's operation of passenger vehicles sales and services which are used for its 4S dealerships, city showrooms, repair and maintenance service centres and offices. The 2020 Properties Leasing Agreement will expire on December 31, 2023. The Directors are of the view that it is beneficial for the Group to enter into the 2023 Properties Leasing Agreement, through which the Group is able to continue to use the land and properties to avoid any disruption to operations due to relocation and also save the relocation costs.

The terms of the 2023 Properties Leasing Agreement were negotiated by the parties on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transactions contemplated under the 2023 Properties Leasing Agreement are on normal commercial terms or better and have been entered into in the ordinary and usual course of business of the Group with terms which are fair and reasonable, and the entering into of such Continuing Connected Transactions and the annual caps are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER LISTING RULES**

As Yongda Holding is a majority-controlled company held by an immediate relative and a family member of Mr. Cheung Tak On, being the Controlling Shareholder and a Director of the Company, Yongda Holding is a connected person of the Company and the transactions contemplated under the 2023 Properties Leasing Agreement would therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios based on the annual caps for the Continuing Connected Transactions for the three years ending December 31, 2026 under the 2023 Properties Leasing Agreement are more than 0.1% but less than 5%, in accordance with Rule 14A.76 of the Listing Rules, the Continuing Connected Transactions are only subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules but are exempt from the circular and shareholders' approval requirements. The Continuing Connected Transactions are also subject to the annual review requirement under Rules 14A.55 and 14A.56 of the Listing Rules. As Yongda Holding is a majority-controlled company held by an immediate relative and a family member of Mr. Cheung Tak On, Mr. Cheung Tak On (the Controlling Shareholder and a Director of the Company) has abstained from voting on the relevant Board resolutions. As Mr. Wang Zhigao is a Shareholder and a Director of the Company and an indirect shareholder and chairman of the board of directors of Yongda Holding, and Mr. Cai Yingjie is a Shareholder and a Director of the Company and his immediate relative is an indirect shareholder of Yongda Holding, they have also abstained from voting on the relevant Board resolutions. Save as disclosed above, none of the Directors has a material interest in the Continuing Connected Transactions contemplated under the 2023 Properties Leasing Agreement.

## **INFORMATION OF THE GROUP AND YONGDA HOLDING**

The Group is a leading passenger vehicle retailer and comprehensive service provider in China focused on luxury and ultra-luxury automobile brands and owns strong luxury and ultra-luxury products portfolio. We operate 4S dealerships by way of distribution and agent agreement for many automobile brands, mainly including luxury and ultra-luxury brands such as BMW/MINI, Mercedes-Benz, Audi, Porsche, Jaguar/Land Rover, Bentley, Aston Martin, Volvo, Cadillac, Lincoln and Lexus, mid-to-high-end brands such as Buick, Volkswagen and Chevrolet, and independent new energy automobile brands such as BYD, AITO, ORA, Zhiji,

Neta, Xiaopeng and smart. The Group has a total of 260 outlets which are opened as of June 30, 2023, with its wide network centralized in East China including Shanghai, and the Group has expanded into other regions in the PRC. In addition to passenger vehicle sales business, the Group also provides customers with a comprehensive range of automobile related services through “one-stop shop” approach, which includes after-sales services, automobile rental as well as distribution of automobile insurance and credit products and other related services. As at the date of this announcement, to the best of the Directors’ knowledge and having made all reasonable enquiries, the ultimate beneficial controller of the Company is Mr. Cheung Tak On who is the Controlling Shareholder of the Company.

Yongda Holding is principally engaged in the investment business. As at the date of this announcement, to the best of the Directors’ knowledge and having made all reasonable enquiries, Yongda Holding is held as to 50% by Ms. Zhang Lili (張麗莉) (a niece of Mr. Cheung Tak On) through her wholly-owned subsidiary, Shanghai Shenxu Information Technology Co., Ltd.\* (上海申旭信息科技有限公司). The remaining 50% equity interest in Yongda Holding is controlled by Ms. Zhang Lili (張麗莉) and Ms. Gu Lifang (顧麗芳) (the spouse of Mr. Cheung Tak On) through their direct and indirect majority-control in Shanghai Shouhao Information Technology Co., Ltd.\* (上海首浩信息科技有限公司), of which the other shareholders include Mr. Wang Zhigao (王志高) (a Director of the Company), Ms. Luo Aijuan (羅愛娟) (the spouse of Mr. Cai Yingjie, a Director of the Company) and Mr. Qiao Suixiang (喬穗祥) (an independent third party) with their respective shareholding therein being less than 20%.

## **DEFINITION**

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“2020 Properties Leasing Agreement”	the framework lease agreement entered into by the Company with Yongda Holding and its relevant subsidiaries on November 25, 2020, pursuant to which Yongda Holding and its relevant subsidiaries agreed to lease certain properties to the Group for a term of three years commencing on January 1, 2021 and ending on December 31, 2023, for the particulars of which please refer to the announcement of the Company dated November 25, 2020
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“2023 Properties Leasing Agreement”	the framework lease agreement entered into by the Company with Yongda Holding and its relevant subsidiaries on December 29, 2023, pursuant to which Yongda Holding and its relevant subsidiaries agreed to lease certain properties to the Group for a term of three years commencing on January 1, 2024 and ending on December 31, 2026
“4S”	sales, spare parts, service and survey
“Board”	the board of Directors
“Company”	China Yongda Automobiles Services Holdings Limited (中國永達汽車服務控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed and traded on the Stock Exchange (Stock Code: 3669)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the 2023 Properties Leasing Agreement
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“IFRS(s)”	International Financial Reporting Standard(s) issued by International Accounting Standards Board from time to time
“independent third party(ies)”	any entity or individual which is neither the connected person of the Company nor the associate (as defined in the Listing Rules) of such connected person
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“majority-controlled company”	has the meaning ascribed thereto under the Listing Rules

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency in PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yongda Holding”	Shanghai Yongda Holding (Group) Limited* (上海永達控股(集團)有限公司), a limited liability company incorporated in the PRC on September 15, 2003. As Yongda Holding is a majority-controlled company held by an immediate relative and a family member of Mr. Cheung Tak On, being the Controlling Shareholder and a Director of the Company, Yongda Holding is a connected person of the Company under Rule 14A.07(4) of the Listing Rules
“%”	per cent

\* *For identification purpose only*

By order of the Board  
**China Yongda Automobiles Services Holdings Limited**  
**Cheung Tak On**  
*Chairman*

PRC, December 29, 2023

*As at the date of this announcement, the Board comprises (i) six executive Directors, namely Mr. Cheung Tak On, Mr. Cai Yingjie, Mr. Wang Zhigao, Mr. Xu Yue, Ms. Chen Yi and Mr. Tang Liang; and (ii) three independent non-executive Directors, namely Ms. Zhu Anna Dezhen, Mr. Lyu Wei and Mr. Mu Binrui.*