

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Tian Shan Development (Holding) Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

---



**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)**

**MAJOR TRANSACTION  
IN RELATION TO  
DISPOSAL OF LAND**

---

Capitalized terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 10 of this circular.

The Disposal has been approved by written shareholder’s approval in lieu of a resolution to be passed by shareholders at a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. This circular is being dispatched to the Shareholders for information only.

30 June 2022

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	11
<b>APPENDIX II – VALUATION REPORT</b> .....	15
<b>APPENDIX III – GENERAL INFORMATION</b> .....	21

---

## DEFINITIONS

---

*Unless the context otherwise requires, terms or expressions used in this circular shall have the meanings ascribed to them below:*

“Agreement”	the resumption agreement dated 22 November 2021 entered into between Tian Shan Real Estate and Shijiazhuang City Planning Bureau in relation to the Disposal
“Announcement”	the announcement of the Company dated 22 November 2021 in relation to, among other things, the Disposal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Tian Shan Development (Holding) Limited (天山發展(控股)有限公司), an exempted company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange
“Completion”	the delivery of the Land from Tian Shan Real Estate to Shijiazhuang City Planning Bureau under the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB600,149,000, being the total consideration to be paid by Shijiazhuang City Planning Bureau to Tian Shan Real Estate for the Land under the Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Land by Tian Shan Real Estate under the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

---

## DEFINITIONS

---

“Independent Third Party(ies)”	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
“Land”	a piece of land situated in Shijiazhuang City, which is East to Qilian Street, West to Tianshan Street, South to Changjiang Avenue and North to Liucun Collective Land (東至祁連街、西至天山大街、南至長江大道、北至留村集體土地) with a total site area of approximately 63,700 square metres
“Latest Practicable Date”	27 June 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholders”	holder(s) of Share(s)
“Shijiazhuang City Planning Bureau”	石家莊市自然資源和規劃局(Shijiazhuang Bureau of Natural Resources and Planning)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

---

## DEFINITIONS

---

“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 with limited liability established in the PRC and a wholly-owned subsidiary of the Company

“%” per cent.

*If there is any inconsistency between the official Chinese name of the PRC entities mentioned in this circular and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purpose only.*

---

## LETTER FROM THE BOARD

---



# 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)**

*Executive Directors:*

Mr. Wu Zhen Shan (*Chairman*)

Mr. Wu Zhen Ling

Mr. Zhang Zhen Hai

*Independent non-executive Directors:*

Mr. Tian Chong Hou

Mr. Wang Ping

Mr. Cheung Ying Kwan

*Registered Office:*

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Head office and principal place  
of business:*

Suite 801, 8th Floor

Everbright Centre

108 Gloucester Road

Wanchai

Hong Kong

30 June 2022

*To the Shareholders*

Dear Sir/Madam,

### **MAJOR TRANSACTION IN RELATION TO DISPOSAL OF LAND**

#### **INTRODUCTION**

Reference is made to the Announcement of the Company dated 22 November 2021 in relation to the Disposal. On 22 November 2021, Tian Shan Real Estate, an indirect wholly-owned subsidiary of the Company, and Shijiazhuang City Planning Bureau entered into the Agreement, pursuant to which Tian Shan Real Estate has agreed to transfer, and Shijiazhuang City Planning Bureau has agreed to purchase back the Land. The Consideration for the Disposal is approximately RMB600,149,000.

---

## LETTER FROM THE BOARD

---

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, further details of the Agreement and the Disposal.

### **THE AGREEMENT**

Major terms of the Agreement are set out below.

#### **(A) Date**

22 November 2021

#### **(B) Parties**

- (1) Transferor: Tian Shan Real Estate, an indirect wholly-owned subsidiary of the Company; and
- (2) Transferee: Shijiazhuang City Planning Bureau.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Shijiazhuang City Planning Bureau and its ultimate beneficial owner(s) is/are Independent Third Party(ies).

#### **(C) The Land**

Pursuant to the Agreement, Tian Shan Real Estate has agreed to transfer, and Shijiazhuang City Planning Bureau has agreed to purchase back the Land, which is situated in Shijiazhuang Hi-tech Industry Development Zone in Shijiazhuang City. Further details of the Land is set out in the section below headed "Information on the Land".

#### **(D) Consideration**

The Consideration for the Disposal is approximately RMB600,149,000, which shall be paid to the bank account of Tian Shan Real Estate within 20 business days of the date of the Agreement.

---

## LETTER FROM THE BOARD

---

### ***Basis of Determination of the Consideration***

The Consideration was determined after arm's length negotiations between Shijiazhuang City Planning Bureau and Tian Shan Real Estate with reference to the preliminary valuation of the Land of approximately RMB633,527,000 as of 23 September 2021 as assessed by Hebei Jinfeng Real Estate Appraisal Company Limited (河北金峰房地產評估有限公司), an independent valuer appointed by the Company. The preliminary appraisal of the Land was conducted by using a combination of the market comparison approach, the residual approach and benchmark land price coefficient correction approach and the appraisal of the preliminary foundation works on the Land was conducted by using cost approach. The Land was appraised at approximately RMB606,000,000 as at 30 April 2022 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer appointed by the Company. The appraisal of the Land was conducted by the comparison approach and details of the valuation report is set out in Appendix II to this circular.

The difference of approximately RMB33,378,000 between the preliminary valuation of the Land and the Consideration was due to the fact that the Land is primarily for commercial and financial uses and is located in Shijiazhuang. Under the current economic situation and recent COVID-19 developments, the Group is not optimistic about the market of commercial and financial use lands and developments thereof in Shijiazhuang in the near future. Based on the above and the reasons set out in the section below headed "Reasons and benefits of the Disposal", the Board considers that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **(E) Condition precedent**

Completion is conditional upon Tian Shan Real Estate having obtained shareholders' approval and/or other necessary approvals in connection with the entering into and performance of the Agreement.

As at the Latest Practicable Date, Tian Shan Real Estate has obtained its shareholders' approval to the Agreement. In addition, Neway Enterprises Limited, being the controlling shareholder of the Company holding 750,000,000 Shares, which represent 74.56% of the total number of issued shares of the Company as at the Latest Practicable Date, has given its written approval to the Agreement. Save as the aforementioned approvals, there are no other necessary approvals in connection with the entering into and performance of the Agreement. As such, the condition precedent has been fulfilled as at the Latest Practicable Date.



---

## LETTER FROM THE BOARD

---

### **(F) Completion**

Subject to the satisfaction of the condition precedent and the receipt of the Consideration by Tian Shan Real Estate, Completion shall take place within 60 business days of the date of the Agreement and registration for the cancellation of the land use right of the Land shall be made accordingly. As at the Latest Practicable Date, Completion has taken place in accordance with the Agreement and the Disposal has been completed.

### **(G) Others**

Tian Shan Real Estate shall ensure that no third party will have any claims against Shijiazhuang City Planning Bureau, otherwise it shall bear the liabilities arising from such breach. In addition, Tian Shan Real Estate shall provide information on the Land and deliver the Land in the manner requested by Shijiazhuang City Planning Bureau. As at the Latest Practicable Date, there was no claims against Shijiazhuang City Planning Bureau from any third party and hence there was no liabilities on the part of Tian Shan Real Estate.

### **INFORMATION ON THE LAND**

The Land is located in Shijiazhuang, PRC with a total site area of approximately 63,700 square metres. The Land is designated for commercial and financial use. As at the date of the Announcement and the Latest Practicable Date, the Land was a vacant site with limited foundation works carried out and was not subject to any tenancy.

As at 31 December 2019 and 2020, the net book value of the Land attributable to the Group's audited financial statements (taking into account, among others, the cost of the Land and the cost of the limited foundation works carried out) was approximately RMB730.6 million and RMB742.1 million, respectively. As at 30 June 2021, the net book value of the Land attributable to the Group's unaudited financial statements (taking into account, among others, the cost of the Land and the cost of the limited foundation works carried out) was approximately RMB744.6 million.

### **FINANCIAL EFFECT OF THE DISPOSAL**

The Disposal would result in a loss to the Group of approximately RMB142.0 million (before taxes). Although the Disposal would result in a loss, the Consideration received will improve the Group's immediate liquidity to settle taxes, bank and other borrowings, interest and construction related costs. With these settlements, the Board is of the view that the Group will be in better position to negotiate with its suppliers and creditors for their continued provision of construction services and credit to the Group. The actual amount of the loss from the Disposal to be recorded by the Group is subject to audit and will take into account any other costs and expenses incurred relating to the Disposal, and accordingly, it may be different from the amount stated above.

---

## LETTER FROM THE BOARD

---

The Disposal is not expected to have any material effect on the earnings because the Land is vacant and idle as of the Latest Practicable Date, and the Company has sufficient land reserves for the Company's subsequent development. However, it would improve the gearing of the Group. As disclosed in the Company's audited financial statement in the annual report for the year ended 31 December 2020, the total assets of the Group was approximately RMB27,704.8 million and the total liabilities of the Group was approximately RMB25,491.4 million as at 31 December 2020. Given that the completion of the Disposal would record an unaudited loss (before taxes) of approximately RMB142.0 million to the Group, the consolidated net asset value of the Group would decrease by approximately RMB142.0 million at Completion. On the above basis, the consolidated total assets of the Group would decrease by approximately RMB142.0 million (before taxes). Save for the above, the Disposal has no significant impact on the assets and liabilities of the Company.

### USE OF PROCEEDS

The net proceeds from the Disposal will be approximately RMB600.0 million (after tax), net of expenses. The proceeds from the Disposal are intended to be used as follows:

- approximately RMB274.7 million will be used for payment of PRC taxes;
- approximately RMB149.2 million will be used for repayment of bank and other borrowings together with the accrued interests;
- approximately RMB160.5 million will be used for settlement of construction costs; and
- approximately RMB15.6 million will be used for as general working capital of the Group.

### INFORMATION ON THE PARTIES

The Group is engaged in property development in the PRC. Tian Shan Real Estate is a wholly-owned subsidiary of the Company and whose principal business is development of real property projects in the PRC.

Shijiazhuang City Planning Bureau is a PRC government administrative agency which is responsible for, among others, the oversight of the development and protection of natural resources assets in and city planning of Shijiazhuang City.

---

## LETTER FROM THE BOARD

---

### REASONS AND BENEFITS OF THE DISPOSAL

The Land is currently a vacant site of approximately 63,700 square metres with limited foundation works carried out. The Land was acquired by the Company in 2017 with the plan to develop it into two buildings and an integrated commercial complex for commercial and financial uses and the completion time was estimated to be in the first half year of 2021. There was a delay in such plan because the planning and development by the government of the surrounding area of the Land during 2017 to 2019 was slower than anticipated which the Company considered will significantly affect the price of the development project and therefore the progress was delayed. Later, the progress of the development was further delayed due to the outbreak of COVID-19 at the end of December 2019. As such, only limited foundation works had been carried out on the Land before the Disposal.

As the Group has other land banks amounting to approximately 2,945,394 square metres available for its development, and taking into account recent market circumstances caused by the outbreak of COVID-19 and the need of the Group to dispose of more assets to increase its liquidity and lowering the gearing ratio given that its bank balances and cash of approximately RMB849.4 million and total interest-bearing debts of approximately RMB5,139.9 million as at 30 April 2022, the Directors consider that the Disposal is an appropriate opportunity to dispose of the Group's interests in the Land and that the Disposal would not have any material adverse impact on the business of the Group as a whole.

The Directors considered that although the entering into the Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Agreement had been negotiated and entered into on an arm's length basis and that the terms thereunder are fair and reasonable. As the Agreement is beneficial to optimising the Group's resource allocation and it is expected that there would be no material adverse impact on the business of the Group, the Directors viewed the Agreement as being in the interests of the Company and its shareholders as a whole.

### LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Agreement and the Disposal. As such, no Shareholders is required to abstain from voting if an extraordinary general meeting were convened for the approval of the Agreement and the Disposal.

---

## LETTER FROM THE BOARD

---

Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval may be accepted in lieu of holding a general meeting. Neway Enterprises Limited, being the controlling shareholder of the Company holding 750,000,000 Shares, which represent 74.56% of the total number of issued shares of the Company as at the date of the Announcement and the Latest Practicable Date, has given a written approval to the Agreement and the Disposal. Accordingly, no extraordinary general meeting will be convened for the approval of the Agreement and the Disposal.

### RECOMMENDATION

Although no general meeting will be convened for approving the Agreement and the Disposal, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement are on normal commercial terms, are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, if the general meeting were convened for approving the Agreement and the Disposal, the Directors would have recommended the Shareholders to vote in favour of the Agreement and the Disposal.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By order of the Board  
**Tian Shan Development (Holding) Limited**  
**WU Zhen Shan**  
*Chairman*

## 1. FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Group for each of the three years ended 31 December, 2018, 2019 and 2020 and the unaudited financial information of the Group for the six months ended 30 June 2021 respectively are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<http://www.tian-shan.com/>) respectively:

- annual report of the Company for the year ended 31 December 2018 (pages 43 to 147): <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904262250.pdf>
- annual report of the Company for the year ended 31 December 2019 (pages 44 to 145): <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051500017.pdf>
- annual report of the Company for the year ended 31 December 2020 (pages 44 to 141): <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042902347.pdf>
- interim report of the Company for the six months ended 30 June 2021 (pages 13 to 36): <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0920/2021092000556.pdf>

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2022 (being the most recent practicable date for ascertaining information regarding this indebtedness statement), the Group had the following outstanding indebtedness:

### (a) bank and other loans, promissory notes and bond payables (the “Debts”)

- (i) secured bank loans of approximately RMB2,414.8 million, which bear interest rate ranging from 3.85% to 10.0% per annum;
- (ii) other secured loans of approximately RMB2,239.2 million, which bear interest rate ranging from 3.6% to 16.0% per annum;
- (iii) other unsecured loans of approximately RMB102.2 million, which bear interest rate ranging from 10.4% to 24.0% per annum;
- (iv) unsecured promissory note with the principal amount of HK\$200.0 million (the “**Promissory Note**”) which bear interest rate of 15.0%. The outstanding balance of the Promissory Note amounted to HK\$153.0 million as at 30 April 2022;
- (v) unsecured bond with the principal amount of approximately HK\$319.9 million (the “**Bond**”), which bears interest rate ranging from 5.0% to 9.0%. The outstanding balance of the Bond amounted to approximately HK\$302.1 million as at 30 April 2022.

The Company received a winding up petition dated 28 December 2021 filed against the Company in the Court of First Instance of the High Court of Hong Kong, details of which was set out in the announcements of the Company dated 5 January 2022, 31 January 2022, 14 February 2022, 2 March 2022, 3 March 2022, 22 March 2022, 3 May 2022 and 21 June 2022. The said petition is filed for the Company's failure to settle the outstanding principal payment and accrued interest of the Promissory Note. At the hearing on 3 May 2022, the Company opposed to the said petition and requested for an adjournment of the said petition for three months. The court ordered that the hearing of the said petition be adjourned to 8 August 2022, and the Company to pay a sum of HK\$32.0 million into court within 42 days as a condition. As at the Latest Practicable Date, the Company has not paid the said sum into court.

In addition, the Company received a repayment demand notice for the immediate repayment of the principal and interest of approximately HK\$375.6 million of other secured loans under a facility agreement, details of which was set out in the announcement of the Company dated 21 March 2022.

As at 30 April 2022, all the Debts were due and repayable on demand by respective creditors due to (i) expiry of loan terms; (ii) cross-default terms of the respective loan agreements; and/or (iii) delay/non-payment of principal and/or accrued interests.

**(b) Lease payables**

The Group had contractual lease liabilities of approximately RMB6.4 million.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any other debt securities, term loans, bank loans, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 April 2022.

*(Note: all figures stated in this section are unaudited.)*

### **3. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources, refinance its operations and to restructure its debts, the Group will not have sufficient working capital for its present requirements for at least 12 months from the date of this circular.

However, if the following events materialize, the Group's liquidity and financial position will be improved and the Group may have sufficient working capital for its present requirements for at least 12 months from the date of this circular:

- (1) enhancing effort in disposal of inventories, real estate held for investment, other financial assets of the Company;
- (2) enhancing effort in collection of relevant trade and other receivables;
- (3) seeking for external financing through various methods;
- (4) arriving favorable restructuring terms with its creditors, including but not limited to, capitalize all or part of the debts; and
- (5) optimising the management structure of the Company to reduce management costs.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

### **4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is principally engaged in the development and sale of properties in the PRC.

With the introduction of the “Three Red Lines” policy in the fourth quarter of the year 2020 in the PRC, which requires property developers to impose strict control over their debt ratios, the Directors are of the view that the competition in the PRC real estate market will continue to intensify as stringent regulation on real estate developers' financing continued and property developers may launch sales of projects faster or to block sale of property projects to encourage cash collection for satisfying the need for financing cash outflows.

The central government has reiterated policy principle of “houses are not for speculation, but for living”. Therefore, the central government is expected to continue introducing policies with the objectives of stabilising land and housing selling prices.

The Group will continue to follow the national policy, combine its competitive advantages and market positioning, and focus on the Beijing-Tianjin-Hebei region. The Group does not currently anticipate any material purchases of new land banks in the near future given its existing land reserves and will continue to speed up cash collection, strengthen cost control and optimize the capital structure, in order to maintain a healthy financial position.

#### **5. MATERIAL ADVERSE CHANGE**

Save as disclosed in the Company's announcements dated 5 January 2022, 31 January 2022, 14 February 2022, 2 March 2022, 3 March 2022, 22 March 2022, 3 May 2022 and 21 June 2022 in relation to a winding up petition filed against the Company and the Company's announcement dated 21 March 2022 in relation to a repayment demand notice issued to the Company, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.



*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2022 of the property interest to be transferred by Tian Shan Real Estate.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
7th Floor, One Taikoo Place  
979 King's Road, Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Company Licence No.: C-030171

仲量聯行企業評估及諮詢有限公司  
香港英皇道979號太古坊一座7樓  
電話 +852 2846 5000 傳真 +852 2169 6001  
公司牌照號碼：C-030171

30 June 2022

The Board of Directors

**Tian Shan Development (Holding) Limited**

Suite 801, 8th Floor

Everbright Centre

108 Gloucester Road

Wanchai

Hong Kong

Dear Sirs,

Pursuant to a Resumption Agreement (the “**Agreement**”) entered into between Tian Shan Real Estate Development Group Limited (“**Tian Shan Real Estate**”), a wholly-owned subsidiary of Tian Shan Development (Holding) Limited (the “**Company**”), and Shijiazhuang Bureau of Natural Resources and Planning (“**Shijiazhuang City Planning Bureau**”), Tian Shan Real Estate has agreed to transfer, and Shijiazhuang City Planning Bureau has agreed to purchase back a parcel of land which is situated in Shijiazhuang Hi-tech Industry Development Zone in Shijiazhuang City, Hebei Province, the People’s Republic of China (the “**PRC**”).

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**” or “**we**”) are instructed by the Company to provide valuation service on the property for disclosure purpose. In accordance with your instructions, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interest as at 30 April 2022 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest by the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable market transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and presupposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and Tian Shan Real Estate and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including Real Estate Title Certificate and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisors – Hebei Luchuan Law Offices, concerning the validity of the property interest in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and Tian Shan Real Estate. We have also sought confirmation from the Company and Tian Shan Real Estate that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out in January 2022 by Ms. Sally Zhao who is a China Certified Real Estate Appraiser and has more than 4 years' experience in the valuation of properties in the PRC.

All monetary figures stated in this report are in Renminbi (RMB).

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy has recovered and most business activities have been back to normal. We also note that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of the property under frequent review.

The valuation certificate is attached below for your attention.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Eddie T. W. Yiu**

*MRICS MHKIS RPS (GP)*

*Senior Director*

*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 28 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## VALUATION CERTIFICATE

## Property interest to be transferred by Tian Shan Real Estate in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
A parcel of land located at the eastern side of Tianshan Street, the western side of Qilian Street, the southern side of Liucun Collective Land and the northern side of Changjiang Avenue Shijiazhuang Hi-tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	<p>The property is located in Shijiazhuang Hi-tech Industry Development Zone. The locality is well served by public transportation network and supporting facilities.</p> <p>The property occupies a parcel of land with a site area of approximately 63,662.79 sq.m., which will be developed into a retail and apartment complex.</p> <p>The property has a planned gross floor area (“GFA”) of approximately 463,700 sq.m., details of which are set out in note 4.</p> <p>The land use rights of the property have been granted for a term of 40 years expiring on 2 March 2057 for commercial and financial uses.</p>	As at the valuation date, the property was bare land with limited foundation works carried out.	606,000,000

## Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract dated 23 January 2017, the land use rights of the property with a site area of approximately 63,662.79 sq.m. were contracted to be granted to Tian Shan Real Estate for a term of 40 years for commercial and financial uses commencing from the land delivery date. The plot ratio of the property is 4.3. The land consideration is RMB344,100,000. As advised by the Company and Tian Shan Real Estate, the land consideration has been fully paid.
- Pursuant to a Real Estate Title Certificate (for land) dated 7 March 2017 – Ji (2017) Shi Gao Xin Bu Dong Chan Quan Di No. 0000791, the land use rights of a parcel of land with a site area of approximately 63,662.79 sq.m. have been granted to Tian Shan Real Estate for a term of 40 years expiring on 2 March 2057 for commercial and financial uses.

According to the confirmation of the Company, as at the valuation date, the registration of the cancellation of the aforesaid land use rights of the property had been made in accordance with the Agreement.

3. Pursuant to a Maximum Amount Mortgage Contract (No.1510202004225784DY-1), a Comprehensive Credit Line Contract (No. 1510202004225784) and an Acknowledgment of Debt, the land use rights of the property were subject to a mortgage for a total loan amount of RMB140,000,000 and the term is from 23 April 2020 to 23 April 2023. As confirmed by the Company, the loan has been paid off. The registration of the mortgage in the addendum to the Real Estate Title Certificate (mentioned in note 2) had been cancelled on 29 November 2021.

According to the confirmation of the Company, as at the valuation date, the land use rights of the property were free from any mortgage, pledge, liens, encumbrances, etc., and there were no investigation, notice, pending litigation, breaches of law or other title defects against the property.

4. According to the information provided by Tian Shan Real Estate, the planned GFA of the property is set out as below:

Usage	Planned GFA (sq.m.)	No. of Car Parking Space
Retail	173,797	
Apartment	99,953	
Underground car parking space	189,950	2,459
<b>Total:</b>	<b>463,700</b>	<b>2,459</b>

5. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,807,000,000.
6. In undertaking our valuation, we have identified and analysed various relevant sales evidences of land within the locality which have the similar characteristics as the property, and selected three comparable properties based on the following selection criteria:
- a. the transaction date of the comparable property should be within two years;
  - b. the usage of the comparable property should be commercial use;
  - c. the plot ratio of the comparable property should be 4 to 5;
  - d. the land use rights term of the comparable property should be 40 years; and
  - e. the comparable property should be bare land and connected with road and the supply of water and electricity and with land levelling.

All of the three selected comparable properties are commercial land site within the locality which have the similar location, infrastructure and plot ratio as the subject property. The accommodation value of these comparable land sites ranges from RMB1,759 to RMB2,206 per sq.m. Appropriate adjustments and analysis are considered to the differences in several aspects including transaction date, site area, accessibility and other characters between the comparable properties and the subject property to arrive at our assumed accommodation value. The general basis of adjustment is that if the comparable property is superior to the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Details of the three comparable properties and adjustments are set out below, the list of the comparable properties is exhaustive based on the above selection criteria as at the time we performed the valuation of the property.

Comparable:	A	B	C
Location	the northern side of Huaian Road and the western side of Chengjiao Street, Qiaoxi District	the western side of Tianshan Street and the northern side of Wenchang Road, Yuhua District	the eastern side of Kunlun Street and the southern side of Jinsha North Road, Yuhua District
Usage	Commercial land	Commercial land	Commercial land
Transaction date	November 2021	December 2020	June 2020
Site area ( <i>sq.m.</i> )	33,543.59	29,617.75	9,722.69
Plot ratio	4.5	4.21	4.87
Land use rights term	40 years	40 years	40 years
Location and accessibility	Good	Good	Good
Accommodation value ( <i>RMB/sq.m.</i> )	2,206	1,759	1,827

**Adjustment factors:**

Transaction date	Similar with the property	Inferior to property	Inferior to property
Site area	Similar with the property	Similar with the property	Superior to the property
Plot ratio	Inferior to property	Superior to the property	Inferior to property
Remaining land use rights term	Superior to the property	Superior to the property	Superior to the property
Location and accessibility	Superior to the property	Inferior to property	Inferior to property
Total adjustment	-13%	+7.5%	+4%
Adjusted accommodation value ( <i>RMB/sq.m.</i> )	1,919	1,891	1,900

Based on the analysis of the three comparable properties, the adjusted average accommodation value for the market value of the property is approximately RMB1,900 per sq.m.

7. As advised by the Company, the preliminary expenses and construction costs of approximately RMB86,000,000 had been paid up to the valuation date, which has been included in the market value of the property.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:

On or before the signing date of the Agreement (22 November 2021):

- a. Tian Shan Real Estate has legally obtained the land use rights of the property, and is entitled to occupy, use and development the land; and
- b. Tian Shan Real Estate has the rights to legally transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the term of land use rights.

In our valuation, we have relied on the above legal opinion and have not taken into account the Agreement in arriving at the market value of the property as at the valuation date.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:
  - a. State-owned Land Use Rights Grant Contract Yes
  - b. Real Estate Title Certificate (Land) Yes

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

### (a) Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules are listed as follows:

Name of Director	Nature of interest	Number of Shares (Long Position)	Approximate percentage of shareholding
Wu Zhen Shan	Interest in a controlled corporation	750,000,000 (Note)	74.56%
Wu Zhen Ling	Interest in a controlled corporation	750,000,000 (Note)	74.56%
Zhang Zhen Hai	Interest in a controlled corporation	750,000,000 (Note)	74.56%

*Note:* The Shares are beneficially held by Neway Enterprises Limited, a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. Wu Zhen Shan, 25% by Mr. Wu Zhen Ling and 25% by Mr. Zhang Zhen Hai and all being directors of Neway Enterprises Limited. Since Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai exercise or control more than 30% of the voting power at general meetings of Neway Enterprises Limited, each of Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai is deemed to be interested in the Shares held by Neway Enterprises Limited by virtue of the SFO.

## (b) Interest in the associated corporation

Name of Director	Name of associated corporation	Number of interested share(s)	Percentage of shareholding
Wu Zhen Shan	Neway Enterprises Limited	one	25%
Wu Zhen Ling	Neway Enterprises Limited	one	25%
Zhang Zhen Hai	Neway Enterprises Limited	one	25%

Save as disclosed above, none of the Directors or the chief executive of the Company has any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

## 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, the following person(s) (other than a Director or a chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Substantial Shareholder	Nature of interest	Total number of Shares (Long Position)	Approximate percentage of the existing issued share capital of the Company
Neway Enterprises Limited (Note)	Beneficial owner	750,000,000	74.56%



*Note:* Neway Enterprises Limited is a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. Wu Zhen Shan, 25% by Mr. Wu Zhen Ling and 25% by Mr. Zhang Zhen Hai and all being directors of Neway Enterprises Limited.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of any member of the Group.

#### **4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

#### **5. COMPETING BUSINESS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

#### **6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## 7. LITIGATION

The Company received a winding up petition dated 28 December 2021 filed against the Company in the Court of First Instance of the High Court of the Hong Kong, details of which was set out in the announcements of the Company dated 5 January 2022, 31 January 2022, 14 February 2022, 2 March 2022, 3 March 2022, 22 March 2022, 3 May 2022 and 21 June 2022. In addition, the Company received a repayment demand notice for the immediate repayment of the principal and interest under a facility agreement, details of which was set out in the announcement of the Company dated 21 March 2022. Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) having been entered into by the Group within two years immediately preceding the date of this circular and are or may be material:

- (a) the Agreement;
- (b) the second amendment and restatement deed dated 27 April 2020 entered into between the Group and Maxiup Holdings Ltd. (the “**Lender**”) for the extension of repayment date of the loan under the first tranche facility under the facility agreement dated 22 February 2016 (as subsequently amended) (the “**Amended Facility Agreement**”) which amounted to HK\$200,000,000;
- (c) the agreement for the provision of a charge dated 22 May 2020 entered into between the Group and 河北天山實業集團建築工程有限公司 (Hebei Tianshan Industrial Group Construction Engineering Company Limited) (“**Tianshan Construction**”) for the provision of a charge by the Group to secure the payment obligations of Tianshan Construction with the maximum guaranteed amount of approximately RMB40.0 million (the “**Financial Assistance Agreement**”);
- (d) the agreement dated 14 July 2020 entered into between the Group and Tianshan Construction for the provision of guarantee by the Group to secure the payment obligations of Tianshan Construction with the maximum guaranteed amount of approximately RMB27.0 million;
- (e) the agreement between the Group and the Lender for the extension of the repayment date of the loan under the second tranche facility under the Amended Facility Agreement which amounted to HK\$200,000,000;

- (f) the share transfer agreement dated 19 November 2020 entered into between the Group as seller and the Hebei Zhantai Construction Engineering Company Limited (河北展泰建設工程有限公司) as purchaser for the transfer of entire issued share capital of Langfang City Chenghui Real Estate Development Company Limited (廊坊市誠惠房地產開發有限公司) at the consideration of approximately RMB104.8 million;
- (g) the agreement dated 15 December 2020 entered into between the Group, Hebei Tianshan Construction Material Technology Company Limited (河北天山建材科技有限公司) (“**Hebei Tianshan Construction Material**”) and Tianshan Construction, pursuant to which the Group conditionally agreed to provide financial assistance to Hebei Tianshan Construction Material by entering into a guarantee agreement to charge certain immovable properties in favour of the lender of Hebei Tianshan Construction Material to guarantee and secure the payment obligations of Hebei Tianshan Construction Material with the maximum guarantee amount of RMB25.0 million;
- (h) the guarantee supplemental agreement dated 14 May 2021 and entered into between the Group and Tianshan Construction for the extension of the term of the financial assistance provided under the Financial Assistance Agreement; and
- (i) the framework construction services agreement dated 30 November 2021 between the Group and Tianshan Construction whereby Tianshan Construction agreed to provide construction works and services for the property development projects of the Group through tender with the proposed annual caps of RMB892.0 million and RMB994.2 million for the years ending 31 December 2022 and 2023, respectively.

## 9. QUALIFICATION AND CONSENT OF EXPERT

The following is the name and the qualification of the professional adviser whose letter, opinion or advice is contained or referred to in this circular (the “**Expert**”):

<b>Name</b>	<b>Qualification</b>
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Professional valuer

Jones Lang LaSalle Corporate Appraisal and Advisory Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

As at the Latest Practicable Date, Jones Lang LaSalle Corporate Appraisal and Advisory Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Jones Lang LaSalle Corporate Appraisal and Advisory Limited has no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2020 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

#### **10. MISCELLANEOUS**

As at the Latest Practicable Date:

- (a) The registered office of the Company was situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's head office and principal place of business in Hong Kong was situated at Suite 801, 8/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company was Mr. Cheung Siu Yiu (“**Mr. Cheung**”). Mr. Cheung is a practising fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Accountants in England & Wales, and also a fellow of the Association of Chartered Certified Accountants.
- (c) The Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, was situated at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong.
- (d) In the event of inconsistency, the English texts of this circular shall prevail over its respective Chinese texts.

#### **11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tian-shan.com/>) from the date of this circular up to 14 days thereafter:

- (a) the Agreement;
- (b) the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix II to this circular; and
- (c) the written consent from the Expert referred to under the paragraph headed “Qualification and consent of expert” in this appendix.