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Tian Shan Development (Holding) Limited
天山發展(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2118)

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE RENEWAL OF AGREEMENT WITH
HEBEI TIANSHAN INDUSTRIAL GROUP CONSTRUCTION
ENGINEERING COMPANY LIMITED**

THE RENEWAL CONSTRUCTION SERVICES AGREEMENT

On 30 November 2021, the Company and Tian Shan Real Estate, a wholly-owned subsidiary of the Company, entered into the Renewal Construction Services Agreement with Tianshan Construction to renew the 2019 Construction Services Agreement for a term of two years commencing from 1 January 2022 and ending on 31 December 2023 subject to the obtaining of the Independent Shareholders' approval.

IMPLICATIONS UNDER THE LISTING RULES

Tian Shan Real Estate is a wholly-owned subsidiary of the Company whose principal business is the development of real property projects in the PRC. As at the date of this announcement, Tianshan Construction is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors, as well as Ms. Wu Xiaozhi (the niece of Mr. Wu Zhen Shan and Mr. Wu Zhen Ling). Tianshan Construction is also ultimately controlled by Mr. Wu Zhen Shan, who is also the director of the holding company of Tianshan Construction. As such, Tianshan Construction is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewal Construction Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps under the Renewal Construction Services Agreement exceed 5%, the Renewal Construction Services Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all of the independent non-executive Directors was established to advise the Independent Shareholders in respect of the Renewal Construction Services Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps. Caitong International Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among other things, (i) further details of the Renewal Construction Services Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 21 December 2021.

INTRODUCTION

Background

References are made to the announcement of the Company dated 30 October 2019 and the circular of the Company dated 6 December 2019 in relation to the 2019 Construction Services Agreement entered into amongst the Company, Tian Shan Real Estate and Tianshan Construction for the construction works of the property development projects of the Group upon successful tender for a term of two years commencing from 1 January 2020 and ending on 31 December 2021.

In view of the forthcoming expiry of the 2019 Construction Services Agreement, the Directors consider that it is in the interest of the Group to continue such construction services and to enter into the Renewal Construction Services Agreement with Tianshan Construction in order to engage the services of Tianshan Construction upon successful tender(s) for a term of two years commencing from 1 January 2022 and ending on 31 December 2023 subject to the proposed annual caps.

THE RENEWAL CONSTRUCTION SERVICES AGREEMENT

Date

30 November 2021

Parties

- (1) the Company
- (2) Tian Shan Real Estate, a wholly-owned subsidiary of the Company

- (3) Tianshan Construction, a company ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors, as well as Ms. Wu Xiaozi (the niece of Mr. Wu Zhen Shan and Mr. Wu Zhen Ling). Tianshan Construction is also ultimately controlled by Mr. Wu Zhen Shan, who is also the director of the holding company of Tianshan Construction. Hence Tianshan Construction is a connected person of the Company under the Listing Rules

Duration

Two years from 1 January 2022 to 31 December 2023

Nature of transaction

Pursuant to the Renewal Construction Services Agreement, the parties agreed that Tianshan Construction may be selected to provide the construction works and services for the property development projects of the Group through a tender process in compliance with the applicable laws and regulations in the PRC. Tianshan Construction has agreed, in the event that it is selected following the tender process, to provide construction and related works and services to the Group according to the tender documents and the relevant construction contracts to be signed and on terms no less favourable to the Group than terms available from Independent Third Parties. Separate construction contracts will be entered into between Tian Shan Real Estate and Tianshan Construction if Tianshan Construction is selected through the tender process to provide the construction services to the Group. Under the construction contracts, the Group will pay Tianshan Construction the construction fees in accordance with the tender and taking into account the prevailing market rates. Tian Shan Real Estate and Tianshan Construction also have the right under the Renewal Construction Services Agreement to transfer or subcontract all or part of each of their interests, rights and obligations therein to their respective directly or indirectly owned subsidiaries on the condition that no terms of the Renewal Construction Services Agreement shall be altered due to such transfer or subcontract and Tian Shan Real Estate and Tianshan Construction shall respectively bear all of its own liabilities in respect of the relevant transfer or subcontract.

Conditions precedent

The Renewal Construction Services Agreement shall become effective upon the fulfillment of the conditions precedent set out as follows:

- (a) the Company having complied with all applicable requirements under the Listing Rules in respect of the Renewal Construction Services Agreement and the transactions contemplated thereunder; and
- (b) the approval from the Independent Shareholders having been obtained in respect of the Renewal Construction Services Agreement and/or any waiver (if applicable) having been granted by the Stock Exchange.

ANNUAL CAPS FOR THE RENEWAL CONSTRUCTION SERVICES AGREEMENT

Historical transaction amounts

The table below sets out the total historical construction costs incurred by the Group for the construction services provided by Tianshan Construction for the year ended 31 December 2020 and the nine months ended 30 September 2021, and the annual cap for the year ending 31 December 2021:

For the year ended 31 December 2020 <i>RMB million</i>	For the nine months ended 30 September 2021 <i>RMB million</i>	For the year ending 31 December 2021 Annual Cap <i>RMB million</i>
597.4	374.6	1,390.6

Proposed annual caps and basis for the two years ending 31 December 2023

For the year ending 31 December 2022 <i>RMB million</i>	For the year ending 31 December 2023 <i>RMB million</i>
892.8	994.2

The above proposed annual caps under the Renewal Construction Services Agreement are determined with reference to:

- (a) the contract sum of the existing outstanding construction contracts with Tianshan Construction (which were substantially entered into pursuant to the 2019 Construction Services Agreement) of approximately RMB801.7 million and RMB926.1 million for the two years ending 31 December 2022 and 2023, respectively;
- (b) the historical success percentage of Tianshan Construction being selected following the tender process in which Tianshan Construction has participated and the expected participation in the tender process of Tianshan Construction for the two years ending 31 December 2023; and
- (c) the total estimated construction costs to be incurred by the Group with reference to the expected construction works of its property development projects and where Tianshan Construction is expected to participate in the tender process,

and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the Group.

REASONS FOR THE TRANSACTION

The Group is engaged in property development in the PRC. Tianshan Construction is principally engaged in the business of building construction in the PRC.

Since its establishment, Tianshan Construction has been engaged in the business of building construction and has been providing building construction services to the Group pursuant to the construction contracts which were granted to Tianshan Construction through the tender process. The Group is expected to benefit from Tianshan Construction's familiarity and understanding of the Group which facilitates expedient and efficient services. To the best knowledge of the Directors, Tianshan Construction has obtained all the relevant licences as a construction contractor and it will continue to carry out construction works and to provide construction services to the property development projects of the Group.

The Directors (other than the independent non-executive Directors whose views will be formed after having considered the advice of the Independent Financial Adviser) consider that the terms of the Renewal Construction Services Agreement and the continuing connected transactions contemplated thereunder with Tianshan Construction are on normal commercial terms and are entered into in the ordinary and usual course of business of the Group and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole. The Directors (other than the independent non-executive Directors whose views will be formed after having considered the advice of the Independent Financial Adviser) also consider that the proposed annual caps set out above in relation to the Renewal Construction Services Agreement and the continuing connected transactions thereunder with Tianshan Construction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Tian Shan Real Estate is a wholly-owned subsidiary of the Company whose principal business is the development of real property projects in the PRC. As at the date of this announcement, Tianshan Construction is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors, as well as Ms. Wu Xiaozhi (the niece of Mr. Wu Zhen Shan and Mr. Wu Zhen Ling). Tianshan Construction is also ultimately controlled by Mr. Wu Zhen Shan, who is also the director of the holding company of Tianshan Construction. As such, Tianshan Construction is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewal Construction Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps under the Renewal Construction Services Agreement exceed 5%, the Renewal Construction Services Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all of the independent non-executive Directors was established to advise the Independent Shareholders in respect of the Renewal Construction Services Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps. Caitong International Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among other things, (i) further details of the Renewal Construction Services Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 21 December 2021.

DEFINITION

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

“2019 Construction Services Agreement”	the framework construction services agreement dated 30 October 2019 entered into amongst the Company, Tian Shan Real Estate and Tianshan Construction whereby Tianshan Construction agreed to provide construction works and services for the property development projects of the Group through a tender process
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Caitong International Capital” or “Independent Financial Adviser”	Caitong International Capital Co., Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Renewal Construction Services Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Company”	Tian Shan Development (Holding) Limited, a company incorporated in the Cayman Islands
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among others, the Renewal Construction Services Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (which comprises all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the Renewal Construction Services Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Shareholders”	the Shareholders who are not required to abstain from voting under the Listing Rules at the EGM on the ordinary resolution for approving the Renewal Construction Services Agreement and the continuing connected transactions contemplated thereunder and the estimated annual caps
“Independent Third Parties”	persons or companies which are independent of and not connected with any Directors, chief executives, the controlling shareholders and the substantial shareholders of the Company, and the directors and shareholders of any other member of the Group, and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Renewal Construction Services Agreement”	the framework construction services agreement dated 30 November 2021 entered into amongst the Company, Tian Shan Real Estate and Tianshan Construction whereby Tianshan Construction agreed to provide construction works and services for the property development projects of the Group through tender process
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	shares of HK\$0.10 each in the share capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tian Shan Real Estate”	天山房地產開發集團有限公司 (Tian Shan Real Estate Development Group Limited*), a company established in the PRC and is a wholly-owned subsidiary of the Company
“Tianshan Construction”	河北天山實業集團建築工程有限公司 (Hebei Tianshan Industrial Group Construction Engineering Company Limited*), a company with limited liability established in the PRC and is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors, as well as Ms. Wu Xiaozi (the niece of Mr. Wu Zhen Shan and Mr. Wu Zhen Ling) and thus a connected person of the Company
“%”	per cent

* *English transliteration of the Chinese name(s) is for identification purpose only and should not be regarded as the official English name(s) of such Chinese names(s)*

By Order of the Board
Tian Shan Development (Holding) Limited
Wu Zhen Shan
Chairman

Hong Kong, 30 November 2021

As at the date of this announcement, the executive Directors are Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai; and the independent non-executive Directors are Mr. Tian Chong Hou, Mr. Wang Ping and Mr. Cheung Ying Kwan.