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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)

DISCLOSEABLE AND CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE

On 14 May 2021, Tian Shan Real Estate and Tianshan Construction entered into the 2020 Financial Assistance Supplemental Agreement, pursuant to which Tian Shan Real Estate agreed to extend the term of the financial assistance provided under the 2020 Financial Assistance Agreement, as the Lender agreed to extend the maturity date of the loan granted to Tianshan Construction for a period of one year. The amount guaranteed by Tian Shan Real Estate to secure the payment obligations of Tianshan Construction of the Extended Loan is up to a maximum of RMB40.0 million plus any other payables.

Tian Shan Real Estate had granted security and provided the Charge in favour of the Lender as security under the 2020 Financial Assistance Agreement for a period of one year from 15 May 2020 to 14 May 2021. Pursuant to the 2020 Financial Assistance Supplemental Agreement, the term of the financial assistance for the Extended Loan shall be extended for a period of one year to 13 May 2022.

In consideration of the extension of the term of the financial assistance for the Extended Loan, Tianshan Construction will pay to Tian Shan Real Estate a guarantee fee of RMB1,400,000 pursuant to the 2020 Financial Assistance Supplemental Agreement.

IMPLICATIONS OF THE LISTING RULES

As disclosed in the announcements of the Company dated 14 July 2020 and 15 December 2020, the Group provided financial assistance to Tianshan Construction and Tianshan Construction Material under the respective Existing Financial Assistance Agreement. Pursuant to the Existing Financial Assistance Agreements, the Group provided charges as security for a loan agreement of Tianshan Construction and a facility agreement of Tianshan Construction Material, and the maximum amount guaranteed under the Existing Financial Assistance Agreements are RMB27.0 million and RMB25.0 million, respectively.

As at the date of this announcement, Tianshan Construction is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors of the Company, 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 Construction. In addition, Tianshan Construction is ultimately controlled by Mr. Wu Zhen Shan, who is also a director of the holding company of Tianshan Construction. As such, Tianshan Construction is a connected person of the Company under the Listing Rules. As Tianshan Construction Material is also 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), accordingly, all Existing Financial Assistance Agreements shall be aggregated with 2020 Financial Assistance Supplemental Agreement.

As one or more of the applicable percentage ratios in respect of the 2020 Financial Assistance Supplemental Agreement, when aggregated with the Existing Financial Assistance Agreements, are more than 5% but less than 25%, the 2020 Financial Assistance Supplemental Agreement 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 one or more of the applicable percentage ratios in respect of the 2020 Financial Assistance Supplemental Agreement, when aggregated with the Existing Financial Assistance Agreements, are more than 5%, the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee comprising all of the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among other things, (i) further details of the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 7 June 2021.

EXTENSION OF TERM OF FINANCIAL ASSISTANCE

Reference is made to the announcement dated 22 May 2020 in relation to the 2020 Financial Assistance Agreement entered into between Tian Shan Real Estate and Tianshan Construction, under which Tian Shan Real Estate agreed to grant security and provide a Charge in favour of the Lender as security for a loan granted to Tianshan Construction in the principal amount of RMB40.0 million for a term of one year.

2020 Financial Assistance Supplemental Agreement

Tian Shan Real Estate and Tianshan Construction entered into the 2020 Financial Assistance Supplemental Agreement, pursuant to which Tian Shan Real Estate agreed to extend the term of the financial assistance provided under the 2020 Financial Assistance Agreement, as the Lender agreed to extend the maturity date of the loan granted to Tianshan Construction for a period of one year. The amount guaranteed by Tian Shan Real Estate to secure the payment obligations of Tianshan Construction of the Extended Loan is up to a maximum of RMB40.0 million plus any other payables.

Tian Shan Real Estate had granted security and provided the Charge in favour of the Lender as security under the 2020 Financial Assistance Agreement for a period of one year from 15 May 2020 to 14 May 2021. Pursuant to the 2020 Financial Assistance Supplemental Agreement, the term of the financial assistance for the Extended Loan shall be extended. Details of the 2020 Financial Assistance Supplemental Agreement are set out as follows:

Date

14 May 2021

Parties

- (1) Tian Shan Real Estate, a wholly-owned subsidiary of the Company
- (2) Tianshan Construction, 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 Xiaozhi, the niece of Mr. Wu Zhen Shan and Mr. Wu Zhen Ling.

Tianshan Construction is also ultimately controlled by Mr. Wu Zhen Shan, who is also a director of the holding company of Tianshan Construction.

Period of extension

The term of the financial assistance shall be extended for a period of one year to 13 May 2022.

Guarantee fee

In consideration of the extension of the term of the financial assistance for the Extended Loan, Tianshan Construction will pay to Tian Shan Real Estate a guarantee fee of RMB1,400,000 which is calculated based on 3.5% per annum of the maximum amount guaranteed under the 2020 Financial Assistance Supplemental 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 payment.

The Directors (other than the independent non-executive Directors whose opinion will be included in the circular after having been advised by the independent financial adviser) consider that the terms of the 2020 Financial Assistance Supplemental 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 2020 Financial Assistance Supplemental Agreement is not in the ordinary and usual course of business of the Group.

Conditions precedent

The performance of the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder is subject to the Company's compliance of the relevant Listing Rules requirements (including the obtaining of approval of the Independent Shareholders).

Miscellaneous

Save as otherwise amended or supplemented in the 2020 Financial Assistance Supplemental Agreement, the provisions in the 2020 Financial Assistance Agreement shall remain in effect, and the parties shall comply with the same wherever appropriate. As such, the following obligations of Tianshan Construction (among others) remain in effect:

- (i) Tianshan Construction shall inform Tian Shan Real Estate of the purpose of the loan and provide the relevant supporting documents to Tian Shan Real Estate prior to the drawdown of the loan, and Tianshan Construction may not utilise the loan unless prior approval of Tian Shan Real Estate has been obtained;
- (ii) Tianshan Construction shall provide its management accounts to Tian Shan Real Estate on a monthly basis in order for Tian Shan Real Estate to monitor the utilisation of loan and the repayment status;
- (iii) during the term, so long as Tianshan Construction has outstanding liabilities to the Lender, the amount payable by Tian Shan Real Estate to Tianshan Construction shall at all times remains more than the amount of the total outstanding liabilities payable to the Lender by Tianshan Construction; and

- (iv) in the event that Tian Shan Real Estate has repaid either in whole or in part of any outstanding liabilities to the Lender, Tianshan Construction shall 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; alternatively, if Tian Shan Real Estate elects to, the amount payable by Tian Shan Real Estate to Tianshan Construction shall be set off against the amount repaid by Tian Shan Real Estate.

The amount guaranteed by Tian Shan Real Estate to secure the payment obligations of Tianshan Construction of the Extended Loan is up to a maximum of RMB40.0 million, plus any accrued interest thereon, any penalty interests, any compound interest, compensation, other payments that Tianshan Construction is payable to the Lender, and any costs and expenses incurred by the Lender for enforcing its rights and the Charge.

The Charge and the Immovable Properties

In respect of the extension of the term of the financial assistance, the Charge over the Immovable Properties in favour of the Lender as security for the payment obligations of Tianshan Construction for the Extended Loan will continue to be imposed upon the fulfillment of the conditions precedent.

The Immovable Properties are held by Tian Shan Real Estate. As at 31 December 2020, Immovable Property IV is held as property, plant and equipment with a carrying value of approximately RMB6,814,000, and Immovable Property I, Immovable Property II and Immovable Property III are held as investment properties with an aggregate carrying value of approximately RMB55,907,000. As at 31 December 2020, the total carrying value of the Immovable Properties are approximately RMB62,721,000. For the financial years ended 31 December 2019 and 2020, the net profit (both before and after taxation and extraordinary items) attributable to the Immovable Properties was RMB1,664,000 and RMB2,614,000, respectively.

The Lender is a rural credit cooperative union established in the PRC and is principally engaged in providing general banking services in Hebei Province, the PRC, including deposit, loan, inter-banks transfer services. To the best knowledge and belief of the Directors, after making reasonable enquiries, the Lender and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR THE EXTENSION OF TERM OF FINANCIAL ASSISTANCE

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

Tianshan Construction is principally engaged in the business of building construction. Tianshan Construction is a major construction services supplier to the Group. In light of the impact brought by the outbreak of COVID-19, Tianshan Construction opted for and the Lender agreed to extend the maturity date of the loan granted to Tianshan Construction for a period of one year. The intended use of the Extended Loan was and remains solely for payment of labour costs and purchase of construction materials for the construction of the projects of the Group. The extension of the term of the financial assistance by Tian Shan Real Estate allows the Group to generate additional revenue from receiving payment of the guarantee fee. As such, the Directors (other than the independent non-executive Directors whose opinion will be included in the circular after having been advised by the independent financial adviser) are of the view that the extension of the term of the financial assistance given by Tian Shan Real Estate for the benefit of Tianshan Construction will in turn benefit the Group.

The Directors (other than the independent non-executive Directors whose opinion will be included in the circular after having been advised by the independent financial adviser) consider that the terms of the 2020 Financial Assistance Supplemental Agreement 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 2020 Financial Assistance Supplemental Agreement is not in the ordinary and usual course of business of the Group.

Tianshan Construction is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors of the Company, 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 Construction. In addition, Tianshan Construction is ultimately controlled by Mr. Wu Zhen Shan, who is also a director of the holding company of Tianshan Construction. Accordingly, Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen have abstained from voting in the meeting of the Board for approving the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder.

IMPLICATIONS OF THE LISTING RULES

As disclosed in the announcements of the Company dated 14 July 2020 and 15 December 2020, the Group provided financial assistance to Tianshan Construction and Tianshan Construction Material under the respective Existing Financial Assistance Agreement. Pursuant to the Existing Financial Assistance Agreements, the Group provided charges as security for a loan agreement of Tianshan Construction and a facility agreement of Tianshan Construction Material, and the maximum amount guaranteed under the Existing Financial Assistance Agreements are RMB27.0 million and RMB25.0 million, respectively.

As at the date of this announcement, Tianshan Construction is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors of the Company, 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 Construction. In addition, Tianshan Construction is ultimately controlled by Mr. Wu Zhen Shan, who is also a director of the holding company of Tianshan Construction. As such, Tianshan Construction is a connected person of the Company under the Listing Rules. As Tianshan Construction Material is also 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), accordingly, all Existing Financial Assistance Agreements shall be aggregated with 2020 Financial Assistance Supplemental Agreement.

As one or more of the applicable percentage ratios in respect of the 2020 Financial Assistance Supplemental Agreement, when aggregated with the Existing Financial Assistance Agreements, are more than 5% but less than 25%, the 2020 Financial Assistance Supplemental Agreement 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 one or more of the applicable percentage ratios in respect of the 2020 Financial Assistance Supplemental Agreement, when aggregated with the Existing Financial Assistance Agreements, are more than 5%, the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee comprising all of the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among other things, (i) further details of the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 7 June 2021.

DEFINITION

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

“2020 Financial Assistance Agreement”	the guarantee agreement dated 22 May 2020 and entered into between Tian Shan Real Estate and Tianshan Construction for the provision of guarantee by Tian Shan Real Estate in respect of, among others, the loan in the principal amount of RMB40.0 million granted by the Lender to Tianshan Construction and the Charge
“2020 Financial Assistance Supplemental Agreement”	the guarantee agreement dated 14 May 2021 and entered into between Tian Shan Real Estate and Tianshan Construction for the extension of the term of the financial assistance provided under the 2020 Financial Assistance Agreement for the Extended Loan
“Board”	the board of Directors
“Charge”	the charge over the ownership right of the Immovable Properties dated 22 May 2020 entered into by Tian Shan Real Estate in favour of the Lender in respect of, among others, the loan in the principal amount of RMB40.0 million granted by the Lender to Tianshan Construction
“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
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among others, the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder

“Existing Financial Assistance Agreements”	collectively, (i) the agreement dated 14 July 2020 entered into between the Group and Tianshan Construction for the provision of guarantee by the Group to secure the payment obligations of Tianshan Construction with the maximum guaranteed amount of RMB27.0 million; and (ii) the agreement dated 15 December 2020 and entered into by the Group, Tianshan Construction and Tianshan Construction Material for the provision of guarantee by the Group to secure the payment obligations of Tianshan Construction Material with a maximum amount of RMB25.0 million
“Extended Loan”	the loan granted by the Lender to Tianshan Construction, with the maturity date of the loan extended as agreed between Tianshan Construction and the Lender for a period of one year to 13 May 2022
“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
“Immovable Properties”	all of Immovable Property I, Immovable Property II, Immovable Property III and Immovable Property IV
“Immovable Property I”	No. 401 of Block B, No. 319 Donggao Xinxiangjiang Road, Shijiazhuang City, Hebei Province, the PRC (Hebei (2020) Shijiazhuang Hi-tech Industrial Development Zone Immovable Property Certificate No. 0000777) (中國河北省石家莊東高新湘江道319號B座401號(冀(2020)石高新不動產權第0000777號))
“Immovable Property II”	7 places including Block B, No. 319 to No. 105 Donggao Xinxiangjiang Road, Shijiazhuang City, Hebei Province, the PRC (Hebei (2020) Shijiazhuang Hi-tech Industrial Development Zone Immovable Property Certificate No. 0000778) (中國河北省石家莊東高新湘江道319號B座—105號等7處(冀(2020)石高新不動產權第0000778號))
“Immovable Property III”	No. 301 of Block B, No. 319 Donggao Xinxiangjiang Road, Shijiazhuang City, Hebei Province, the PRC (Hebei (2020) Shijiazhuang Hi-tech Industrial Development Zone Immovable Property Certificate No. 0000779) (中國河北省石家莊東高新湘江道319號B座301號(冀(2020)石高新不動產權第0000779號))

“Immovable Property IV”	No. 201 of Block B, No. 319 Donggao Xinxiangjiang Road, Shijiazhuang City, Hebei Province, the PRC (Hebei (2020) Shijiazhuang Hi-tech Industrial Development Zone Immovable Property Certificate No. 0000780) (中國河北省石家莊東高新湘江道319號B座201號(冀(2020)石高新不動產權第0000780號))
“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 2020 Financial Assistance Supplemental Agreement 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 2020 Financial Assistance Supplemental Agreement 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 member of the Group, and their respective associates
“Lender”	Wuji County Rural Credit Cooperative Union (無極縣農村信用合作聯社)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

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

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

Hong Kong, 14 May 2021

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