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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)

CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE

On 21 December 2015, Tianshan Construction entered into the Loan Facility Agreement with the Bank, pursuant to which the Bank agreed to provide Tianshan Construction with the Revolving Loan Facilities in the aggregate amount of RMB15.0 million (equivalent to approximately HK\$18.0 million) for a term of one year commencing from the Loan Effective Date. On 21 December 2015, Tian Shan Real Estate and Tianshan Construction entered into the Financial Assistance Agreement, pursuant to which Tian Shan Real Estate agreed to grant security by relying on the Charges in favour of the Bank as security for the Revolving Loan Facilities.

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. Tianshan Construction is ultimately owned and controlled by the Controlling Shareholders and executive Directors of the Company, namely, Mr. Wu Zhen Shan, Mr. Wu Zhen Ling, Mr. Zhang Zhen Hai and Mr. Wu Zhen He. As such, Tianshan Construction is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Financial Assistance Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios in respect of the provision of financial assistance under the Financial Assistance Agreement are less than 5%, the Financial Assistance Agreement, the Charges and the transactions contemplated thereunder are subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirements under the Listing Rules.

PROVISION OF FINANCIAL ASSISTANCE

Background

Reference is made to the announcement of the Company dated 23 December 2014 (the “**Announcement**”) whereby the Company set out the terms of the financial assistance provided by Tian Shan Real Estate to Tianshan Construction in reliance of the Charges granted by Tian Shan Real Estate in favour of the Bank. The revolving loan facilities in the aggregate amount of RMB15.0 million referred to in the Announcement was repaid in full by Tianshan Construction to the Bank on 23 November 2015.

On 21 December 2015, Tianshan Construction entered into the Loan Facility Agreement with the Bank, pursuant to which the Bank agreed to provide Tianshan Construction with the Revolving Loan Facilities in the aggregate amount of RMB15.0 million (equivalent to approximately HK\$18.0 million) for a term of one year commencing from the Loan Effective Date at the fixed interest rate of 4.5675%. The drawdown and the utilization of the facilities under the Loan Facility Agreement is subject to the provision of, amongst others, the security for the Revolving Loan Facilities.

On 21 December 2015, Tian Shan Real Estate entered into the Financial Assistance Agreement with Tianshan Construction pursuant to which Tian Shan Real Estate agreed to provide security by relying on the Charges granted in favour of the Bank for the Revolving Loan Facilities for the aggregate maximum amount of RMB16.3 million (equivalent to approximately HK\$19.6 million, being the sum of the maximum amounts guaranteed under Land Use Charge and Property Ownership Charge).

Financial Assistance Agreement

Date

21 December 2015

Parties

- (1) Tian Shan Real Estate, a wholly-owned subsidiary of the Company
- (2) Tianshan Construction, a company beneficially owned and ultimately controlled by the Controlling Shareholders and executive Directors of the Company, namely, Mr. Wu Zhen Shan, Mr. Wu Zhen Ling, Mr. Zhang Zhen Hai and Mr. Wu Zhen He, and a connected person of the Company under the Listing Rules

Guarantee fee

In consideration of the provision of the Charges as securities for the Revolving Loan Facilities, Tianshan Construction will pay to Tian Shan Real Estate a guarantee fee of approximately RMB570,500 (equivalent to approximately HK\$685,000) which is calculated based on 3.5% of the aggregate maximum amount guaranteed under the Financial Assistance Agreement and with reference to the rates of guarantees provided by third party financing guarantee companies in Shijiazhuang, the PRC. The guarantee fee is a one-off and non-refundable fee and is payable by Tianshan Construction to Tian Shan Real Estate upon the entering into of the Financial Assistance Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the Financial Assistance Agreement, including the guarantee fee, are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Nature of the transaction

Pursuant to the Financial Assistance Agreement, Tianshan Construction shall:

- (i) inform the Group of the purpose of the Revolving Loan Facilities and provide the relevant supporting documents to the Group prior to the drawdown of the Revolving Loan Facilities under the Loan Facility Agreement and Tianshan Construction may not utilize the Revolving Loan Facilities unless prior approval of the Company has been obtained;
- (ii) provide its management accounts to the Group on a monthly basis in order for the Group to monitor the utilization of the Revolving Loan Facilities by Tianshan Construction and the repayment status under the Revolving Loan Facilities; and
- (iii) in the event that Tian Shan Real Estate has repaid either in whole or in part of the outstanding facilities to the Bank, repay such amount to Tian Shan Real Estate within five days from the date of receipt of the repayment notice from Tian Shan Real Estate.

The amount guaranteed under the Financial Assistance Agreement to secure the payment obligations of Tianshan Construction is up to a maximum of RMB16.3 million (equivalent to approximately HK\$19.6 million).

Land Use Charge

Date

20 December 2013

Parties

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

To the best knowledge and belief of the Directors, after making reasonable enquiries, the Bank and its ultimate beneficial owners are Independent Third Parties.

Nature of the transaction

Tian Shan Real Estate has agreed to provide a security over the use of the Land in favour of the Bank to secure the payment obligations of Tianshan Construction of the Revolving Loan Facilities of up to a maximum amount of RMB13.0 million (equivalent to approximately HK\$15.6 million), which includes any accrued interest thereon, any penalty interests, any compound interest, any default in payment and compensation and any costs and expenses for enforcing the Land Use Charge.

Information on the Land

The Land is held by Tian Shan Real Estate as inventory. As at 31 October 2015, the carrying value of the Land amount to RMB7.4 million (equivalent to approximately HK\$8.9 million). For the financial years ended 31 December 2013 and 2014, the net profit (both before and after taxation and extraordinary items) attributable to the Land was RMB58,000 (equivalent to approximately HK\$70,000) and RMB63,000 (equivalent to approximately HK\$76,000), respectively.

Property Ownership Charge

Date

20 December 2013

Parties

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

To the best knowledge and belief of the Directors, after making reasonable enquiries, the Bank and its ultimate beneficial owners are Independent Third Parties.

Nature of the transaction

Tian Shan Real Estate has agreed to provide a security over the ownership of the Property in favour of the Bank to secure the payment obligations of Tianshan Construction of the Revolving Loan Facilities of up to a maximum amount of RMB3.3 million (equivalent to approximately HK\$4.0 million), which includes any accrued interest thereon, any penalty interests, any compound interest, any default in payment and compensation and any costs and expenses for enforcing the Property Ownership Charge.

Information on the Property

The Property is held by Tian Shan Real Estate as inventory. As at 31 October 2015, the carrying value of the Property amount to RMB5.2 million (equivalent to approximately HK\$6.2 million). For the financial years ended 31 December 2013 and 2014, the net profit (both before and after taxation and extraordinary items) attributable to the Property was RMB531,000 (equivalent to approximately HK\$637,000) and RMB544,000 (equivalent to approximately HK\$653,000), respectively.

REASONS FOR THE PROVISION OF FINANCIAL ASSISTANCE

The Group is engaged in property development in the PRC. Tianshan Construction is principally engaged in the business of building construction. Tianshan Construction is a major construction services supplier to the Group. The intended use of the Revolving Loan Facilities under the Loan Facility Agreement to be taken out by Tianshan Construction with the Bank will be solely for purchasing construction materials for the construction of the projects of the Group and the provision of financial assistance allows the Group to generate additional revenue from receiving payment of the guarantee fee. As such, the Directors (including the independent non-executive Directors) are of the view that the provision of the financial assistance given by Tian Shan Real Estate for the benefit of Tianshan Construction will in turn benefit the Group.

The executive Directors, who are also directors of Tianshan Construction, have abstained from voting in the meeting of the Board for approving the Financial Assistance Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

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. Tianshan Construction is ultimately owned and controlled by the Controlling Shareholders and executive Directors of the Company, namely, Mr. Wu Zhen Shan, Mr. Wu Zhen Ling, Mr. Zhang Zhen Hai and Mr. Wu Zhen He. As a result, Tianshan Construction is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Financial Assistance Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the provision of financial assistance under the Financial Assistance Agreement are less than 5%, the Financial Assistance Agreement, the Charges and the transactions contemplated thereunder are subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirements under the Listing Rules.

DEFINITION

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

“Bank”	Agricultural Bank of China Limited, Shijiazhuang East City Branch (中國農業銀行股份有限公司石家莊東城支行)
“Board”	the board of Directors
“Charges”	the Land Use Charge and the Property Ownership Charge
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Financial Assistance Agreement”	a guarantee agreement dated 21 December 2015 and entered into between Tian Shan Real Estate and Tianshan Construction for the proposed provision of guarantee by Tian Shan Real Estate in favour of Tianshan Construction under the Revolving Loan Facilities for a maximum amount of RMB16.3 million (equivalent to approximately HK\$19.6 million)
“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 PRC
“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
“Land”	the parcel of land located at the western side of Chengshang Village, Yehe Town, Luancheng County, Shijiazhuang City, Hebei Province, the PRC with a site area of approximately 26,526.60 square meters (State-owned Land Use Rights certificate – Luan Guo Yong (2008) No. 12 樂國用(2008)字第12號)
“Land Use Charge”	the charge over the land use of the Land dated 20 December 2013 entered into by Tian Shan Real Estate in favour of the Bank in respect of, among others, the Revolving Loan Facilities
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Loan Effective Date”	the date on which the Loan Facility Agreement takes effect
“Loan Facility Agreement”	the loan agreement dated 21 December 2015 and entered into between the Bank and Tianshan Construction in relation to the revolving loan facilities in the aggregate amount of RMB15.0 million for a term of one year commencing from the Loan Effective Date
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Property”	the property located at the western side of Chengshang Village, Yehe Town, Luancheng County, Shijiazhuang City, Hebei Province, the PRC (Building ownership certificate – Luan Fang Quan Zheng No. 0170002787-01.02) (中國河北省石家莊市樂城縣冶河鎮程上村西 (房屋所有權證—樂房權證字第0170002787-01.02號))
“Property Ownership Charge”	the charge over the ownership rights of the Property dated 20 December 2013 entered into by Tian Shan Real Estate in favour of the Bank in respect of, among others, the Revolving Loan Facilities
“Revolving Loan Facilities”	the revolving loan facilities under the Loan Facility Agreement in the aggregate amount of RMB15.0 million (equivalent to approximately HK\$18.0 million)

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) 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 with limited liability established in the PRC and 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 the Controlling Shareholders and the executive Directors of the Company
“%”	per cent.

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

Translation of RMB into HK\$ are for illustration purpose only, at the rate of RMB1.00 to HK\$1.20. No representation is made that any amounts RMB or HK\$ could have been or could be converted at that rate or at any rate at all.

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

Hong Kong, 21 December 2015

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