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联想控股
LEGEND HOLDINGS
EMPOWERING COMPANIES TOWARD GREATNESS

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)

Renewal of Continuing Connected Transactions Provision of Coal and Labour Outsourcing Services to Levima Advanced Materials

Reference is made to the announcement of the Company dated December 28, 2021 in relation to the 2022 Coal and Labour Outsourcing Services Agreement entered between Guozhuang Mining and Levima Advanced Materials. Such agreement will expire on December 31, 2022.

On December 19, 2022, Guozhuang Mining and Levima Advanced Materials entered into the 2023 Coal and Labour Outsourcing Services Agreement, pursuant to which, Guozhuang Mining will continue to provide coal and labour outsourcing services to Levima Advanced Materials at a total maximum consideration of RMB714.00 million (exclusive of tax). The 2023 Coal and Labour Outsourcing Services Agreement will come into effect upon the approval of the 2023 estimated maximum amount of connected transactions entered between Levima Advanced Materials and Guozhuang Mining in the shareholders' meeting of Levima Advanced Materials.

IMPLICATIONS UNDER THE LISTING RULES

CAS Holdings, a substantial shareholder of the Company, holds 25.27% equity interest in Levima Advanced Materials, which is a connected subsidiary of the Company. The provision of coal and labour outsourcing services to Levima Advanced Materials constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (excluding the profit ratio), for the Annual Cap of coal and labour outsourcing services to be provided to Levima Advanced Materials exceed 0.1% but are below 5%, the transactions contemplated under the 2023 Coal and Labour Outsourcing Services 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 under Chapter 14A of the Listing Rules.

Introduction

Reference is made to the announcement of the Company dated December 28, 2021 (the “**Announcement**”) in relation to the continuing guarantee support framework agreement entered between the Company and Levima Advanced Materials. Such agreement will expire on December 31, 2022. As at the date of this announcement, all Guarantees (as defined in the Announcement) were terminated and the Company’s obligations under which had been released.

Reference is made to the Announcement in relation to the 2022 Coal and Labour Outsourcing Services Agreement entered between Guozhuang Mining and Levima Advanced Materials. Such agreement will expire on December 31, 2022.

On December 19, 2022, Guozhuang Mining and Levima Advanced Materials entered into the 2023 Coal and Labour Outsourcing Services Agreement, pursuant to which, Guozhuang Mining will continue to provide coal and labour outsourcing services to Levima Advanced Materials at a total maximum consideration of RMB714.00 million (exclusive of tax). The 2023 Coal and Labour Outsourcing Services Agreement will come into effect upon the approval of the 2023 estimated maximum amount of connected transactions entered between Levima Advanced Materials and Guozhuang Mining in the shareholders’ meeting of Levima Advanced Materials.

Historical Transaction Amounts

The historical transaction amounts (exclusive of tax) of the coal and labour outsourcing services provided by Guozhuang Mining to Levima Advanced Materials during the period from January 1, 2020 to November 30, 2022 are set out below:

		From January 1, 2020 to December 31, 2020 <i>RMB in millions</i> <i>(audited)</i>	From January 1, 2021 to December 31, 2021 <i>RMB in millions</i> <i>(audited)</i>	From January 1, 2022 to November 30, 2022 <i>RMB in millions</i> <i>(unaudited)</i>
Historical transaction amounts	Supply of coal	100.43	294.32	398.80
	Provision of labour outsourcing services	13.74	15.64	14.88
Historical transaction amounts in aggregate		114.17	309.96	413.68
Annual Cap		170	316.48	719

Terms of the 2023 Coal and Labour Outsourcing Services Agreement:

Date:	December 19, 2022
Parties:	Guozhuang Mining, an indirect subsidiary of the Company (as supplier) Levima Advanced Materials, a connected subsidiary of the Company (as purchaser)
Annual Cap:	During the period from January 1, 2023 to December 31, 2023, Guozhuang Mining will provide coal and labour outsourcing services to Levima Advanced Materials and its subsidiaries at a total maximum consideration of RMB714.00 million (exclusive of tax) pursuant to the 2023 Coal and Labour Outsourcing Services Agreement.
Basis for price determination:	<p>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 coal producers in nearby regions to other external parties for the same period and taking into account factors such as drying fees and transportation fees, as well as through arm's length negotiations by the parties:</p> <ol style="list-style-type: none">(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 bidwinning coal prices for tenders of local power plants; and(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, method 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, 2023 to December 31, 2023.

Conditions Precedent: The 2023 Coal and Labour Outsourcing Services Agreement will be established from the date when both parties stamped with their respective company seals and comes into effect upon the approval of the estimated maximum amount of such agreement by the shareholders' meeting of Levima Advanced Materials.

The 2023 first extraordinary meeting of shareholders of Levima Advanced Materials will be held on January 4, 2023. The detailed voting results of the proposed resolutions (including the estimated 2023 continuing connected transactions to be entered between Levima Advanced Materials and Guozhuang Mining) to be considered at such meeting are disclosed on <http://www.cninfo.com.cn/new/index> (巨潮資訊網).

Factors to be Considered in Determining the Annual Cap

During the period from January 1, 2023 to December 31, 2023, Guozhuang Mining will provide coal and labour outsourcing services to Levima Advanced Materials and its subsidiaries according to the 2023 Coal and Labour Outsourcing Services Agreement, and the cap for total consideration (exclusive of tax) will be RMB714.00 million.

In determining the annual caps of coal supply, the Board considered the following factors, including:

- (i) the historical transaction amounts of the coal and labour outsourcing services provided by Guozhuang Mining to Levima Advanced Materials and its subsidiary;
- (ii) the expected increasing demands for coal based on the projects which have been completed and are expected to commence their operations in the future by Levima Advanced Materials and its subsidiaries; and
- (iii) the expected price fluctuations in the comprehensive coal trading market in the future.

The Company expects that the applicable percentage ratios in respect of the total amount of fees charged by Guozhuang Mining to Levima Advanced Materials for the provision of labour outsourcing services in the coming year will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. As such, no separate cap had been set for the related labour outsourcing services. In the case when the annual total sums payable by Levima Advanced Materials to Guozhuang Mining for the provision of labour outsourcing services are expected to be higher than the de minimis threshold, the Company will comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE PROVISION OF COAL AND LABOUR OUTSOURCING SERVICES TO LEVIMA ADVANCED MATERIALS

From the perspective of Levima Advanced Materials, it can obtain steady, secure, high-quality supply of coal and labour outsourcing services with fair and reasonable pricing, which is beneficial to the management of its production, operation and cost efficiency. The management of Legend Holdings is of the opinion that, from the perspective of Guozhuang Mining, the signing of the 2023 Coal and Labour Outsourcing Services Agreement will enable it to maintain steady revenue, and the pricing of coal is no less favourable than that offered by Guozhuang Mining to independent third parties. In general, it is conducive to giving full play to the industrial synergy between the subsidiaries of the Company that will minimize the possible unnecessary risks as may have occurred during their operations, which in turn are ultimately beneficial to Legend Holdings.

The Directors, including independent non-executive Directors, are of the opinion that the terms of the 2023 Coal and Labour Outsourcing Services Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business of Guozhuang Mining and Levima Advanced Materials, the terms set out in such agreement are agreed by the parties following arm's length negotiations, the Annual Cap and terms of such agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

INTERNAL CONTROL MEASURES

- (1) Led by the executive Directors, the Company and its subsidiaries have 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) The Company has arranged designated personnel to be responsible for the pricing of the coal and labour outsourcing service transactions and required these designated personnel to determine the price of each transaction in accordance with the pricing principles and policies of the transactions as disclosed in this announcement and to manage the transaction pricing. (i) For the coal supply agreements, the designated personnel will actively obtain the price information on the spot coal markets through multiple channels, regularly monitor, collect and assess market information, consider coal quality and different delivery methods, and make recommendations on pricing; (ii) For the labour outsourcing services supply agreements, Guozhuang Mining will actively obtain the information on market prices through multiple channels, such as making reference to the transaction prices of more than two comparable independent third-party service providers and conducting price investigations through industry websites and other independent industry information providers. Transaction prices shall be determined with reference to the aforesaid price information, aiming to ensure that the price is fair and reasonable, on normal commercial terms, and no less favourable than those offered to or offered by independent third parties so far as Guozhuang Mining is concerned;
- (3) 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 rigorous 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 limits in a timely manner;
- (4) 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 interests of the Company and its shareholders as a whole;
- (5) The audit committee under the Board reviews the annual reports in respect of the implementation of the connected transactions, the continuing connected transactions and its management, and submit these reports to the Board; and
- (6) The external auditor of the Company will issue opinions in accordance with the requirements of the Listing Rules on the implementation of the pricing policy for the continuing connected transactions of the Company during a given year and whether the transaction amounts exceed the relevant caps, issue relevant letter to the Board and submit the same to the Stock Exchange.

Through the implementation of the aforesaid internal control measures and procedures, the Directors are of the opinion that the Company and its subsidiaries have sufficient internal control measures in place to ensure that the pricing of each connected transaction is in strict compliance with the pricing principles and policies for the continuing connected transactions set out herein, on normal or better commercial terms, and is not prejudicial to the Company and its shareholders as a whole.

INFORMATION OF THE COMPANY

Legend Holdings is a leading industrial investments and operations 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 improvements, resources 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, CAS Holdings, the single largest shareholder of the Company, holds approximately 29.04% issued share capital of the Company.

INFORMATION ON LEVIMA ADVANCED MATERIALS

Levima Advanced Materials is a joint-stock company incorporated with limited liability under the laws of the PRC. Its shares are listed on the Main Board of the Shenzhen Stock Exchange (stock code: 003022). Levima Advanced Materials is a national advanced technology enterprise and a national “green factory” focusing on the research and development, production, and sales of new material products. Levima Advanced Materials has evolved into a modern high-end new material enterprise with a high value-added olefin deep processing industry chain after over a decade of development. Main products such as EVA photovoltaic film material, EVA wire and cable materials, PP thin-wall injection special materials, special surfactants, polyether macromonomer, high-performance water reducer, electronic specialty gas, and etc, are all at the industry leading positions in their niche market segments, and their production and operation are at the industry leading levels. At the same time, Levima Advanced Materials continues its focus on the direction of new materials, adheres to the innovation-driven development strategy, uphold to the concept of green, low-carbon, and shared development, and keep abreast of the national demands and the “containment” aspect of the market shortage in advanced new materials. It focuses on aspects of new energy materials (such as photovoltaic materials and new energy battery materials), biological materials (such as biodegradable materials and biomass materials), and special materials (such as special refined materials, special engineering plastics, etc.) and carries out high-end, differentiated, and refined layout, with the goal of constructing excellent new materials platform-based enterprises and industry clusters that are leading in several niche segments of new materials. As of the end of June 2022, it has obtained 188 authorized patents, presided over and participated in the formulation and revision of 13 national and industry standards, and has undertaken 863 programs from the Ministry of Science and Technology and the major science and technology innovation projects of Shandong Province. The Group and CAS Holdings hold approximately 51.77% and 25.27% equity interests in Levima Advanced Materials respectively as at the date of this announcement.

INFORMATION ON GUOZHUANG MINING

Guozhuang Mining is a company incorporated in the PRC with limited liability and a subsidiary of the Company. It is engaged 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, etc.

IMPLICATIONS UNDER LISTING RULES

CAS Holdings, a substantial shareholder of the Company, holds 25.27% equity interest in Levima Advanced Materials, which is a connected subsidiary of the Company. The provision of the coal and labour outsourcing services to Levima Advanced Materials constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (excluding the profit ratio), for the Annual Cap of the coal and labour outsourcing services to be provided to Levima Advanced Materials exceed 0.1% but are below 5%, the transactions contemplated under the 2023 Coal and Labour Outsourcing Services 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 under Chapter 14A of the Listing Rules.

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 matters. Other than Mr. NING Min, Mr. SUO Jishuan, and Mr YANG Jianhua, none of the Directors has any material interest in the aforesaid matters or is required to abstain from voting on the relevant resolutions of the Board.

DEFINITIONS

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

“2023 Coal and Labour Outsourcing Services Agreement”	the Coal and Labour Outsourcing Services Agreement dated December 19, 2022 entered into between Guozhuang Mining and Levima Advanced Materials
“Board”	the board of Directors of the Company
“Annual Cap”	the maximum total consideration payable under the 2023 Coal and Labour Outsourcing Services Agreement
“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”	has the meanings ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guozhuang Mining”	Tengzhou Guozhuang Mining Co., Ltd. (滕州郭莊礦業有限責任公司), a company incorporated in accordance with the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Levima Advanced Materials”	Levima Advanced Materials Corporation (聯泓新材料科技股份有限公司), a joint stock company incorporated with limited liability under the laws of the PRC, in which the Group and CAS Holdings hold indirectly and directly approximately 51.77% and 25.27% equity interests respectively
“CAS Holdings”	Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院控股有限公司), a company with limited liability established in accordance with the laws of the PRC and validly subsisting, the single largest shareholder of the Company holding approximately 29.04% issued share capital of the Company and a substantial shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meanings ascribed thereto under Rule 14.07 of the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Legend Holdings Corporation
NING Min
Chairman

December 20, 2022

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.