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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)

Announcement

Lenovo Group Limited, a Subsidiary of the Company Renewal of Continuing Connected Transactions with Fujitsu

RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the JV Announcement made by the Company on November 2, 2017 and the CCT Announcements made by the Company on May 3, 2018 and February 21, 2020. Capitalized terms used herein shall have the same meanings as defined in the CCT Announcements unless otherwise defined.

As the term of the Relevant CCT Agreements will expire on May 2, 2023, FCCL entered into the Side Letters with members of the Fujitsu Group extending the term of the Relevant CCT Agreements as described herein in respect of the provision of certain services and products to or by FCCL to facilitate the operation of its business on the same terms and conditions as applied to the Relevant CCT Agreements.

LISTING RULES IMPLICATIONS

Lenovo (through Lenovo International), owns 51% of the total issued share capital of FCCL and Fujitsu owns 44% of the total issued share capital of FCCL. Lenovo is a subsidiary of the Company. Accordingly, Fujitsu (and its associates (as defined under the Listing Rules)) are connected persons of the Company and the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Fujitsu is a connected person of the Company at the subsidiary level, the transactions between FCCL and members of the Fujitsu Group contemplated under the Relevant CCT Agreements and the Side Letters are connected transactions between the Group and connected persons at the subsidiary level of the Company.

The Directors (including the independent non-executive Directors) have approved the renewal of the Continuing Connected Transactions and confirmed that the Relevant CCT Agreements, the Side Letters and the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms and the terms thereof (including the Annual Caps and the New Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, pursuant to Rule 14A.101 of the Listing Rules, the Continuing Connected Transactions are subject to annual review, reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements.

None of the Directors has any material interest in the Relevant CCT Agreements, the Side Letters and the Continuing Connected Transactions, and hence no Director was required to abstain from voting on the relevant board resolutions approving the Relevant CCT Agreements, the Side Letters and the Continuing Connected Transactions.

INTRODUCTION

Reference is made to the JV Announcement made by the Company on November 2, 2017 and the CCT Announcements made by the Company on May 3, 2018 and February 21, 2020. Capitalized terms used herein shall have the same meanings as defined in the CCT Announcements unless otherwise defined.

As the term of the Relevant CCT Agreements will expire on May 2, 2023, FCCL entered into the Side Letters with members of the Fujitsu Group extending the term of the Relevant CCT Agreements as described herein in respect of the provision of certain services and products to or by FCCL to facilitate the operation of its business on the same terms and conditions as applied to the Relevant CCT Agreements.

PRINCIPAL TERMS OF THE RELEVANT CCT AGREEMENTS

(i) Transitional Services Agreement

Date

March 31, 2023

Parties

1. Fujitsu
2. FCCL

Scope

Fujitsu will, through individual contracts with FCCL, provide FCCL with various transitional services including research and development of hardware and software, sales and marketing, information technology support, development and management, customer care support, quality control, manufacturing support, supply chain management, procurement and corporate management.

FCCL will, through individual contracts with Fujitsu, provide Fujitsu with various transitional services including research and development of software, supply chain management, information technology support, development and management, sales management and support, customer care support and corporate management.

Term

The Transitional Services Agreement will expire on May 2, 2023. In light of mutual development needs and goals, Lenovo and Fujitsu have extended the Transitional Services Agreement by entering into a Side Letter to extend the term of the Transitional Services Agreement to May 2, 2024.

The term may be extended under the same terms and conditions by mutual agreement between the parties.

Pricing of Services

The existing services should be provided at a cost in line with historical cost, i.e. the base charging rate should be consistent with the applicable rate under the same agreement historically. For new services, such services shall be provided on market competitive rates proposed by the provider of the services on the understanding that the provider of the services is not required to benchmark the rates against other service providers.

(ii) Secondment Agreement

Date

March 31, 2023

Parties

1. Fujitsu
2. FCCL

Scope

Secondment by Fujitsu to FCCL of certain employees of Fujitsu (the “**Seconded Employees**”) on the same terms as applied to the current secondment arrangement currently in place between FCCL and Fujitsu.

Term

The Secondment Agreement will expire on May 2, 2023. In light of mutual development needs and goals, Lenovo and Fujitsu have extended the Secondment Agreement by entering into a Side Letter to extend the term of the Secondment Agreement to May 2, 2024.

Secondment Charges

FCCL shall pay/reimburse Fujitsu, in respect of the secondment period, in accordance with the remuneration policies of Fujitsu as applied immediately prior to the commencement date of the secondment arrangement of the relevant Seconded Employees: (i) the salary, allowance, bonus and any other incentives; (ii) the retirement allowance accrued; and (iii) health, pension, long-term care insurances.

(iii) Manufacturing Agreement (FIT)

Date

March 31, 2023

Parties

1. FCCL
2. FIT

Scope

FIT shall provide to FCCL manufacturing services of, wherever applicable, (i) PCs (desktop personal computers, notebook personal computers and tablet personal computers); (ii) edge computing; and (iii) certain spare parts, accessories, peripherals, printers and software associated with (i) and (ii) above.

FCCL shall provide component sourcing services for items agreed to be procured and provided by FCCL to FIT.

Term

The Manufacturing Agreement (FIT) will expire on May 2, 2023. In light of mutual development needs and goals, Lenovo and Fujitsu have extended the Manufacturing Agreement (FIT) by entering into a Side Letter to extend the term of the Manufacturing Agreement (FIT) to May 2, 2024.

The term may be extended under the same terms and conditions by mutual agreement between the parties.

Pricing of Services

The services should be provided at a cost in line with the base charging rate plus a margin consistent with historical rates charged under the Manufacturing Agreement (FIT). Charges for components procured by FCCL to FIT shall be at cost and payment of charges shall be on a monthly basis.

If FCCL can show concrete and reasonable evidence that FCCL or other third party manufacturer can manufacture equivalent products with substantially more competitive terms, FIT shall either (i) sell at substantially more competitive terms, or (ii) discuss with FCCL in good faith to explore alternative means.

(iv) Sales and Distribution Agreement

Date

March 31, 2023

Parties

1. Fujitsu
2. FCCL

Scope

FCCL shall, via individual agreements, supply to Fujitsu (i) Fujitsu branded (a) notebook personal computers, desktop personal computers and tablet personal computers, (b) edge computing, (c) accessories, peripherals, printers and software related to (a) and (b); (ii) such other products as may be agreed between the parties; and (iii) services relating to the foregoing (collectively, the “**Products**”).

Term

The Sales and Distribution Agreement will expire on May 2, 2023. In light of mutual development needs and goals, Lenovo and Fujitsu have extended the Sales and Distribution Agreement by entering into a Side Letter to extend the term of the Sales and Distribution Agreement to May 2, 2024.

The term may be extended under the same terms and conditions by mutual agreement between the parties.

Pricing of Products

For the purpose of calculating prices of the Products, costs of goods sold shall be agreed between FCCL and Fujitsu, which shall include, amongst others, materials costs (including original design manufacturing purchases), production costs, running royalty, warranty expenses, recycling expenses, depreciation of owned mold, and any other items included in costs historically under the Sales and Distribution Agreement.

For Products to be sold and distributed in Enterprise Market in Japan, Fujitsu shall pay FCCL an amount which is 19% mark-up over costs of goods sold. For Products to be sold and distributed in Enterprise Market outside of Japan, Fujitsu shall pay FCCL an amount which is 6% mark-up over costs of goods sold.

Payment of charges shall be on a monthly basis.

(v) Fujitsu Trademark and Brand License Agreement

Date

January 16, 2023

Parties

1. Fujitsu
2. FCCL

Scope

Fujitsu grants to FCCL, under Fujitsu's rights in its trade name of "Fujitsu" or "富士通" (the "**Licensed Name**"), a non-transferable, non-sublicensable (subject to the right to sublicense to its subsidiaries), non-exclusive and restricted license, during the JV Term and the first year of the Transitional Period.

Fujitsu grants to FCCL, under Fujitsu's rights in certain trademarks (the "**Fujitsu Trademarks**") a non-transferable, non-sublicensable (subject to the right to sublicense to its subsidiaries and sub-contractors), and restricted license during the JV Term and the Transitional Period.

Term

The Fujitsu Trademark and Brand License Agreement will expire on May 2, 2023. In light of mutual development needs and goals, FCCL has exercised its option to extend the term of the Fujitsu Trademark and Brand License Agreement to May 2, 2026 by providing a notice of extension to Fujitsu.

The term may be extended under the same terms and conditions by mutual agreement between the parties.

Royalties

During the JV Term, FCCL shall pay Fujitsu (i) in respect of the Licensed Name – 0.05% on the consolidated revenue of the FCCL Group calculated on a quarterly basis; (ii) in respect of the Fujitsu Trademarks – 0.45% on sales of licensed products not made or conducted via or by Fujitsu or its affiliates.

During the Transitional Period, FCCL shall pay Fujitsu (i) first year – 1% on the consolidated revenue of the FCCL Group calculated on a quarterly basis; (ii) second year – 2% sales of products bearing the Fujitsu Trademarks.

Payment of royalties shall be on a semiannual basis.

HISTORICAL TRANSACTION AMOUNTS, NEW ANNUAL CAPS AND BASIS OF DETERMINATION

Historical Transaction Amounts

The table below sets out the historical transaction amounts paid or payable by or to FCCL under the Relevant CCT Agreements, respectively:

	Financial year ended March 31,		For the nine
	2021	2022	months ended
	<i>(JPY in million)</i>	<i>(JPY in million)</i>	December 31,
			2022
			<i>(JPY in million)</i>
Income generated from the provision of transitional services to Fujitsu pursuant to the Transitional Services Agreement	835 (approximately US\$6.4 million)	596 (approximately US\$4.6 million)	350 (approximately US\$2.7 million)
Expenses incurred from the use of transitional services provided by Fujitsu pursuant to the Transitional Services Agreement	9,852 (approximately US\$75.3 million)	7,559 (approximately US\$57.8 million)	5,043 (approximately US\$38.6 million)
Expenses incurred from secondment of employees from members of Fujitsu Group pursuant to the Secondment Agreement	912 (approximately US\$7.0 million)	17 (approximately US\$0.1 million)	9 (approximately US\$0.1 million)
Expenses incurred from the manufacturing services and supply chain management services provided by FIT pursuant to the Manufacturing Agreement (FIT)	27,518 (approximately US\$210.4 million)	2,739 (approximately US\$20.9 million)	251 (approximately US\$1.9 million)
Income received from FIT for procurement services provided by FCCL pursuant to the Manufacturing Agreement (FIT)	12,067 (approximately US\$92.3 million)	1,353 (approximately US\$10.3 million)	0
Income generated from the sale of products to Fujitsu pursuant to the Sales and Distribution Agreement	228,312 (approximately US\$1,745.4 million)	195,441 (approximately US\$1,494.1 million)	149,975 (approximately US\$1,146.6 million)
Royalty paid to Fujitsu pursuant to the Fujitsu Trademark and Brand License Agreement	565 (approximately US\$4.3 million)	456 (approximately US\$3.5 million)	388 (approximately US\$3.0 million)

New Annual Caps

Considering the historical transaction amounts and the reasons described below, the Directors (including the independent non-executive Directors) have approved the New Annual Caps as follows:

	Financial year ending March 31, 2024 <i>(JPY in million)</i>
Income generated from the provision of transitional services to Fujitsu pursuant to the Transitional Services Agreement	647 (approximately US\$4.9 million)
Expenses incurred from the use of transitional services provided by Fujitsu pursuant to the Transitional Services Agreement	9,306 (approximately US\$71.1 million)
Expenses incurred from secondment of employees from members of Fujitsu Group pursuant to the Secondment Agreement	240 (approximately US\$1.8 million)
Expenses incurred from the manufacturing services and supply chain management services provided by FIT pursuant to the Manufacturing Agreement (FIT)	1,200 (approximately US\$9.2 million)
Income received from FIT for procurement services provided by FCCL pursuant to the Manufacturing Agreement (FIT)	600 (approximately US\$4.6 million)
Income generated from the sale of products to Fujitsu pursuant to the Sales and Distribution Agreement	278,077 (approximately US\$2,125.9 million)

	Financial year ending March 31,		
	2024	2025	2026
	<i>(JPY in million)</i>	<i>(JPY in million)</i>	<i>(JPY in million)</i>
Royalty paid to Fujitsu pursuant to the Fujitsu Trademark and Brand License Agreement	680 (approximately US\$5.2 million)	685 (approximately US\$5.2 million)	639 (approximately US\$4.9 million)

The aggregate new income annual cap, expenses annual cap and New Annual Caps of all the Relevant CCT Agreements are as follows:

	Financial year ending March 31,		
	2024	2025	2026
	<i>(JPY in million)</i>	<i>(JPY in million)</i>	<i>(JPY in million)</i>
Aggregate new income annual cap	279,324 (approximately US\$2,135.4 million)	N/A	N/A
Aggregate new expenses annual cap	11,426 (approximately US\$87.4 million)	685 (approximately US\$5.2 million)	639 (approximately US\$4.9 million)
Aggregate New Annual Caps	290,750 (approximately US\$2,222.8 million)	685 (approximately US\$5.2 million)	639 (approximately US\$4.9 million)

Basis for the New Annual Caps

In determining the New Annual Caps, the Directors took into account the following factors:

- (i) business case was derived from historical performance of FCCL and its subsidiary together with the outlook of the industry. With this projection of the future business of FCCL, amounts under each Relevant CCT Agreement were calculated by using the (a) historical allocation amount; and (b) expected growth rate that corresponds to the average market growth of the industry;
- (ii) historical provision and use of transitional services pursuant to the Transitional Services Agreement, expected needs for such transitional services based on the current performance of FCCL and Fujitsu, and the general market condition;
- (iii) the potential secondment of employees from the Fujitsu Group for potential special projects;
- (iv) the expected needs of manufacturing services provided by FIT pursuant to the Manufacturing Agreement (FIT), and estimated income from FIT based on the experience of the management of FCCL and historical relative proportion;
- (v) income generated historically from the sale of products to Fujitsu pursuant to the Sales and Distribution Agreement and the expected sales volume considering the general market condition;
- (vi) actual expenses incurred historically from royalties paid by FCCL to Fujitsu pursuant to the Fujitsu Trademark and Brand License Agreement, estimated sales volume of FCCL for the three financial years ending March 31, 2024, 2025 and 2026, and general market condition; and
- (vii) additional buffer of 20% was added for the New Annual Caps to account for unforeseeable future events, changes to the business environment (such as fluctuations in foreign exchange), and to allow further flexibility to effectively and efficiently carry out the Continuing Connected Transactions.

The relevant department of Lenovo in charge of monitoring the transactions contemplated under the Relevant CCT Agreements will, with a view to optimizing the cost efficiency under the Relevant CCT Agreements, regularly review (upon such intervals as deemed necessary or feasible by such department), supervise and monitor the service details and the pricing mechanism under each Relevant CCT Agreement to ensure that (i) such services and prices are on comparable terms with services provided to Lenovo and its subsidiaries by external service providers and services provided by Lenovo and its subsidiaries to other third parties and are no less favourable to Lenovo and its subsidiaries; and (ii) the transactions under the Relevant CCT Agreements are conducted in accordance with their respective terms (including the margins on prices), on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SIDE LETTERS

The Company considers that it is beneficial to the Group to renew the terms of the Relevant CCT Agreements pursuant to the Side Letters to leverage on the resources and brand recognition of the Fujitsu Group, such as internal administrative functions and to obtain licence and rights to use certain trademarks of Fujitsu.

The transactions contemplated under the Relevant CCT Agreements are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The services provided under the Relevant CCT Agreements have been negotiated on arms' length basis.

INFORMATION OF THE COMPANY, LENOVO AND FCCL

Legend Holdings is a leading industrial operations and investments company in the PRC and the Company focuses on technological innovation and the real economy, and has established two business segments of “industrial operations” and “industrial incubations and investments”. Through strategic management, operational improvement, resource allocation, financial supports and value-added services, etc., the Company is committed to building industrial pillars, incubating or investing in start-up and growing-stage companies with great potential, so as to promote the continuous growth of the Company's overall value. As at the date of this announcement, Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院控股有限公司), the single largest shareholder of the Company, holds approximately 29.04% issued share capital of the Company.

Lenovo is a limited liability company incorporated in Hong Kong and a subsidiary of the Company, the shares of which are listed on the Stock Exchange. Lenovo and its subsidiaries are principally engaged in three business segments, namely Intelligent Devices Group – focused on various Smart Devices and IoT; Infrastructure Solutions Group – focused on Smart Infrastructure; and Solutions and Services Group – focused on Smart Verticals & Services, and with operations in over 60 countries/regions, selling its products and services in around 180 markets.

FCCL is principally engaged in the business of developing, manufacturing, distributing and selling desktop personal computers, laptop personal computers, tablet personal computers and their related products. Lenovo (through Lenovo International), owns 51% of the total issued share capital of FCCL and Fujitsu owns 44% of the total issued share capital of FCCL.

INFORMATION OF FUJITSU

Fujitsu is a leading Japanese ICT company offering a full range of technology products, solutions and services, the shares of which are listed on the Tokyo Stock Exchange. Fujitsu serves customers in more than 100 countries. Fujitsu uses its experience and the power of ICT to shape the future of society with its customers.

LISTING RULES IMPLICATIONS

Lenovo (through Lenovo International), owns 51% of the total issued share capital of FCCL and Fujitsu owns 44% of the total issued share capital of FCCL. Lenovo is a subsidiary of the Company. Accordingly, Fujitsu (and its associates (as defined under the Listing Rules)) are connected persons of the Company and the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Fujitsu is a connected person of the Company at the subsidiary level, the transactions between FCCL and members of the Fujitsu Group contemplated under the Relevant CCT Agreements and the Side Letters are connected transactions between the Group and connected persons at the subsidiary level of the Company.

The Directors (including the independent non-executive Directors) have approved the renewal of Continuing Connected Transactions and confirmed that the Relevant CCT Agreements, the Side Letters and the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms and the terms thereof (including the Annual Caps and the New Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, pursuant to Rule 14A.101 of the Listing Rules, the Continuing Connected Transactions are subject to annual review, reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements.

None of the Directors has any material interest in the Relevant CCT Agreements, the Side Letters and the Continuing Connected Transactions, and hence no Director was required to abstain from voting on the relevant board resolutions approving the Relevant CCT Agreements, the Side Letters and the Continuing Connected Transactions.

DEFINITIONS

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

“Annual Caps”	the annual caps of the Relevant CCT Agreements;
“CCT Announcements”	the announcements made by the Company on May 3, 2018 and February 21, 2020 in respect of, among others, Continuing Connected Transactions;
“Company” or “Legend Holdings”	Legend Holdings Corporation, a joint stock limited company incorporated under the laws of the PRC, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 03396);

“Connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transactions”	transactions contemplated under the Relevant CCT Agreements;
“Director(s)”	the director(s) of the Company;
“FCCL”	Fujitsu Client Computing Limited, a company incorporated in Japan;
“FCCL Group”	FCCL and its subsidiaries subsisting from time to time;
“FIT”	Fujitsu Isotec Limited, a company incorporated in Japan;
“Fujitsu”	Fujitsu Limited, a company incorporated in Japan;
“Fujitsu Group”	Fujitsu and its affiliates subsisting from time to time;
“Group”	the Company and its subsidiaries subsisting from time to time;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“JPY”	Japanese yen, the lawful currency of Japan;
“JV Announcement”	the announcement made by the Company on November 2, 2017 in respect of the joint venture in respect of FCCL;
“JVA”	the joint venture agreement in relation to FCCL entered into on November 2, 2017 by Lenovo, Fujitsu and Lenovo International, as amended by and amended and restated agreement dated February 8, 2018;
“JV Term”	duration of the JVA until terminated in accordance with the JVA;
“Lenovo”	Lenovo Group Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company, the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 992);
“Lenovo International”	Lenovo International Coöperatief U.A. (formerly known as Lenovo (International) B.V.), a wholly-owned subsidiary of the Company incorporated in The Netherlands;

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“New Annual Caps”	the new annual caps of the Relevant CCT Agreements;
“Relevant CCT Agreements”	the Transitional Services Agreement, the Secondment Agreement, the Manufacturing Agreement (FIT), the Sales and Distribution Agreement and the Fujitsu Trademark and Brand License Agreement, the terms of which have been extended as described herein;
“Shareholders”	Shareholders of the Company;
“Side Letters”	the notice of extension given by FCCL to Fujitsu to extend the term of the Fujitsu Trademark and Brand License Agreement and the side letters entered into between FCCL and each of the respective parties to the other Relevant CCT Agreements, extending the terms of the Relevant CCT Agreements as described herein;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transitional Period”	The period of two years from the date of termination of the JVA where Fujitsu and Lenovo have agreed to extend the term of the Fujitsu Trademark and Brand License Agreement for such period in accordance with the JVA;
“USD”	United States Dollar, the lawful currency of the United States of America; and
“%”	per cent.

For the purpose of this announcement, the translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US\$0.007645 (as at March 28, 2023). Such translation should not be construed as representations that the relevant amounts have been, could have been, or could be, converted at these or any other rates or at all.

By order of the Board
Legend Holdings Corporation
NING Min
Chairman

March 31, 2023

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.