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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)

Revision of Annual Cap for Continuing Connected Transactions of a Connected Subsidiary

Reference is made to the announcement of the Company dated December 29, 2020. Pursuant to the Original Agreement, Guozhuang Mining will provide coal and labour outsourcing services to Levima at a total maximum consideration of RMB150.53 million from January 1, 2021 to December 31, 2021. In May, 2021, Levima completed the acquisition of Levima Chemicals making it a wholly-owned subsidiary of Levima. Levima and Levima Chemicals have increased the coal procurement quantities from Guozhuang Mining so as to further optimize coal procurement channels and reduce the costs of procurement in view of meeting their business developments, manufacturing and operational needs. The Board envisages that the Existing Annual Cap under the Original Agreement cannot fulfil the actual demands of the manufacturing and operations of Levima and Levima Chemicals. On September 3, 2021, Guozhuang Mining, Levima Group and Levima Chemicals entered into a coal and labour outsourcing services agreement, pursuant to which Guozhuang Mining will provide (i) Levima with coal and labour outsourcing services; and (ii) Levima Chemicals with coal. The existing annual cap of the aforesaid total consideration (exclusive of tax) will be raised from the Existing Annual Cap to RMB316.48 million.

Implications under the Listing Rules

CAS Holdings, a substantial shareholder of the Company, holds approximately 25.27% equity interest in Levima. Levima and Levima Chemicals are both connected subsidiaries of the Company. The provisions of coal and labour outsourcing services to Levima and Levima Chemicals by Guozhuang Mining constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios, excluding the profit ratio, (within the meaning of Rule 14.07 of the Listing Rules) for the Revised Annual Cap is more than 0.1% but less than 5%, the transactions contemplated under the New Agreement constitute continuing connected transactions of the Company, which are subject to the annual review, reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements.

Reference is made to the announcement of the Company dated December 29, 2020 (the “2020 Announcement”), in relation to the Coal and Labour Outsourcing Services Agreement (the “Original Agreement”) re-entered between Guozhuang Mining and Levima. Pursuant to the Original Agreement, Guozhuang Mining will provide coal and labour outsourcing services to Levima during the period from January 1, 2021 to December 31, 2021 at a total maximum consideration of RMB150.53 million (exclusive of tax) (the “Existing Annual Cap”). Unless the context otherwise requires, the expressions used in this announcement shall have the same meanings as defined by the 2020 Announcement.

Considering that Levima Advanced Materials completed the acquisition of Levima (Shandong) Chemicals Co., Ltd. (聯泓(山東)化學有限公司) (“Levima Chemicals”) (formerly known as Xinneng Fenghuang (Tengzhou) Energy Co., Ltd. (新能鳳凰(滕州)能源有限公司)) on May 10, 2021, Levima Chemicals has then become a wholly owned subsidiary of Levima. Levima and Levima Chemicals have increased the coal procurement quantities from Guozhuang Mining so as to further optimize coal procurement channels and reduce the costs of procurement in view of meeting their business developments, manufacturing and operational needs. The Board envisages that the Existing Annual Cap under the Original Agreement cannot fulfil the actual demands of the manufacturing and operations of Levima and Levima Chemicals.

New Agreement and Revised Annual Cap

On September 3, 2021, Guozhuang Mining, Levima Group and Levima Chemicals entered into a coal and labour outsourcing services agreement (the “New Agreement”). According to the New Agreement, Guozhuang Mining will provide (i) Levima with coal and labour outsourcing services; and (ii) Levima Chemicals with coal. The existing annual cap of the aforesaid total consideration (exclusive of tax) will be raised from the Existing Annual Cap to RMB316.48 million (the “Revised Annual Cap”). After the New Agreement takes effect, it will supersede the Original Agreement. The Original Agreement will be automatically terminated and no longer effective.

Key Terms of the New Agreement:

Date	September 3, 2021
Parties	Guozhuang Mining, an indirect subsidiary of the Company (as supplier)
	Levima, a connected subsidiary of the Company (as purchaser)
	Levima Chemicals, a connected subsidiary of the Company (as purchaser)

Basis for Prices
Determination

The basis for prices determination remains the same as stipulated in the Original Agreement.

The coal price shall be determined in accordance with the following market pricing principles on a reasonable basis, with reference to the prices offered by Guozhuang Mining to other external parties for the same period and taking into account factors such as drying fees and transportation fees:

- (1) the transaction prices for coal producers published on the commodity market information websites in the PRC;
- (2) the quoted prices of coal producers in nearby regions and the bid-winning coal prices for tenders of local power plants;
- (3) the bid prices of major coal customers of Guozhuang Mining for the same period, which shall be determined by the parties following arm's length negotiations through analyzing the then coal prices in the market and conducting comparative analysis.

Other related labour outsourcing service fees shall be determined with reference to the fees charged by comparable independent third parties and service providers in the market, each determined by the parties following arm's length negotiations and under conditions no less favourable than those offered to or offered by independent third parties. Within the term of the agreement, the parties shall, following discussion and arm's length negotiations, determine the price, quality, quantity, methods of transportation and inspection and date of delivery of coal on a transaction-by-transaction basis, as well as the scope, price and method of other services to be provided, and shall enter into separate procurement and services agreements accordingly to implement the arrangements for payments.

Term

From January 1, 2021 to December 31, 2021 which is the same as the Original Agreement

Conditions Precedent

The New Agreement will be established from the date when the parties stamped with their respective company seals and will be effective upon the approval of the competent authority of Levima on the expected maximum cap amount under such agreement.

Historical Transaction Amount

For the 6 months ended June 30, 2021, the historical transaction amount (“Historical Transaction Amount”) of the coal and labour outsourcing services provided by Guozhuang Mining to Levima Group is approximately RMB94.25 million (unaudited), accounting for approximately 62.61% of the Existing Annual Cap under the Original Agreement. As of the date of this announcement, the Company confirmed that the Historical Transaction Amount has not exceeded the Existing Annual Cap.

Factors for determining the Revised Annual Cap

The Board has considered the following factors when determining the Revised Annual Cap:

- (i) Levima Chemicals has become a newly acquired wholly-owned subsidiary of Levima since May, 2021. It mainly engages in the production and sale of methanol. The methanol production processes involve the consumptions of coal. Considering the demands of the business developments as a whole and for the benefits of optimizing the procurement channels and reducing procurement costs, the demands of coal procurements have gradually increased before the end of this year and will be about to exceed last year estimated amounts; and
- (ii) Since the beginning of 2021, the continuous rising trends of coal prices in the comprehensive trading markets and the estimated coal prices in the future.

The Company expects that the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the total sums payable by Levima to Guozhuang Mining for the provision of labour outsourcing services this year will be lower than the de minimis level under Chapter 14A of the Listing Rules. In the case when such sum are expected to be higher than the de minimis level, the Company will comply with the reporting and announcement requirements of the Listing Rules.

Reasons for and Benefits of Revising the Annual Cap

The Company has appointed designated personnel to closely monitor the implementation of the Original Agreement. Taking into account the abovementioned factors and having considered the expected business developments of Levima and Levima Chemicals, the Existing Annual Cap under the Original Agreement will not suffice for the possible coal procurements for this year. As such, the Board passed the resolution to raise the Existing Annual Cap to the Revised Annual Cap to meet the increasing coal demands of Levima and Levima Chemical from Guozhuang Mining. In general, raising the annual cap will be beneficial for the day-to-day productions, operations and management of Guozhuang Mining, Levima and Levima Chemicals, which will be ultimately beneficial to Legend Holdings.

The Directors, including independent non-executive Directors, are of the opinion that the terms of the New Agreement (including the Revised Annual Cap) are on normal commercial terms and are entered into in the ordinary and usual course of business of Guozhuang Mining, Levima and Levima Chemicals, the terms of the New Agreement (including the Revised Annual Cap) are agreed by the parties after arm’s length negotiations, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Internal Control Measures

Through the implementation of the internal control measures and procedures as set out in pages 4 to 6 of the 2020 Announcement, the Directors are of the opinion that the Company and its subsidiaries have sufficient internal control measures in place to ensure the pricing of each connected transactions is in strict compliance with the pricing principles and policies as set out in the New Agreement, on normal or better commercial terms, and is fair and reasonable as far as the Company and its shareholders are concerned.

Information of the Relevant Parties

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.

Levima is a joint-stock company incorporated with limited liability under the laws of the PRC, which was listed on the main board of the Shenzhen Stock Exchange, under the security code of 003022. Levima is a high-tech enterprise engaging in research and development, production and sales of new materials. Through years of continuous development, Levima has now established the olefin deep processing industrial chain to produce high value-added products, operating multiple sets of advanced equipment for methanol-to-olefin (DMTO), ethylene-vinyl acetate copolymer (EVA), polypropylene (PP), ethylene oxide (EO) and special ethylene oxide derivatives (EOD), with its production and operation maintaining a leading position in the industry. Levima’s core products include EVA photovoltaic materials used in the production of photovoltaic films, EVA materials used in wires and cables, T-walled PP injection molding products, special surfactants, high-performance superplasticizers, all maintained leading positions in terms of market shares in each market segments. As of June 30, 2021, Levima had a total of 131 patents approved and had 69 patents undergoing application processes. As at the date of this announcement, the Company indirectly and CAS Holdings directly hold approximately 51.77% and 25.27% equity interest in Levima respectively.

Levima Chemicals is a limited liability company established in Tengzhou City, Shandong Province in the PRC. It mainly engages in the production and sale of methanol.

Guozhuang Mining is a company incorporated in the PRC with limited liability and a subsidiary of the Company. It engages in coal mining and processing coal enterprise management, processing and repair of mining machinery parts and chemical machinery and parts, supply of labour, cargo handling services, cleaning services, greening project construction and cargo packaging services.

Implications under the Listing Rules

CAS Holdings, a substantial shareholder of the Company, holds approximately 25.27% equity interest in Levima. Levima and Levima Chemicals are both connected subsidiaries of the Company. The provisions of coal and labour outsourcing services to Levima and Levima Chemicals by Guozhuang Mining constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios, excluding the profit ratio, (within the meaning of Rule 14.07 of the Listing Rules) for the Revised Annual Cap is more than 0.1% but less than 5%, as such, the transactions contemplated under the New Agreement constitute continuing connected transactions of the Company, which are subject to the annual review, reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements.

Mr. NING Min is an executive director who also acts as a director of CAS Holdings. Mr. SUO Jishuan is a non-executive Director who also acts as the chairman of the board of directors of CAS Holdings. Mr YANG Jianhua is a non-executive Director who also acts as the vice chairman and general manager of CAS Holdings. As such, they have abstained from voting on the relevant resolutions of the Board approving the aforesaid matter. Other than Mr. NING Min, Mr. SUO Jishuan, and Mr YANG Jianhua, none of the Directors has any material interest in the aforesaid matter or is required to abstain from voting on the relevant resolution of the Board.

By order of the Board
Legend Holdings Corporation
NING Min
Chairman

September 3, 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 of the Company are Mr. ZHU Linan, Mr. ZHAO John Huan, Mr. SUO Jishuan and Mr. YANG Jianhua; and the Independent Non-executive Directors of the Company are Mr. MA Weihua, Ms. HAO Quan and Mr. YIN Jian'an.