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



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)

DISCLOSEABLE AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 17 of this circular. A letter from Caitong International Capital, the Independent Financial Adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 32 of this circular.

A notice convening the EGM to be held at Units 1204-05, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on 29 January 2021 at 10:00 a.m., is set out on pages 38 to 40 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for holding the EGM (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please see page 1 of this document for measures being taken to try to prevent and control the spread of the Coronavirus disease (COVID-19) at the extraordinary general meeting, including:

- i. compulsory temperature checks
- ii. compulsory wearing of surgical face masks
- iii. no distribution of refreshments, drinks and souvenirs

Any person who does not comply with the precautionary measures or is subject to any Hong Kong government prescribed quarantine may be denied entry into the extraordinary general meeting venue.

The Company also encourages its shareholders to consider appointing the chairman of the extraordinary general meeting as his/her proxy to vote on the relevant resolution at the extraordinary general meeting as an alternative to attending the extraordinary general meeting in person.

13 January 2021

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

The health of Shareholders, staff and stakeholders is of paramount importance to the Company. In view of the ongoing coronavirus disease (COVID-19), the Company will implement the following precautionary measures at the extraordinary general meeting which will be held on Friday, 29 January 2021 at 10:00 a.m. at Units 1204-05, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong to protect attending Shareholders, staff and stakeholders from the risk of infection:

- i. Mandatory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- ii. Each attendee is mandatorily required to prepare his/her own surgical face mask and wear the surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- iii. No food and beverage will be served and there will be no distribution of corporate gifts.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny any person entry into the venue or require any person to leave the venue in order to ensure the safety of the attendees at the extraordinary general meeting.

Subject to the development of COVID-19, the Company may implement further precautionary measures as and when appropriate.

In addition, the Company wishes to advise all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and returning the proxy form.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bank”	Woori Bank (China) Limited, Tianjin East Road Branch (友利銀行(中國)有限公司天津東馬路支行)
“Board”	the board of Directors
“Borrower”	Hebei Tianshan Construction Material Technology Company Limited (河北天山建材科技有限公司), a company with limited liability established in the PRC and a direct wholly-owned subsidiary of Tianshan Industrial Group and thus a connected person of the Company
“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 SFO and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Financial Assistance and the transactions contemplated thereunder
“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(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Units 1204-05, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 29 January 2021 at 10:00 a.m. to consider and approve, among others, the Financial Assistance and the transactions contemplated thereunder

DEFINITIONS

“Existing Financial Assistance Agreements”	the agreements dated 22 May 2020 and 14 July 2020, which are entered into between Tian Shan Real Estate and Tianshan Construction for the provision of guarantee by Tian Shan Real Estate in favour of Tianshan Construction, and the maximum amount guaranteed under the agreements are RMB40.0 million and RMB27.0 million, respectively
“Facility Agreement”	a facility agreement dated 15 December 2020 and entered into between the Borrower and the Bank in respect of a three-year loan facility of up to RMB25.0 million, as amended or supplemented from time to time
“Financial Assistance”	the performance of the Financial Assistance Agreement and the entering into the Guarantee Agreement
“Financial Assistance Agreement”	a financial assistance agreement dated 15 December 2020 and entered into between Tian Shan Tianjin Real Estate, the Borrower, Tianshan Construction and Tian Shan Real Estate for the provision of guarantee by Tian Shan Tianjin Real Estate under the Facility Agreement with a maximum amount of RMB25.0 million, as amended or supplemented from time to time
“Guarantee Agreement”	the agreement to be entered into by Tian Shan Tianjin Real Estate and the Bank, pursuant to which Tian Shan Tianjin Real Estate shall charge the Immovable Properties to guarantee and secure the payment obligations of the Borrower under the Facility Agreement with a maximum amount of RMB25.0 million, as amended or supplemented from time to time
“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

DEFINITIONS

“Immovable Properties”	two properties located at level two and level three of 17-1,2,3, Ding Dingxuan, Xiaozhan Town, Jinnan District, Tianjin City, the PRC (中國天津市津南區小站鎮定鼎軒 17-1、2、3)(property ownership certificates Jin Zi Nos. 1120814012040-1120814012058 and 1120814012099-1120814012297)(房地證津字第120814012040-1120814012058、1120814012099-1120814012297號) with total gross floor area of approximately 10,243 square meters
“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 Financial Assistance and the transactions contemplated thereunder
“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 Financial Assistance and the transactions contemplated thereunder
“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 members of the Group, and their respective associates
“Latest Practicable Date”	11 January 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amend from time to time
“Loan Agreement”	a loan agreement dated 15 December 2020 and entered into between the Borrower and the Bank pursuant to the Facility Agreement, which is in respect of a one-year term loan of RMB20.0 million at an interest rate of 5.3% per annum, together with the ancillary documents thereunder
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“Tianshan Construction”	Hebei Tianshan Industrial Group Construction Engineering Company Limited (河北天山實業集團建築工程有限公司), a company with limited liability established in the PRC and a direct wholly-owned subsidiary of Tianshan Industrial Group and thus a connected person of the Company
“Tianshan Industrial Group”	Hebei Tianshan Industrial Group Company Limited (河北天山實業集團有限公司), 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
“Tian Shan Real Estate”	Tian Shan Real Estate Development Group Limited (天山房地產開發集團有限公司), a company with limited liability established in the PRC and an indirect wholly-owned subsidiary of the Company
“Tian Shan Tianjin Real Estate”	Tianjin Tian Shan Real Estate Development Limited (天津市天山房地產開發有限公司), a company with limited liability established in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

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

Registered office:

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Independent non-executive Directors:

Mr. Tian Chong Hou

Mr. Wang Ping

Mr. Cheung Ying Kwan

Head office and principal place of business:

Suite 801, 8th Floor

Everbright Centre

108 Gloucester Road

Wanchai

Hong Kong

13 January 2021

To Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

Reference is made to the announcement of the Company dated 15 December 2020 in relation to the Financial Assistance and the transactions contemplated thereunder. The purposes of this circular are to provide you with, among other things, (i) further details of the transactions contemplated under the Financial Assistance; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders regarding the Financial Assistance and the transactions contemplated thereunder; (iii) a letter from Caitong International Capital containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM.

LETTER FROM THE BOARD

Background

On 15 December 2020, the Borrower (a connected person of the Company) entered into the Facility Agreement with the Bank, pursuant to which the Bank agreed to make available to the Borrower a loan facility up to RMB25.0 million from 24 December 2020 to 24 December 2023. Subject to the terms of the Facility Agreement, the Borrower further entered into the Loan Agreement with the Bank, under which the Borrower may drawdown a one-year term loan of RMB20.0 million at an interest rate of 5.3% per annum.

On the even date, Tian Shan Tianjin Real Estate entered into the Financial Assistance Agreement with the Borrower, Tianshan Construction and Tian Shan Real Estate, pursuant to which Tian Shan Tianjin Real Estate conditionally agreed to provide financial assistance to the Borrower by entering into the Guarantee Agreement with the Bank to charge the Immovable Properties in favour of the Bank to guarantee and secure the payment obligations (including any accrued interest, any penalty interests, liquidated damages and compensation for damages, and any costs and expenses for enforcing rights and the charges under the Guarantee Agreement and other reasonably incurred expenses) of the Borrower under the Facility Agreement and the transactions contemplated thereunder (including the Loan Agreement) with the maximum guarantee amount of RMB25.0 million. Details of the Financial Assistance Agreement are set out as follows:

FINANCIAL ASSISTANCE AGREEMENT

Date

15 December 2020

Parties

- (1) Tian Shan Tianjin Real Estate, an indirect wholly-owned subsidiary of the Company;
- (2) the Borrower, a company with limited liability established in the PRC and a direct wholly-owned subsidiary of Tianshan Industrial Group, a company with limited liability established in the PRC which is beneficially owned as to (i) 25% by Mr. Wu Zhen Shan, a Director; (ii) 25% by Mr. Wu Zhen Ling, a Director; (iii) 25% by Mr. Zhang Zhen Hai, a Director; and (iv) 25% by Ms. Wu Xiaozi, the niece of Mr. Wu Zhen Shan and Mr. Wu Zhen Ling; Mr. Wu Zhen Shan is also the sole director of Tianshan Industrial Group;
- (3) Tianshan Construction, a company with limited liability established in the PRC and also a direct wholly-owned subsidiary of Tianshan Industrial Group; and
- (4) Tian Shan Real Estate, a company with limited liability established in the PRC and an indirect wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

Duration

Three years from 24 December 2020 to 24 December 2023

Maximum guarantee amount

The amount guaranteed under the Financial Assistance Agreement to guarantee and secure the payment obligations (including any accrued interest, any penalty interests, liquidated damages and compensation for damages, and any costs and expenses for enforcing rights and the charges under the Guarantee Agreement and other reasonably incurred expenses) of the Borrower is up to a maximum of RMB25.0 million.

Conditions precedent

The performance of the Financial Assistance Agreement and the transactions contemplated thereunder (including but not limited to the Guarantee Agreement) are subject to the approvals of the Independent Board Committee and the Independent Shareholders.

Guarantee fee

In consideration of the financial assistance under the Financial Assistance Agreement, the Borrower will pay to Tian Shan Tianjin Real Estate a guarantee fee in the sum of approximately RMB2.6 million, which is calculated based on 3.5% per annum of the maximum guarantee amount of RMB25.0 million under the Guarantee Agreement and determined with reference to the rates of guarantees provided by third party financing guarantee companies in Tianjin City, the PRC.

The guarantee fee is payable by the Borrower to Tian Shan Tianjin Real Estate upon (i) approvals of the Independent Board Committee and the Independent Shareholders having been obtained; and (ii) Tian Shan Tianjin Real Estate having entered into the Guarantee Agreement.

The Directors (excluding Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai who had abstained from voting at the Board resolutions approving the Financial Assistance and the transactions contemplated thereunder, but including the independent non-executive Directors who have taken into consideration the advice of the Independent Financial Adviser) consider that the terms of the Financial Assistance Agreement, including the guarantee fee, are on normal commercial terms after arm's length negotiations between the parties and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, although the Financial Assistance is not in the ordinary and usual course of business of the Group.

LETTER FROM THE BOARD

Obligations of the Borrower

Pursuant to the Financial Assistance Agreement, among others, it was agreed that:

- (i) the intended use of the loans to be taken out by the Borrower will be solely for the manufacture of construction materials or other raw materials for the construction of the projects of the Group or other purposes approved by Tian Shan Tianjin Real Estate in writing and which are related to the projects of the Group;
- (ii) the Borrower shall inform in writing Tian Shan Tianjin Real Estate of the purpose of the loan under the Facility Agreement for each loan and provide the relevant supporting documents to Tian Shan Tianjin Real Estate prior to the drawdown of each loan, and the Borrower may not utilise the loan under the Facility Agreement unless prior approval of Tian Shan Tianjin Real Estate has been obtained;
- (iii) the Borrower shall provide its management accounts to Tian Shan Tianjin Real Estate on a monthly basis in order for Tian Shan Tianjin Real Estate to monitor the utilisation of the loan under the Facility Agreement and its repayment status;
- (iv) during the term, so long as the Borrower has outstanding liabilities to the Bank under the Facility Agreement, the total amount payable by Tian Shan Tianjin Real Estate and Tian Shan Real Estate to Tianshan Construction shall at all times remains more than the amount of the total outstanding liabilities payable by the Borrower and Tianshan Construction to any third party (including the Bank) where financial assistance has been provided by Tian Shan Tianjin Real Estate or Tian Shan Real Estate;
- (v) in the event that the Borrower has breached any terms of the Facility Agreement and for that Tian Shan Tianjin Real Estate or Tian Shan Real Estate has repaid any liabilities on its behalf, if Tian Shan Tianjin Real Estate or Tian Shan Real Estate elects to, the amount payable by Tian Shan Tianjin Real Estate or Tian Shan Real Estate to Tianshan Construction shall be set off against the amount repaid by Tian Shan Tianjin Real Estate or Tian Shan Real Estate (as the case may be);
- (vi) during the term, so long as the Borrower has outstanding liabilities to the Bank under the Facility Agreement, the amount payable by Tianshan Construction to the Borrower shall at all times remains more than the amount of the total outstanding liabilities payable to the Bank by the Borrower; and
- (vii) in the event that the Borrower has breached any terms of the Facility Agreement and for that Tian Shan Tianjin Real Estate or Tian Shan Real Estate has repaid any liabilities on its behalf and subsequently the amount payable by Tian Shan Tianjin Real Estate or Tian Shan Real Estate (as the case may be) to Tianshan Construction was set off against the amount repaid by Tian Shan Tianjin Real Estate or Tian Shan Real Estate, the amount payable by Tianshan Construction to the Borrower shall be set off accordingly.

LETTER FROM THE BOARD

Tian Shan Tianjin Real Estate shall have the right to (i) check and monitor utilization of the loan; (ii) check and monitor the production, operation and financial condition of the Borrower; and (iii) monitor the Borrower's performance under the Facility Agreement.

The Guarantee Agreement

Subject to the fulfillment of the conditions precedent, Tian Shan Tianjin Real Estate shall, in accordance with the Financial Assistance Agreement, enter into a Guarantee Agreement with the Bank to charge the Immovable Properties in favour of the Bank to guarantee and secure the payment obligations (including any accrued interest, any penalty interests, liquidated damages and compensation for damages, and any costs and expenses for enforcing rights and the charges under the Guarantee Agreement and other reasonably incurred expenses) of the Borrower under the Facility Agreement with the maximum guarantee amount of RMB25.0 million.

The Immovable Properties shall be charged in favour of the Bank under the Guarantee Agreement. The Immovable Properties are held by Tian Shan Tianjin Real Estate as investment properties. As at 31 October 2020, the aggregate carrying value of the Immovable Properties amounted to approximately RMB59.2 million. For the financial years ended 31 December 2018 and 2019, the net profit (both before and after taxation and extraordinary items) attributable to the Immovable Properties was approximately RMB4,484,000 and RMB4,849,000, respectively.

Under the Guarantee Agreement, Tian Shan Tianjin Real Estate shall procure and maintain insurance for the Immovable Properties with such type of insurance type and premium prices as instructed by the Bank. Tian Shan Tianjin Real Estate shall undertake, among others, not to give as gift, transfer, lease, charge or otherwise deal with the Immovable Properties unless prior approval of the Bank has been obtained.

Tian Shan Tianjin Real Estate and the Bank shall register the Guarantee Agreement with the relevant bureau for charge registration within five days upon the signing of the Guarantee Agreement.

The Directors (excluding Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai who had abstained from voting at the Board resolutions approving the Financial Assistance and the transactions contemplated thereunder, but including the independent non-executive Directors who have taken into consideration the advice of the Independent Financial Adviser) consider that the terms of the Guarantee Agreement are on normal commercial terms after arm's length negotiations between the parties and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, although the Financial Assistance is not in the ordinary and usual course of business of the Group.

LETTER FROM THE BOARD

The relevant parties

The Group is engaged in property development in the PRC. Tian Shan Tianjin Real Estate and Tian Shan Real Estate are indirect wholly-owned subsidiaries of the Company and both of their principal business is development of real property projects in the PRC.

The Borrower is principally engaged in the manufacturing of window and door products and accessories, and a direct wholly-owned subsidiary of Tianshan Industrial Group. Tianshan Construction is principally engaged in the business of building construction and also a direct wholly-owned subsidiary of Tianshan Industrial Group. The Borrower, Tianshan Construction and Tianshan Industrial Group are connected persons of the Company under the Listing Rules.

To the best knowledge, belief and information of the Directors, the Borrower is a major supplier of window and door products and accessories to Tianshan Construction. Tianshan Construction is a major construction services supplier to the Group.

The Bank is a commercial bank in the PRC and provides a variety of financial products and services to corporate and personal banking customers. To the best knowledge, belief and information of the Directors and having made all reasonable enquiries, the Bank is a wholly-owned subsidiary of Woori Bank Co., Ltd, a wholly-owned subsidiary of Woori Financial Group Inc., which common stocks are listed on the Korea Exchange and American Depositary Shares are being traded as the original stock on the New York Stock Exchange. To the best knowledge, belief and information of the Directors and having made all reasonable enquiries, the Bank and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR THE PROVISION OF FINANCIAL ASSISTANCE

The intended use of the loan(s) of the Facility Agreement to be taken out by the Borrower will be solely for the manufacture of construction materials or other raw materials for the construction of the projects of the Group or other purposes approved by Tian Shan Tianjin Real Estate in writing and which are related to the projects of the Group. The construction materials or other materials, mostly window and door products and accessories, are expected to be supplied to Tianshan Construction, which is a major construction services supplier to the Group. As such, the Group shall benefit indirectly when Tianshan Construction can procure stable supply of construction materials or other raw materials for the construction of the projects of the Group. Furthermore, the provision of financial assistance by Tian Shan Tianjin Real Estate allows the Group to generate additional revenue from receiving payment of the guarantee fee.

LETTER FROM THE BOARD

To assess the default risk, the Directors have:

- (i) communicated with key personnel of the Borrower and Tianshan Industrial Group and reviewed the financial results of the Borrower for the two years ended 31 December 2019 and the ten months ended 31 October 2020. The unaudited net assets of the Borrower as at 31 October 2020 were approximately RMB93.0 million (as at 31 December 2019 (audited): approximately RMB83.8 million). The audited net profit of the Borrower for the year ended 31 December 2018 and 31 December 2019 and for the ten months ended 31 October 2020 were approximately RMB10.8 million, RMB9.8 million and RMB9.2 million, respectively. As such, the Directors are of the view that the net profit of Borrower has been maintained at a similar level and is relatively stable, and there is a downward trend for the net debt to equity ratio from the year ended 31 December 2018 to the ten months ended 31 October 2020, and no items from the financial results and financial position of the Borrower for the two years ended 31 December 2019 and the ten months ended 31 October 2020 are considered to cast doubt on the repayment obligations of the Borrower under the Facility Agreement and transactions contemplated thereunder, including the Loan Agreement, should they become due;
- (ii) checked the repayment record and history of Tianshan Industrial Group and its subsidiaries in respect of the Existing Financial Assistance Agreements (under which the Group has provided financial assistance) and noted that all repayment and payment of accrued interests were made on time without any defaults;
- (iii) obtained and reviewed the credit report of the Borrower issued by the Credit Reference Centre of the People's Bank of China on 30 November 2020, based on which the Borrower had repaid its borrowings and related interests according to the repayment schedule, did not have any expired outstanding borrowings and did not have any record for, among others, bad debts, administrative penalties or compulsory enforcement; and
- (iv) obtained and reviewed the credit report of Tianshan Industrial Group issued by the National Enterprises Credit Information Publicity System on 16 September 2020, based on which Tianshan Industrial Group did not have any abnormal operations, administrative penalties or compulsory enforcement.

Given the aforesaid reasons, the Directors consider Tianshan Industrial Group and its subsidiaries have demonstrated a credible repayment track record to the Group, and Tianshan Industrial Group and the Borrower have ample repayment ability for the loan taken out under the Facility Agreement, therefore the risk of default by the Borrower is low.

LETTER FROM THE BOARD

In addition, as stated in the paragraph headed “Obligations of the Borrower” above, under the Financial Assistance Agreement, it was agreed, among others, that: (i) the Borrower shall inform the Group of the purpose of the loan under the Facility Agreement for each loan and provide the relevant supporting documents to the Group prior to drawdown, and the Borrower may not utilise the loan under the Facility Agreement unless the prior approval of Group has been obtained; (ii) the Borrower shall provide its management accounts to the Group on a monthly basis so that the Group can monitor the utilization of the loan under the Facility Agreement and the repayment status; and (iii) during the term, so long as the Borrower has outstanding liabilities to the Bank under the Facility Agreement, the total amount payable by Tian Shan Tianjin Real Estate and Tian Shan Real Estate to Tianshan Construction shall at all times remains more than the amount of the total outstanding liabilities payable by the Borrower and Tianshan Construction to any third party (including the Bank) where financial assistance has been provided by Tian Shan Tianjin Real Estate or Tian Shan Real Estate.

With close monitoring of the utilization of the loan and the financial status of the Borrower, the Group can regularly assess the underlying default risk of the Borrower and can withhold approval for further drawdown under the Facility Agreement if appropriate. In addition, the arrangement to set off payables to Tianshan Construction could facilitate the Group to minimize the underlying default risk on the Loan because in the event of default on the part of the Borrower, the Group could minimize the loss incurred to the Group by way of setoff against the amount payable due to Tianshan Construction by the Group.

As such, the Directors (excluding Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai who had abstained from voting at the Board resolutions approving the Financial Assistance and the transactions contemplated thereunder, but including the independent non-executive Directors who have taken into consideration the advice of the Independent Financial Adviser) are of the view that the provision of the financial assistance given by Tian Shan Tianjin Real Estate for the benefit of the Borrower will in turn benefit the Group.

The Directors (excluding Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai who had abstained from voting at the Board resolutions approving the Financial Assistance and the transactions contemplated thereunder, but including the independent non-executive Directors who have taken into consideration the advice of the Independent Financial Adviser) consider that the terms of the Financial Assistance and the transactions contemplated thereunder are on normal commercial terms after arm’s length negotiations between the parties and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, although the Financial Assistance is not in the ordinary and usual course of business of the Group.

LETTER FROM THE BOARD

The Borrower is a wholly-owned subsidiary of Tianshan Industrial Group, a company with limited liability established in the PRC which is beneficially owned as to (i) 25% by Mr. Wu Zhen Shan, a Director; (ii) 25% by Mr. Wu Zhen Ling, a Director; (iii) 25% by Mr. Zhang Zhen Hai, a Director; and (iv) 25% by Ms. Wu Xiaozi, the niece of Mr. Wu Zhen Shan and Mr. Wu Zhen Ling; Mr. Wu Zhen Shan is also the sole director of Tianshan Industrial Group. Accordingly, Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai have abstained from voting in the meeting of the Board for approving the Financial Assistance and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

As disclosed in the announcements of the Company dated 22 May 2020 and 14 July 2020, Tian Shan Real Estate, a wholly-owned subsidiary of the Company, and Tianshan Construction entered into the Existing Financial Assistance Agreements, pursuant to which Tian Shan Real Estate provided charges as security for two loan agreements of Tianshan Construction. The maximum amount guaranteed under the Existing Financial Assistance Agreements are RMB40.0 million and RMB27.0 million, respectively.

As one or more of the applicable percentage ratios in respect of the Financial Assistance, when aggregated with the Existing Financial Assistance Agreements pursuant to Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the Financial Assistance and the transactions contemplated thereunder constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Furthermore, as at the Latest Practicable Date, the Borrower is a direct wholly-owned subsidiary of Tianshan Industrial Group, which 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), each holding 25% equity interest in Tianshan Industrial Group. In addition, Mr. Wu Zhen Shan is also the sole director of Tianshan Industrial Group. As such, the Borrower is a connected person of the Company under the Listing Rules. Accordingly, the Financial Assistance and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, pursuant to Rule 14A.81 of the Listing Rules, the Existing Financial Assistance Agreements shall be aggregated with the Financial Assistance Agreement.

As one or more of the applicable percentage ratios in respect of the Financial Assistance in aggregate with the Existing Financial Assistance Agreements are more than 5%, the Financial Assistance and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

EGM

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Financial Assistance and the transactions contemplated thereunder.

Each of the executive Directors, namely Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai has abstained from voting in the Board resolution approving the Financial Assistance and the transactions contemplated thereunder. As the Borrower is a direct wholly-owned subsidiary of Tianshan Industrial Group, which is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, each of them and their respective associates (including Neway Enterprises Limited, which is ultimately owned by Mr. Wu Zhen Shan as to 25%, Mr. Wu Zhen Ling as to 25% and Mr. Zhang Zhen Hai as to 25%), being connected persons of the Company and having material interests in the Financial Assistance and the transactions contemplated thereunder, will abstain from voting on the resolution proposed at the EGM to approve the Financial Assistance and the transactions contemplated thereunder in accordance with the Listing Rules. As at the Latest Practicable Date, Neway Enterprises Limited held 750,000,000 Shares, representing approximately 74.56% of the entire issued share capital of the Company.

As at the Latest Practicable Date, each of Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai and their respective associates are interested in 750,000,000 Shares, representing approximately 74.56% of the entire issued share capital of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable inquiry, other than the above, no other Shareholders have material interests in the above transactions and will abstain from voting at the EGM. The votes of the Independent Shareholders regarding the resolution for approval of the Financial Assistance and the transactions contemplated thereunder will be taken by way of poll at the EGM.

A notice convening the EGM to be held at Units 1204-05, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 29 January 2021 at 10:00 a.m., is set out on pages 38 to 40 of this circular.

LETTER FROM THE BOARD

The register of members of the Company will be closed from Tuesday, 26 January 2021 to Friday, 29 January 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 January 2021.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for holding the EGM (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this circular which contains its recommendation to the Independent Shareholders. In addition, your attention is drawn to the letter from Caitong International Capital set out on pages 18 to 32 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons considered by it in formulating its advice.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular and the notice of the EGM set out in this circular.

Yours faithfully,
For and on behalf of the Board
Tian Shan Development (Holding) Limited
Wu Zhen Shan
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



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)

13 January 2021

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

We refer to the circular of the Company dated 13 January 2021 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the Financial Assistance and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Financial Assistance Agreement and the Guarantee Agreement and the advice of Caitong International Capital in relation thereto as set out on pages 18 to 32 of the Circular, we are of the opinion that the Financial Assistance Agreement was entered into on normal commercial terms, and the terms of the Financial Assistance Agreement and the transactions contemplated thereunder (including but not limited to the Guarantee Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, although the Financial Assistance is not in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Financial Assistance and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the
Independent Board Committee

Wang Ping

Cheung Ying Kwan

Tian Chong Hou

Independent non-executive Directors

LETTER FROM CAITONG INTERNATIONAL CAPITAL

The following is the full text of a letter of advice from Caitong International Capital, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Caitong International Capital Co., Limited
Unit 4811, 48th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

13 January 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Financial Assistance and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 13 January 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 15 December 2020, the Borrower (a connected person of the Company) entered into the Facility Agreement with the Bank, pursuant to which the Bank agreed to make available to the Borrower a loan facility up to RMB25.0 million from 24 December 2020 to 24 December 2023. Subject to the terms of the Facility Agreement, the Borrower further entered into the Loan Agreement with the Bank, under which the Borrower may draw down a one-year term loan of RMB20.0 million at an interest rate of 5.3% per annum.

On the even date, Tian Shan Tianjin Real Estate entered into the Financial Assistance Agreement with the Borrower, Tianshan Construction and Tian Shan Real Estate, pursuant to which Tian Shan Tianjin Real Estate conditionally agreed to provide financial assistance to the Borrower by entering into the Guarantee Agreement with the Bank to charge the Immovable Properties in favour of the Bank to guarantee and secure the payment obligations (including any accrued interest, any penalty interests, liquidated damages and compensation for damages, and any costs and expenses for enforcing rights and the charges under the Guarantee Agreement and

LETTER FROM CAITONG INTERNATIONAL CAPITAL

other reasonably incurred expenses) of the Borrower under the Facility Agreement and the transactions contemplated thereunder (including the Loan Agreement) with the maximum guarantee amount of RMB25.0 million.

As at the Latest Practicable Date, the Borrower is a direct wholly-owned subsidiary of Tianshan Industrial Group, which 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), each holding 25% equity interest in Tianshan Industrial Group. In addition, Mr. Wu Zhen Shan is also the sole director of Tianshan Industrial Group. As such, the Borrower is a connected person of the Company under the Listing Rules. Accordingly, the Financial Assistance and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, pursuant to Rule 14A.81 of the Listing Rules, the Existing Financial Assistance Agreements shall be aggregated with the Financial Assistance Agreement.

As one or more of the applicable percentage ratios in respect of the Financial Assistance in aggregate with the Existing Financial Assistance Agreements are more than 5%, the Financial Assistance and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors (namely Mr. Tian Chong Hou, Mr. Wang Ping and Mr. Cheung Ying Kwan), who have no direct or indirect interest in the Financial Assistance and the transactions contemplated thereunder, has been established to advise the Independent Shareholders as to (i) whether the entering into the Finance Assistance Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Financial Assistance, the Guarantee Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to be proposed at the EGM. We, Caitong International Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

In the past two years preceding the Latest Practicable Date, we have been engaged as the independent financial adviser to the then independent board committee and the independent Shareholders of the Company regarding the continuing connected transactions contemplated under the renewal construction services agreement, details of which were set out in the circular of the Company dated 6 December 2019. The professional fee in connection with such

LETTER FROM CAITONG INTERNATIONAL CAPITAL

engagement has been fully settled. Given our independent role and normal professional fees received from the Company under such engagement, we consider it would not affect our independence to form our opinion in this letter.

As at the Latest Practicable Date, we were not aware of any relationships or interests among us and the Company, Tian Shan Tianjin Real Estate, Tian Shan Real Estate, the Borrower, Tianshan Construction or their respective substantial shareholders or associates that could be reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Accordingly, we are considered eligible to give independent advice on the Financial Assistance and the transactions contemplated thereunder. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company, Tian Shan Tianjin Real Estate, Tian Shan Real Estate, the Borrower, Tianshan Construction or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the Facility Agreement, the Loan Agreement, the Financial Assistance Agreement, the Guarantee Agreement, the announcements of the Company dated 22 May 2020 and 14 July 2020, the annual reports of the Company for the years ended 31 December 2018 and 2019 (the “**2018 Annual Report**” and “**2019 Annual Report**” respectively), the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”) and the Circular.

In addition, we have relied on the information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group (the “**Management**”). We have also relied on the information, facts and representations contained or referred to in the Circular and have assumed that the information, facts and representations provided, and the opinions expressed to us are true, accurate and complete in all material respects at the time they were made and will remain true, accurate and complete in all material respects up to the Latest Practicable Date. Independent Shareholders will be notified of material changes of such information provided and our opinion, if any, as soon as possible after the Latest Practicable Date and up to the date of the EGM. We have also assumed that all statements of beliefs and opinions made by the Directors in the Circular were reasonably made after due enquiry and the expectations and intentions made by the Company and/or the Directors and/or the Management will be met or carried out as the case may be. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group, the Borrower, and/or

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Tianshan Construction in their respective existing state, nor have we carried out any independent verification of the information provided by the Company and/or the Directors and/or the Management.

The Directors jointly and severally accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company, Tian Shan Tianjin Real Estate, Tian Shan Real Estate, the Borrower and/or Tianshan Construction. The Directors having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in the 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 the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Financial Assistance and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Financial Assistance and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background of the Financial Assistance

(a) Information on the Group

The Group is principally engaged in property development in the PRC, whilst Tian Shan Tianjin Real Estate and Tian Shan Real Estate are indirect wholly-owned subsidiaries of the Company and both of their principal business is development of real property projects in the PRC. As disclosed in the 2020 Interim Report, in the future, the Group will continue to follow the national policy, combine its own advantages and market positioning, focus on the Beijing-Tianjin-Hebei region, strategically make presence in Yinchuan and Yangzhou markets, and vigorously enhance its market share where its business locates. As at 30 June 2020, the Group had numerous property projects under development, which were primarily located in Shijiazhuang, Tianjin, Ningxia and Yangzhou, the PRC.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

(b) Information on the Borrower

The Borrower is principally engaged in the manufacturing of window and door products and accessories in the PRC, and a direct wholly-owned subsidiary of Tianshan Industrial Group. As stated in the Letter from the Board, to the best knowledge, belief and information of the Directors, the Borrower is a major supplier of window and door products and accessories to Tianshan Construction.

Set out below is a summary of the financial results of the Borrower as extracted from the audited reports of the Borrower for the two years ended 31 December 2019 and the unaudited management accounts of the Borrower for the ten months ended 31 October 2020 (collectively, the “**Borrower’s Accounts**”), which were prepared in accordance with the relevant accounting principles generally accepted in the PRC:

	For the year ended		For the ten
	31 December		months
	2018	2019	ended
	<i>RMB’000</i>	<i>RMB’000</i>	31 October
	(audited)	(audited)	2020
			<i>RMB’000</i>
			(unaudited)
Revenue	149,736	93,626	91,574
Operating profits	10,949	9,514	10,292
Net profits	10,769	9,811	9,200

Set out below is a summary of the financial position of the Borrower as at 31 December 2018 and 2019 and 31 October 2020, as extracted from the Borrower’s Accounts:

	As at 31 December		As at
	2018	2019	31 October
	<i>RMB’000</i>	<i>RMB’000</i>	2020
	(audited)	(audited)	<i>RMB’000</i>
			(unaudited)
Current assets	138,021	176,035	197,620
Non-current assets	52,992	64,702	65,252
Current liabilities	136,777	156,916	169,851
Non-current liabilities	–	–	–
Net asset value	54,236	83,821	93,021

LETTER FROM CAITONG INTERNATIONAL CAPITAL

Set out below is a summary of certain key financial ratios of the Borrower based on the Borrower's Accounts:

	As at 31 December		As at
	2018	2019	31 October 2020
Current ratio ⁽¹⁾	1.01	1.12	1.16
Net debt to equity ratio ⁽²⁾	2.23	1.60	1.39

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective dates.
2. Net debt to equity ratio is calculated by dividing the total debt net of cash and cash equivalents by the total equity as at the respective dates.

It is noted that the Borrower maintained a similar level of net profits for the two years ended 31 December 2019 and for the ten months ended 31 October 2020. Furthermore, the net asset value and current ratio of the Borrower indicated an upward trend and the net debt to equity ratio indicated a downward trend from the year ended 31 December 2018 to the ten months ended 31 October 2020. Assuming no material adverse change in the financial conditions of the Borrower, we concur with the Directors' view that no items from the financial results and financial position of the Borrower for the two years ended 31 December 2019 and the ten months ended 31 October 2020 are considered to cast doubt on the repayment obligations of the Borrower under the Facility Agreement and transactions contemplated thereunder, including the Loan Agreement, should they become due.

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(c) Information on Tianshan Construction

Tianshan Construction is principally engaged in the business of building construction in the PRC, and also a direct wholly-owned subsidiary of Tianshan Industrial Group. According to the 2018 Annual Report and 2019 Annual Report, Tianshan Construction was the largest supplier of the Group in both years, and purchases from Tianshan Construction were approximately RMB861.5 million and RMB979.0 million, representing approximately 14.5% and 21.0% of the total purchases of the Group for the years ended 31 December 2018 and 2019 respectively.

2. Reasons for and benefits of entering into the Financial Assistance Agreement

As set out in the Letter from the Board, the intended use of the loan(s) of the Facility Agreement to be taken out by the Borrower will be solely for the manufacture of construction materials or other raw materials (the “**Construction Raw Materials**”) for the construction of the projects of the Group or other purposes approved by Tian Shan Tianjin Real Estate in writing and which are related to the projects of the Group. The Construction Raw Materials, mostly window and door products and accessories, are expected to be supplied to Tianshan Construction, which is a major construction services supplier to the Group. As such, the Group shall benefit indirectly when Tianshan Construction can procure stable supply of the Construction Raw Materials for the construction of the projects of the Group. Furthermore, the provision of Financial Assistance by Tian Shan Tianjin Real Estate allows the Group to generate additional revenue from receiving payment of the guarantee fee.

As set out in the circular of the Company dated 6 December 2019 in relation to the renewal of agreement with Tianshan Construction, since its establishment, Tianshan Construction has been engaged in the business of building construction and has been providing building construction services to the Group. According to the 2018 Annual Report and 2019 Annual Report, Tianshan Construction was the largest supplier of the Group in 2018 and 2019. Moreover, as stated in the Letter from the Board, to the best knowledge, belief and information of the Directors, the Borrower is a major supplier of window and door products and accessories to Tianshan Construction.

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As set out in the Letter from the Board, in assessing the default risk of the Borrower in repayment of the loans taken out under the Facility Agreement, the Directors have (i) communicated with key personnel of the Borrower and Tianshan Industrial Group and reviewed the Borrower's Accounts; (ii) checked the repayment records of Tianshan Industrial Group and its subsidiaries in respect of the Existing Financial Assistance Agreements (under which the Group has provided financial assistance); and (iii) obtained and reviewed the credit report of the Borrower issued by the Credit Reference Centre of the People's Bank of China (the "CCRC") dated 30 November 2020 (the "CCRC Credit Report") and the credit report of Tianshan Industrial Group issued by the National Enterprises Credit Information Publicity System dated 16 September 2020 (the "NECIPS Credit Report") respectively. The CCRC is an independent credit information service provider under the People's Bank of China established in March 2006 with the approval of the State Commission Office of Public Sectors Reform, whilst the National Enterprises Credit Information Publicity System has been launched by the China's State Administration of Industry and Commerce in 2014 and is an online platform that provides enterprises credit information to the public. Based on the above, the Directors consider Tianshan Industrial Group and its subsidiaries have demonstrated a credible repayment track record to the Group, and Tianshan Industrial Group and the Borrower have ample repayment ability for the loans taken out under the Facility Agreement, therefore the risk of default by the Borrower is low. For further details, please refer to the section headed "*Reasons for the Provision of Financial Assistance*" in the Letter from the Board.

We have accordingly obtained and reviewed (i) the Borrower's Accounts (as discussed in the sub-paragraph headed "*1. Background of the Financial Assistance – (b) Information on the Borrower*" above); (ii) the repayment records in respect of the Existing Financial Assistance Agreements (under which the Group has provided financial assistance) and noted that all repayments and payments of accrued interests were made on time without any defaults; (iii) the CCRC Credit Report indicating that the Borrower had repaid its borrowings and related interests according to the repayment schedule and did not have any expired outstanding borrowings and did not have any record for, among others, bad debts, administrative penalties or compulsory enforcement; and (iv) the NECIPS Credit Report also indicating that Tianshan Industrial Group did not have any abnormal operations, administrative penalties or compulsory enforcement. As such, we concur with the Directors' view that Tianshan Industrial Group and its subsidiaries have demonstrated a credible repayment track record to the Group, and Tianshan Industrial Group and the Borrower have ample repayment ability for the loans taken out under the Facility Agreement, therefore the risk of default by the Borrower is low.

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Having considered (i) the Borrower being a major supplier of window and door products and accessories to Tianshan Construction; (ii) the long-term business relationship with Tianshan Construction and the track record of Tianshan Construction on building construction services to the Group; (iii) the intended use of the loan(s) of the Facility Agreement to be taken out by the Borrower being solely for the manufacture of Construction Raw Materials for the construction of the projects of the Group or other purposes approved by Tian Shan Tianjin Real Estate in writing and which are related to the projects of the Group; (iv) the NECIPS Credit Report and the CCRC Credit Report which demonstrated the creditability of Tianshan Industrial Group and the Borrower; and (v) the guarantee fee to be received by the Group, we concur with the Directors and are of the view that (a) the Group shall benefit indirectly when Tianshan Construction can procure stable supply of the Construction Raw Materials for the construction of the projects of the Group; and (b) the provision of the Financial Assistance by Tian Shan Tianjin Real Estate allows the Group to generate additional revenue from receiving payment of the guarantee fee, although the Financial Assistance is not in the ordinary and usual course of business of the Group.

3. Principal terms of the Financial Assistance Agreement and the Guarantee Agreement

(a) Financial Assistance Agreement

Pursuant to the terms of the Financial Assistance Agreement, Tian Shan Tianjin Real Estate conditionally agreed to provide financial assistance to the Borrower by entering into the Guarantee Agreement with the Bank to charge the Immovable Properties in favour of the Bank to guarantee and secure the payment obligations (including any accrued interest, any penalty interests, liquidated damages and compensation for damages, and any costs and expenses for enforcing rights and the charges under the Guarantee Agreement and other reasonably incurred expenses) of the Borrower under the Facility Agreement and the transactions contemplated thereunder (including the Loan Agreement) with the maximum guarantee amount of RMB25.0 million.

Guarantee fee

In consideration of the Financial Assistance under the Financial Assistance Agreement, the Borrower will pay to Tian Shan Tianjin Real Estate a guarantee fee in the sum of approximately RMB2.6 million, which is calculated based on 3.5% per annum (the “**Annual Guarantee Fee**”) of the maximum guarantee amount of RMB25.0 million under the Guarantee Agreement. As stated in the Letter from the Board, the guarantee fee was determined with reference to the rates of guarantees provided by third party financing guarantee companies in Tianjin City, the PRC (the “**Guarantee Companies**”).

LETTER FROM CAITONG INTERNATIONAL CAPITAL

We have obtained and reviewed the relevant written quotations provided by all three Guarantee Companies to Tian Shan Tianjin Real Estate and noted that the rates quoted by the three Guarantee Companies to Tian Shan Tianjin Real Estate ranged from 2.8% to 3.4% per annum of the guarantee amount and were all less than the Annual Guarantee Fee.

We have also, on a best effort basis, identified 15 financial assistance transactions made by companies listed on the Stock Exchange (other than the Company) to connected persons by way of provision of guarantee (excluding mutual guarantee) (the “**Comparable Guarantees**”) during the past twelve months prior to the date of the Financial Assistance Agreement (i.e. 15 December 2020) and up to the Latest Practicable Date. We consider the twelve-month duration coverage is appropriate for benchmarking sufficient number of Comparable Guarantees to reflect the prevailing market practice in respect of the provision of guarantee. Set out below is the summary of the Comparable Guarantees:

Date of announcement (dd/mm/yyyy)	Company name	Stock code	Amount of the loan facilities	Maximum guaranteed obligations	Annual guarantee fee as a percentage of maximum guaranteed amount
18/12/2020	China Molybdenum Co., Ltd.	3993	Not disclosed	RMB800,000,000	Nil
30/11/2020	DIT Group Limited	726	RMB40,000,000	RMB40,000,000	Nil
16/11/2020	Livzon Pharmaceutical Group Inc.	1513	RMB900,000,000	RMB900,000,000	Nil
24/08/2020	Yee Hop Holdings Limited	1662	RMB22,000,000	RMB22,000,000	Nil
24/08/2020	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.	1543	RMB20,000,000	RMB20,000,000	2.0%
08/05/2020	LVGEM (China) Real Estate Investment Company Limited	95	RMB3,200,000,000	RMB3,200,000,000	1.0%
08/05/2020	Zhuhai Holdings Investment Group Limited	908	RMB420,000,000	RMB420,000,000	Nil
06/05/2020	Yee Hop Holdings Limited	1662	USD1,650,000	USD1,650,000	Nil
29/04/2020	Keyne Limited	9	RMB500,000,000	RMB500,000,000	Nil
03/04/2020	Legend Holdings Corporation	3396	Not disclosed	RMB3,800,000	Nil
31/03/2020	DIT Group Limited	726	RMB15,000,000	RMB15,000,000	Nil
27/03/2020	China Molybdenum Co., Ltd.	3993	Not disclosed	RMB800,000,000	Nil
26/03/2020	China International Marine Containers (Group) Co., Ltd.	2039	Not disclosed	RMB1,176,000,000	Nil
11/02/2020	Lee's Pharmaceutical Holdings Limited	950	HKD53,000,000	HKD53,000,000	Nil
24/12/2019	Central China Real Estate Limited	832	RMB500,000,000	RMB500,000,000	1.0%
				Maximum:	2.0%
				Minimum:	Nil
				Average:	0.3%

Source: website of the Stock Exchange (www.hkexnews.com.hk)

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As illustrated above, the annual guarantee fee of the Comparable Guarantees ranged from nil to 2.0% of the maximum guaranteed amount. The Annual Guarantee Fee represented a rate of 3.5% per annum of the maximum amount guaranteed under the Financial Assistance Agreement, which is well above all the Comparable Guarantees.

Having considered that the Annual Guarantee Fee is higher than that of (i) all the quotations from the Guarantee Companies; and (ii) all Comparable Guarantees, we are of the view that the guarantee fee under the Financial Assistance Agreement is fair and reasonable so far as the Independent Shareholders are concerned and are of no less favourable than normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Obligations of the Borrower

Pursuant to the Financial Assistance Agreement, among others, it was agreed that:

- (i) the intended use of the loans to be taken out by the Borrower will be solely for the manufacture of Construction Raw Materials for the construction of the projects of the Group or other purposes approved by Tian Shan Tianjin Real Estate in writing and which are related to the projects of the Group;
- (ii) the Borrower shall inform in writing Tian Shan Tianjin Real Estate of the purpose of the loan under the Facility Agreement for each loan and provide the relevant supporting documents to Tian Shan Tianjin Real Estate prior to the drawdown of each loan, and the Borrower may not utilise the loan under the Facility Agreement unless prior approval of Tian Shan Tianjin Real Estate has been obtained;
- (iii) the Borrower shall provide its management accounts to Tian Shan Tianjin Real Estate on a monthly basis in order for Tian Shan Tianjin Real Estate to monitor the utilisation of the loan under the Facility Agreement and its repayment status;

LETTER FROM CAITONG INTERNATIONAL CAPITAL

- (iv) during the term, so long as the Borrower has outstanding liabilities to the Bank under the Facility Agreement, the total amount payable by Tian Shan Tianjin Real Estate and Tian Shan Real Estate to Tianshan Construction shall at all times remains more than the amount of the total outstanding liabilities payable by the Borrower and Tianshan Construction to any third party (including the Bank) where financial assistance has been provided by Tian Shan Tianjin Real Estate or Tian Shan Real Estate;
- (v) in the event that the Borrower has breached any terms of the Facility Agreement and for that Tian Shan Tianjin Real Estate or Tian Shan Real Estate has repaid any liabilities on its behalf, if Tian Shan Tianjin Real Estate or Tian Shan Real Estate elects to, the amount payable by Tian Shan Tianjin Real Estate or Tian Shan Real Estate to Tianshan Construction shall be set off against the amount repaid by Tian Shan Tianjin Real Estate or Tian Shan Real Estate (as the case may be);
- (vi) during the term, so long as the Borrower has outstanding liabilities to the Bank under the Facility Agreement, the amount payable by Tianshan Construction to the Borrower shall at all times remains more than the amount of the total outstanding liabilities payable to the Bank by the Borrower; and
- (vii) in the event that the Borrower has breached any terms of the Facility Agreement and for that Tian Shan Tianjin Real Estate or Tian Shan Real Estate has repaid any liabilities on its behalf and subsequently the amount payable by Tian Shan Tianjin Real Estate or Tian Shan Real Estate (as the case may be) to Tianshan Construction was set off against the amount repaid by Tian Shan Tianjin Real Estate or Tian Shan Real Estate, the amount payable by Tianshan Construction to the Borrower shall be set off accordingly.

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In view of the obligations of the Borrower stated above, we concur with the Directors that:

- (i) the Group shall be entitled to monitor and control the utilisation of the loan(s) taken out by the Borrower under the Facility Agreement which shall be solely for the manufacture of the Construction Raw Materials for the projects of the Group and thereby indirectly benefit the Group's business operations;
- (ii) the Group shall be entitled to check and monitor the repayment status and latest financial conditions of the Borrower; and
- (iii) the Group shall minimise the underlying default risk by the Borrower by reducing the same amount of payable by Tian Shan Tianjin Real Estate and/or Tian Shan Real Estate to Tianshan Construction, being a fellow subsidiary to the Borrower, by way of set-off in the event of default by the Borrower under the Facility Agreement and that Tian Shan Tianjin Real Estate and/or Tianshan Real Estate has repaid any liabilities on its behalf.

For further details, please refer to the section headed "*Reasons for the Provision of Financial Assistance*" in the Letter from the Board.

As advised by the Management, the amount payable by Tian Shan Tianjin Real Estate and Tian Shan Real Estate to Tianshan Construction was approximately RMB100.8 million in aggregate as at 31 October 2020, which was higher than the sum of (i) the total maximum guarantee amount under the Existing Financial Assistance Agreements of approximately RMB67.0 million; and (ii) the maximum guarantee amount of RMB25.0 million under the Financial Assistance Agreement.

In light of the aforesaid, we concur with Directors' view that the above obligations could provide additional protection to the Group and that the terms of the Financial Assistance Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

(b) The Guarantee Agreement

Subject to the fulfillment of the conditions precedent, Tian Shan Tianjin Real Estate shall, in accordance with the Financial Assistance Agreement, enter into a Guarantee Agreement with the Bank to charge the Immovable Properties in favour of the Bank to guarantee and secure the payment obligations (including any accrued interest, any penalty interests, liquidated damages and compensation for damages, and any costs and expenses for enforcing rights and the charges under the Guarantee Agreement and other reasonably incurred expenses) of the Borrower under the Facility Agreement with the maximum guarantee amount of RMB25.0 million.

The Immovable Properties shall be charged in favour of the Bank under the Guarantee Agreement. The Immovable Properties are held by Tian Shan Tianjin Real Estate as investment properties. As at 31 October 2020, the aggregate carrying value of the Immovable Properties amounted to approximately RMB59.2 million. For illustrative purposes, the fair value of the Immovable Properties was RMB89.5 million in aggregate as at 17 November 2020.

As advised by the Company, the Immovable Properties has been leased to an independent third party for rental purpose. We have obtained and reviewed the rental agreement of the Immovable Properties and, as confirmed with the Company, the charge over the Immovable Properties to be granted to the Bank under the Guarantee Agreement will not affect the rental income to be generated from the lease of the Immovable Properties. Pursuant to the rental agreement stated above, the rental income receivable from the Immovable Properties for the year ended 31 December 2019 was approximately RMB5.1 million, representing approximately 0.1% of the Group's total revenue for the year ended 31 December 2019. As such, we concur with the Director's view that the rental income generated from the Immovable Properties is minimal as compared to the overall revenue of the Group.

Furthermore, as disclosed in the 2020 Interim Report, the cash and cash equivalents of the Group amounted to approximately RMB1.0 billion as at 30 June 2020. Therefore, we concur with the Directors that in the event of default by the Borrower under the Facility Agreement, the Group shall have sufficient internal and/or external resources to settle the liabilities based on its financial position and the fair value of the Immovable Properties and the Company does not expect any material adverse impact on the financial position of the Group as a result of any enforcement by the Bank under the Guarantee Agreement.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the opinion that (i) the Financial Assistance and the transactions contemplated thereunder are on no less favourable than normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Financial Assistance and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, although the Financial Assistance is not entered into in the ordinary and usual course of business of the Group.

Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Financial Assistance and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Caitong International Capital Co., Limited
Michael Lam
Chief Executive Officer

Mr. Michael Lam has been a responsible officer registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO since 2004 and has participated in the provision of independent financial advisory services for various transactions across different categories involving companies listed in Hong Kong.

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

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:

(a) Shares in the Company

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

4. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors are not aware that any of them or any of their associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

5. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had (i) any direct or indirect interests in any assets which have been since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any contract or arrangement at the Latest Practicable Date which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice for inclusion in this circular:

Name	Qualification
Caitong International Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Caitong International Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Caitong International Capital 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, Caitong International Capital 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 2019 (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.

9. GENERAL

- (a) The Company's registered office is at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The company secretary of the Company is Mr. Cheung Siu Yiu. Mr. Cheung is a fellow of the Association of Chartered Certified Accountants and a practising fellow of the Hong Kong Institute of Certified Public Accountants.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suite 801, 8th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Existing Financial Assistance Agreements;
- (b) the Financial Assistance Agreement;
- (c) the finalized form of the Guarantee Agreement as provided by the Bank;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (e) the letter from Caitong International Capital, the text of which is set out on pages 18 to 32 of this circular; and
- (f) the letter of consent from Caitong International Capital referred to in the paragraph headed "Expert and consent" in this Appendix.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Tian Shan Development (Holding) Limited (the “Company”) will be held Units 1204-05, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 29 January 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (i) the form and substance of a financial assistance agreement dated 15 December 2020 entered into between 天津市天山房地產開發有限公司(Tianjin Tian Shan Real Estate Development Limited) (“**Tian Shan Tianjin Real Estate**”), 河北天山建材科技有限公司(Hebei Tianshan Construction Material Technology Company Limited)(the “**Borrower**”), 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**”) and 天山房地產開發集團有限公司(Tian Shan Real Estate Development Group Limited)(“**Tian Shan Real Estate**”)(a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose) (the “**Financial Assistance Agreement**”) in relation to the provision of financial assistance (the “**Financial Assistance**”) relating to the facility agreement dated 15 December 2020 between the Borrower and the Bank (the “**Facility Agreement**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF EGM

- (ii) the form and substance of the agreement to be entered into by Tian Shan Tianjin Real Estate and the Bank (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for identification purpose) (the “**Guaratee Agreement**”) in relation to the charge over immovable properties in favour of the Bank to guarantee and secure the payment obligations of the Borrower under the Facility Agreement with a maximum amount of RMB25.0 million be and is hereby approved and confirmed; and
- (iii) the implementation of the Financial Assistance Agreement by any director of the Company and by any director of Tian Shan Tianjin Real Estate and any director of Tian Shan Real Estate be and is hereby approved, ratified and confirmed; and any director of the Company or any director of Tian Shan Tianjin Real Estate or any director of Tian Shan Real Estate (as the case may be) be and is hereby authorised to sign, execute, perfect and deliver all such documents (including, but not limited to, the Guarantee Agreement (collectively, the “**Security Documents**”)) and to affix the common seal of the Company or Tian Shan Tianjin Real Estate or Tian Shan Real Estate (as the case may be) on any such documents (including, but not limited to, the Security Documents) as and when necessary and do all such deeds, acts, matters and things as he may in his discretion consider necessary or desirable for the purposes of or in connection with the Financial Assistance and the transactions contemplated under it.”

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

Hong Kong, 13 January 2021

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

NOTICE OF EGM

Notes:

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this notice.
2. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or, if he is holder of more than one share, more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
3. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the branch share registrar of the Company, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof).
4. The register of members of the Company will be closed from Tuesday, 26 January 2021 to Friday, 29 January 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 January 2021.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
6. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
7. The vote at the meeting will be taken by poll.
8. In order to facilitate the prevention and control of the spread of the Coronavirus disease (COVID-19) and to safeguard the health and safety of the shareholders of the Company, the Company encourages the shareholders of the Company to consider appointing the chairman of the EGM as his/her/its proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

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