



**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**  
**NEW PROPERTIES LEASING AGREEMENT**

On 25 November 2020, the Company entered into the New Properties Leasing Agreement, as the lessee, with Yongda Holding, as the lessors whereby Yongda Holding and its relevant subsidiaries will lease certain properties to the Group for a term of three years commencing from 1 January 2021 and ending on 31 December 2023.

The IFRSs applicable to the Group include IFRS 16 “Leases” which came into effect on 1 January 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 indirectly held by 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 New Properties Leasing Agreement would therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

One or more of the applicable percentage ratios of the Continuing Connected Transactions are more than 0.1% but less than 5%. Therefore, 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 (including independent financial advice) 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 29 December 2017 whereby the Company had entered into the 2017 Properties Leasing Agreement with Yongda Holding. Pursuant to the 2017 Properties Leasing Agreement, Yongda Holding and its relevant subsidiaries agreed to lease certain properties to the Group for a term of three year commencing on 1 January 2018 and ending on 31 December 2020. 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 2017 Properties Leasing Agreement subject to compliance with all applicable requirements under PRC laws and the Listing Rules.

## **THE NEW PROPERTIES LEASING AGREEMENT**

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

On 25 November 2020, the Company entered into the New Properties Leasing Agreement with Yongda Holding whereby Yongda Holding and its relevant subsidiaries will lease certain properties to the Group for a term of three year commencing on 1 January 2021 and ending on 31 December 2023.

### **Principal Terms of the New Properties Leasing Agreement**

Pursuant to the New 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 New 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 New 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 New Properties Leasing Agreement, Yongda Holding and its relevant subsidiaries cannot terminate the New Properties Leasing Agreement unilaterally without the Company's consent unless the Company has changed the use of the properties without permission and resulted in serious consequences. The total annual rental payable under the New Properties Leasing Agreement will be paid every year in arrears. The leased properties under the New Properties Leasing Agreement are mainly used for the Group's 4S dealerships, city showrooms, repair and maintenance service centres and offices.

## Rents Payable and the Pricing Policy

The rent shall be calculated based on the gross floor area of the subject 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 subject properties and shall be no less favorable than that can be offered by an independent third party.

## HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The total rental paid/to be paid by the Group under the 2017 Properties Leasing Agreement, together with the relevant annual caps, are as follows:

<b>For the year ended/ending 31 December</b>	<b>Historical annual caps (RMB)</b>	<b>Total rental paid/to be paid by the Group to Yongda Holding under the 2017 Properties Leasing Agreement (RMB)</b>
2018	38,060,000	33,552,000
2019	38,060,000	33,389,000
2020	38,060,000	33,960,000

## ANNUAL CAPS

The IFRSs applicable to the Group include IFRS 16 “Leases” which came into effect on 1 January 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 New 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 RMB38,500,000; (the basis of estimate includes: 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 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) 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 New Properties Leasing Agreement for each of the three years ending 31 December 2021, 2022 and 2023 is RMB103 million, RMB103 million and RMB103 million.

The rent payable by the Company under the New 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 Continuing Connected Transactions under the New 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 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 New Properties Leasing Agreement to ensure (i) that the Continuing Connected Transactions thereunder are conducted on normal commercial terms and no less favorable than those available from independent third parties; and (ii) that the transaction amounts will not exceed the annual caps determined by the New Properties Leasing Agreement; and
2. the auditor and the independent non-executive Directors will conduct an annual review on the pricing policy, transaction terms and the annual caps under the New Properties Leasing Agreement.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE NEW 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 2017 Properties Leasing Agreement will expire on 31 December 2020. The Directors consider it is beneficial to the Group to enter into the New Properties Leasing Agreement so that the Group is able to continue to use the land and properties to avoid any disruption to operations which relocation may entail and also save the relocation costs.

The terms of the New 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 New 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 Connection 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 indirectly held by 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 New Properties Leasing Agreement would therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules. Based on the annual caps under the New Properties Leasing Agreement for the three years ending 31 December 2023, one or more of the applicable percentage ratios of the Continuing Connected Transactions are more than 0.1% but less than 5%. Therefore, 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. Mr. Cheung Tak On, being the Controlling Shareholder and a Director of the Company and the ultimate beneficial controller of Yongda Holding, has material interest in the Continuing Connected Transactions contemplated under the New Properties Leasing Agreement and 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 Yongda Holding, and Mr. Cai Yingjie is a Shareholder and a Director of the Company and 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 New 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, including BMW/MINI, Porsche, Audi, Jaguar/Land Rover, Mercedes-Benz, Lexus, Bentley, Aston Martin, Volvo, Cadillac, Lincoln and Infiniti. The Group has a total of 214 outlets authorized by the manufacturers which are opened and authorized to open as of 30 June 2020, its network centralized in East China, including Shanghai, and has expanded widely. In addition to passenger vehicle sales business, the Group also provides customers with a comprehensive range of automobile related services through its "one-stop shop" approach, which includes after-sales services, automobile rental as well as a wide range of other services in relation to pre-owned vehicles, 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 holding and real estate business. 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 Yongda Holding is Mr. Cheung Tak On.

## **DEFINITION**

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

“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 New 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)”	individual(s) or company(ies) not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Properties Leasing Agreement”	the framework lease agreement entered into between the Company and Yongda Holding and its relevant subsidiaries on 25 November 2020, pursuant to which Yongda Holding and its relevant subsidiaries agreed to lease certain properties to the Group for a term of three years
“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 15 September 2003. As Yongda Holding is a majority-controlled company indirectly held by Mr. Cheung Tak On, being the Controlling Shareholder and a Director of the Company, Yongda Holding is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules
“2017 Properties Leasing Agreement”	the lease agreement entered into between the Company and Yongda Holding and its relevant subsidiaries on 29 December 2017, pursuant to which Yongda Holding and its relevant subsidiaries agreed to lease certain properties to the Group for a term of three years
“4S”	sales, spare parts, service and survey
“%”	per cent

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

PRC, 25 November 2020

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