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联想控股
LEGEND HOLDINGS
BUILDING GREAT COMPANIES

联想控股股份有限公司
Legend Holdings Corporation

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 03396)

Continuing Connected Transaction Provision of Continuing Financial Assistance to a Connected Subsidiary

Reference is made to the Company's announcement dated August 30, 2018 in relation to the 2018 Financial Assistance Agreement entered into between the Company and Better Education, pursuant to which the Company agreed to provide financial assistance in the amount of no more than US\$250 million (or its equivalent in Renminbi) to Better Education and its subsidiaries. Such financial assistance agreement will expire on August 30, 2021.

On August 10, 2021, the Company and Better Education entered into the 2021 Financial Assistance Agreement, pursuant to which the Company or its subsidiaries agreed to, at the written request of Better Education and within a term of 36 months, provide continuing financial assistance in the amount of no more than RMB210 million (or its equivalent in US dollars) to Better Education and its subsidiaries, subject to the then financial positions of the Company and in compliance with the Listing Rules. The continuing financial assistance will primarily meet the needs of Better Education's day-to-day operation and business development and transformation. Such continuing financial assistance comprises the provision of guarantee by the Company (in its capacity as the ultimate controlling shareholder of Better Education) or its subsidiaries for the credit facilities to be provided by independent third-party banks and financing institutions to Better Education and its subsidiaries and the provision of shareholder loans by the Company or its subsidiaries. Once the 2021 Financial Assistance Agreement had become effective, the 2018 Financial Assistance Agreement was automatically terminated.

IMPLICATIONS UNDER THE LISTING RULES

Mr. ZHAO is a connected person of the Company and indirectly controls over 30% equity interests in Hony Capital Fund VIII. He is deemed an associate of Hony Capital Fund VIII which indirectly holds 29% of the issued share capital of Better Education. Under Chapter 14A of the Listing Rules, Better Education is a connected subsidiary of the Company. As such, the provision of continuing financial assistance to Better Education constitutes continuing connected transactions of the Company. As one of the applicable percentage ratios (within the meaning of Rule 14.07 of the Listing Rules) for the cap for the financial assistance under the 2021 Financial Assistance Agreement is more than 0.1% but less than 5%, the transactions contemplated under the 2021 Financial Assistance Agreement constitute continuing connected transactions of the Company, which are subject to the annual review, reporting and announcement requirements, but are exempt from independent shareholders' approval requirements. Under the 2021 Financial Assistance Agreement, the applicable percentage ratios of the annual aggregate interests charged by the Company or its subsidiaries on Better Education and its subsidiaries are all below 0.1%, and according to the Listing Rule 14A.76, the Company is exempt from all reporting, announcement and annual review requirements and independent shareholders' approval requirements under the Listing Rules.

INTRODUCTION

Reference is made to the Company's announcement dated August 30, 2018 in relation to the 2018 Financial Assistance Agreement entered into between the Company and Better Education, pursuant to which the Company agreed to provide financial assistance in the amount of no more than US\$250 million (or its equivalent in Renminbi) to Better Education and its subsidiaries. Such financial assistance agreement will expire on August 30, 2021.

HISTORICAL CONTINUING FINANCIAL ASSISTANCE AMOUNTS

The historical amounts of continuing financial assistance provided by the Company to Better Education and its subsidiaries pursuant to the 2018 Financial Assistance Agreement are as follows:

Provided by the Company to Better Education and its subsidiaries:	From August 30, 2018 to December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2020	From January 1, 2021 to July 31, 2021
	(audited)	(audited)	(audited)	(unaudited)
	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Total financial assistance in the form of guarantees and shareholder loans (the total sum of maximum daily amount)	204,931	204,740	191,551	210,389

The Company has continuously monitored the total sum of maximum daily amount of continuing financial assistance provided to Better Education and its subsidiaries. During the period from August 30, 2018 to July 31, 2021, the total sum of maximum daily amount of principal of continuing financial assistance provided by the Company and the total sum of outstanding interest payable reached RMB210,389,000, which had not exceeded the cap of continuing financial assistance of US\$250 million (or its equivalent in Renminbi) under the 2018 Financial Assistance Agreement.

During the period from August 30, 2018 to July 31, 2021, the applicable percentage ratios (within the meaning of Rule 14.07 of the Listing Rules) of the annual aggregate interests received or to be received by the Company and its subsidiaries from Better Education and its subsidiaries under the 2018 Financial Assistance Agreement were all below 0.1%, and according to the Listing Rule 14A.76, the Company is exempt from all reporting, announcement and annual review requirements and independent shareholders' approval requirements under the Listing Rules.

2021 FINANCIAL ASSISTANCE AGREEMENT

On August 10, 2021, the Company and Better Education entered into the 2021 Financial Assistance Agreement, pursuant to which the Company or its subsidiaries agreed to, at the written request of Better Education and within a term of 36 months, provide continuing financial assistance in the amount of no more than RMB210 million (or its equivalent in US dollars) to Better Education and its subsidiaries, subject to the then financial positions of the Company and in compliance with the Listing Rules. The continuing financial assistance will primarily meet the needs of Better Education's day-to-day operation and business development and transformation. Such continuing financial assistance comprises the provision of guarantee by the Company (in its capacity as the ultimate controlling shareholder of Better Education) or its subsidiaries for the credit facilities to be provided by independent third-party banks and financing institutions to Better Education and its subsidiaries and the provision of shareholder loans by the Company or its subsidiaries. Once the 2021 Financial Assistance Agreement had become effective, the 2018 Financial Assistance Agreement was automatically terminated.

Principal Terms of the 2021 Financial Assistance Agreement:

Date	August 10, 2021
Parties	The Company; and Better Education, a connected subsidiary of the Company

Cap for the continuing financial assistance

Both parties have agreed that the continuing financial assistance shall be carried out and determined in accordance with the following principles:

- (1) upon fair and reasonable and arm's length negotiations between the parties and provided that it is in the interests of its shareholders as a whole, the Company or its subsidiaries have the sole and absolute discretion to decide whether or not to approve a specific financial assistance; and
- (2) the continuing financial assistance shall be provided on normal commercial terms with reference to market interest rate.

During the 36 months effective period of the 2021 Financial Assistance Agreement, the Company or its subsidiaries shall provide continuing financial assistance in the amount of no more than RMB210 million (or its equivalent in US dollars) to Better Education and its subsidiaries, to meet the needs of its day-to-day operation and business development and transformation. The financial assistance can be rolled over during the 36 months term provided that, among other things the total sum of the re-finance amounts together with the re-granted guarantees shall not exceed the balance available for utilisation. The specific amounts, interest rates and terms of the loans or guarantees to be further provided shall be determined by both parties in accordance with the terms of the 2021 Financial Assistance Agreement and separate agreements shall be entered into in this regard.

Term

The term of the 2021 Financial Assistance Agreement is 36 months effective from August 10, 2021. In compliance with the Listing Rules, Every financial assistance to be provided within the effective period under the 2021 Financial Assistance Agreement will remain effective until the expiry date of separate agreements thereon, subject to the compliance with the Listing Rules. For any guarantee contract or loan contract to be entered into by the Company or its subsidiaries within the effective period, if the term is beyond the effective period, then the Company will comply with the Listing Rules to issue announcements and seek the pre-approval of independent shareholders of the Company (if necessary).

Shareholder Loan Interest Rates and Guarantee Fees During the term, the interest rate of each shareholder loan to be provided by the Company or its subsidiaries to Better Education and its subsidiaries shall not be lower than the prevailing costs of financing obtained by the Company in the market. Depending on actual situations, the interest rates of shareholder loans shall not be lower than the prevailing interest rates of borrowings obtained from independent third-party banks or financing institutions or the interest rates of the corporate bonds issued by the Company. In case of any early repayment of the loans by Better Education and its subsidiaries, it shall repay the principal in full and pay the interest actually incurred up to and including the date of early repayment. If the Company or its subsidiaries agree to provide guarantee for Better Education and its subsidiaries, it shall not charge Better Education and its subsidiaries any guarantee fees.

BASIS FOR DETERMINING THE CAP FOR CONTINUING FINANCIAL ASSISTANCE

The cap for the total sum of maximum daily amount of continuing financial assistance under the 2021 Financial Assistance Agreement, including the total amount of guarantees provided, the principal of shareholder loans provided and the outstanding interest payable, is RMB210 million (or its equivalent in US dollars). In determining the cap for financial assistance, the following have been taken into account:

- 1) the actual sum of maximum amounts of continuing financial assistance provided by the Company or its subsidiaries to Better Education and its subsidiaries between August 30, 2018 and July 31, 2021;
- 2) it is expected that Better Education will continue to optimise its business model, operation and management and that its revenue and profit will increase steadily in the next three years. The working capital requirements for its future business development and transformation has also been taken into account; and
- 3) through the future internal resources of Better Education and the relevant measures to be adopted by Better Education to broaden its financing channels, its needs for shareholder loans and guarantees will remain stable.

REASONS FOR AND BENEFITS OF PROVISION OF CONTINUING FINANCIAL ASSISTANCE TO BETTER EDUCATION

Since the second half of 2018, a number of policies, rules and regulations regarding pre-school education have been rolled out by the Communist Party of China Central Committee, the State Council and the Ministry of Education of the PRC which posed various limitations and restraints on the business development model and the capitalization pathway of Better Education. Its board of directors and management have been proactively considering and pushing for business transformation. In the second half of 2020, the strategic transformation plan of Better Education was gradually formed. In the future, it will position itself as a platform-typed comprehensive service provider offering preschool education services, including providing preschool institutions with quality curriculum content and training for their teachers, IT adoption services, sale of textbooks and instructional tools, as well as providing comprehensive administrative supports. Following this strategy, Better Education has adjusted its development direction by revamping its operation model and organization structure. It is in the process of developing and promoting Kangxiang Cloud Platform (康想雲平台) a SAAS product for preschool education institutions, as well as various preschool curricula for all-round development. Relevant continuing financial assistance will fund its investment in new projects and business expansion, which is in line with the development of the Company. The Company will consider its own financial positions and will continue to provide shareholder loans and guarantees for Better Education subject to the provision of the 2021 Financial Assistance Agreement. To the best of the Directors' knowledge, it is a common practice for a listed company to provide corporate guarantees for the credit facilities granted to its subsidiaries and to provide them with continuing financial assistance. The Company nominates directors to join the board of directors of Better Education, which submits its financial statements to the Company on a regular basis. Better Education is expected to continue to contribute profit to the Company. As such, the Board is of the opinion that, from the business perspective, the liability risks to be assumed by the Company or its subsidiaries for its provision of continuing financial assistance to Better Education and its subsidiaries is reasonable, and the assistance to be provided to Better Education and its subsidiaries which enables them to obtain credit facilities and the provision of shareholders loans are in the interests of the Company and its shareholders as a whole.

The Directors, including independent non-executive Directors, are of the opinion that the terms of the 2021 Financial Assistance Agreement are on normal commercial terms which are agreed by the parties upon arm's length negotiations and entered into in the ordinary and usual course of business of the Company, the terms of the agreement are on normal commercial terms, and that the cap for and terms of the transaction under the 2021 Financial Assistance Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INTERNAL CONTROL MEASURES

- (1) The Company has established a specialized team responsible for keeping and regularly updating a list of connected persons of the Company, keeping a list of connected transactions (including details of their expiry dates), formulating and supervising the implementation of internal control system for each connected transaction, negotiating and signing of each connected transaction agreement, regularly monitoring and reviewing the implementation of connected transactions, regularly reviewing and making recommendations for the internal control system of connected transactions of the Company and its subsidiaries, organizing trainings in relation to connected transactions and regularly conducting supervision and inspection on connected transactions.
- (2) For the continuing connected transactions under the 2021 Financial Assistance Agreement, the Company and its subsidiaries have arranged designated personnel to be responsible for the determination of the interest rates of each shareholder loans in accordance with the principle as disclosed in this announcement and to ensure the interest rates charged are consistent with the interest rates stated in each separate shareholder loan agreement. The designated personnel will determine the interest rates of the shareholder loans in accordance with (i) the standards, regulations and procedures for providing funds to subsidiaries and associates set out in the Company's internal rules of fund lending and guarantee management; (ii) taking into account the value-added tax which may be imposed by the PRC taxation authorities on group enterprises for lending to subsidiaries; and (iii) with reference to the prevailing cost of financing obtained from independent third-party banks or financing institutions or the cost of the outstanding corporate bonds issued by the Company, so that the interest rates of the shareholder loans are fair and reasonable and on normal commercial terms and that it is not less than the prevailing cost of financing obtained by the Company and its subsidiaries in the markets.
- (3) The guarantees under the 2021 Financial Assistance Agreement must go through the Company's internal review and approval procedures, which involve: (i) the treasury department shall consider the Company's overall debt positions; (ii) the finance department shall consider the financial impacts on the Company and Better Education; (iii) the legal department shall consider the legal risks of the Company and Better Education under the relevant financing and guarantee agreements and the compliance responsibilities of the Company under the Listing Rules; and (iv) based on the summarized opinions of the aforesaid departments, and taking into consideration of the cash flow positions of Better Education and the overall solvency positions of the Company and Better Education, the executive Directors shall approve the guarantees with amounts that are in line with the requirements of Better Education, and ensure each guaranteed credit facility meets the business development and transformation needs of Better Education.
- (4) To ensure the aggregate amount of continuing financial assistance under the 2021 Financial Assistance Agreement provisions will not exceed the cap, the Company has designated a person responsible to follow up, on a monthly basis, the maximum amount of assistance provided by the Company for Better Education and report the same to the aforesaid specialized team which is ultimately responsible for the monthly supervision and inspection.

- (5) Relevant internal controls and risks management departments of the Company or its subsidiaries arrange regular internal control tests each year to examine the completeness and effectiveness of the internal control measures for connected transactions. The Company's legal department conducts reviews on the agreements relating to connected transactions; the finance department manages the implementation of connected transactions, monitors the amounts of connected transactions and whether all continuing connected transactions fall within the caps in a timely manner, and proposes measures to improve the issues identified.
- (6) The independent non-executive Directors review continuing connected transactions on an annual basis and express their opinions on (i) whether the amounts of the continuing connected transactions exceed the relevant caps; (ii) whether the continuing connected transactions are conducted in accordance with the relevant agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, are on normal commercial terms or better terms in the usual and ordinary course of business of the Company and its subsidiaries and are in the interest of the Company and its shareholders as a whole.
- (7) The audit committee under the Board reviews the annual reports in respect of the implementation of connected transactions, of continuing connected transactions, and of the management of connected transactions and submit these reports to the Board.
- (8) The external auditors of the Company issue opinions about the continuing connected transactions of the Company, on an annual basis and in accordance with the requirements of the Listing Rules, in respect of the pricing policies, the implementation of related agreement terms and whether the transaction amounts exceed the relevant caps in a given year. External auditors will issue the relevant letter to the Board and submit the same to the Stock Exchange.

Through the implementation of the aforesaid internal control measures, the Directors are of the opinions that there are sufficient internal control measures in place to secure the continuing financial assistance to be provided under the 2021 Financial Assistance Agreement will be on normal commercial terms , and will not impair the interests of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY

Legend Holdings is a leading industrial investments and operations company in the PRC. It builds up a unique two-wheel-drive business model of “strategic investments + financial investments” and focuses on the real economy and scientific & technological innovation areas. Through values creation and values discovery, the Company cultivates and manages outstanding asset portfolios with high growth potentials, driving sustainable value growth. Strategic investments aim at holding over a long term and focus on strategic sectors to build and optimize the portfolios while fostering pillar businesses. Financial investments are driven by financial returns with a proper mix of products or target portfolios. As at the date of this announcement, the single largest shareholder of the Company, Chinese Academy of Science Holdings Co., Ltd, holds approximately 29.04% interests in the Company.

INFORMATION ON BETTER EDUCATION

Better Education is an investment holding company incorporated in the Cayman Islands and a connected subsidiary of the Company. Its subsidiaries are a leading group of medium and high-end chain of kindergartens in the PRC. With over 10 years of operation and development, it has established a standard business model and an experienced operation and management team. Its network of kindergartens spans across the whole country covering 38 cities in 15 provinces. As of June 30, 2021, Better Education owns 114 directly-operated kindergartens, and 4 preschool education and training centres in cities including Shanghai, Suzhou, Nanjing, Chongqing, Changsha and Guangzhou, and another 14 kindergartens in establishment, with more than 36,000 enrolled students and over 5,700 employees, which makes it one of the front-runners in the industry nationwide in terms of its size. The shareholdings of Better Education are owned as to 29% by Fortune Eight Deacon Limited (“Fortune Eight”), 51% by Smart Fellow Limited (智漢有限公司) (“Smart Fellow”), 11.9% by Reeco Group (BVI) Corporation (“Reeco Group”), 5.56% by Joyous Education Corp. (“Joyous Education”) and 2.54% by Sunrise Education Group Inc. (“Sunrise Education”). Fortune Eight is wholly-owned by Hony Fund VIII and Mr. ZHAO, being the single largest shareholder, indirectly controls over 30% of Hony Capital Fund VIII GP (Cayman) Limited (the general partner of Hony Fund VIII). Smart Fellow is an indirect wholly-owned subsidiary of the Company. Reeco Group is wholly-owned by Mr. Wang Guoda (王國達). Joyous Education and Sunrise Education are both wholly-owned by Mr. Lin Minglang (林銘郎).

IMPLICATIONS UNDER THE LISTING RULES

Mr. ZHAO is a connected person of the Company and indirectly controls over 30% equity interests in Hony Capital Fund VIII. He is deemed an associate of Hony Capital Fund VIII which indirectly holds 29% of the issued share capital of Better Education. Under Chapter 14A of the Listing Rules, Better Education is a connected subsidiary of the Company. As such, the provision of continuing financial assistance to Better Education constitute continuing connected transactions of the Company. As one of the applicable percentage ratios (within the meaning of Rule 14.07 of the Listing Rules) for the cap for the financial assistance under the 2021 Financial Assistance Agreement is more than 0.1% but less than 5%, the transactions contemplated under the 2021 Financial Assistance Agreement constitute continuing connected transactions of the Company, which are subject to the annual review, reporting and announcement requirements, but are exempt from and independent shareholders’ approval requirements. Under the 2021 Financial Assistance Agreement, the applicable percentage ratios of the annual aggregate interests to be charged by the Company or its subsidiaries on Better Education and its subsidiaries are all below 0.1%, and according to the Listing Rule 14A.76, the Company is exempt from all reporting, announcement and annual review requirements and independent shareholders’ approval requirements under the Listing Rules.

Mr. ZHAO has abstained from voting on the relevant resolution of the Board approving the above matter. Save as disclosed above, no other Directors have any material interest in the above matter or are required to abstain from voting on the relevant resolutions of the Board.

DEFINITIONS

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

“2018 Financial Assistance Agreement”	the continuing financial assistance framework agreement dated August 30, 2018 entered into between the Company and Better Education on the continuing financial assistance provided by the Company to Better Education, which will expire on August 30, 2021
“2021 Financial Assistance Agreement”	the continuing financial assistance framework agreement dated August 10, 2021 entered into between the Company and Better Education on the continuing financial assistance provided by the Company to Better Education
“associate(s)”	shall have the meanings ascribed to it under the Listing Rules
“Better Education”	Better Education Group Corporation (三育教育集團股份有限公司), a company incorporated in the Cayman Islands with limited liability and a connected subsidiary of the Company
“Board”	the board of directors of the Company
“the Company” or “Legend Holdings”	Legend Holdings Corporation, a joint-stock company incorporated with limited liability under the laws of the PRC, the H shares of which are listed on the Main Board of the Stock Exchange
“connected person”	shall have the meanings ascribed to it under the Listing Rules
“Connected Transaction”	shall have the meanings ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Hony Capital”	a series of private equity funds and their respective managers/general partners

“Hony Fund VIII”	Hony Capital Fund VIII (Cayman), L.P., a private equity fund managed by Hony Capital
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. ZHAO”	Mr. ZHAO John Huan, an non-executive Director of the Company
“percentage ratios”	shall have the meanings ascribed to it under rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Legend Holdings Corporation
NING Min
Chairman

August 10, 2021

As at the date of this announcement, the Executive Directors of the Company are Mr. NING Min and Mr. LI Peng; the Non-executive Directors are Mr. ZHU Linan, Mr. ZHAO John Huan, Mr. SUO Jishuan and Mr. YANG Jianhua; and the Independent Non-executive Directors are Mr. MA Weihua, Ms. HAO Quan and Mr. YIN Jian’an.