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



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2118)

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 15 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 16 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 17 to 32 of this circular.

A notice convening the EGM to be held at Meeting Room, 6th Floor, No. 109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone, Shijiazhuang, Hebei Province, the PRC on 12 July 2021 at 10:00 a.m., is set out on pages 37 to 39 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 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.

21 June 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 Monday, 12 July 2021 at 10:00 a.m. at Meeting Room, 6th Floor, No. 109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone, Shijiazhuang, Hebei Province, the PRC 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 applicable laws, 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.

DEFINITION

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

“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 supplemental 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
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Caitong International Capital” or “Independent Financial Adviser”	Caitong International Capital Co., Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder
“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 (as extended by two supplemental agreements dated 14 May 2021) and to continue to be imposed upon the fulfilment of the conditions precedent
“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

DEFINITION

“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 at Meeting Room, 6th Floor, No. 109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone, Shijiazhuang, Hebei Province, the PRC on Monday, 12 July 2021 at 10:00 a.m. 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 Gaoxinxiangjiang Road, Shijiazhuang City, Hebei Province, the PRC (Hebei (2020) Shijiazhuang Hi-tech Industrial Development Zone Immovable Property Certificate No. 0000777)(中國河北省石家莊高新湘江道319號B座401號(冀(2020)石高新不動產權第0000777號))

DEFINITION

“Immovable Property II”	7 places including Block B, No. 319 to No. 105 Gaoxinxiangjiang 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 Gaoxinxiangjiang 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 Gaoxinxiangjiang 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
“Latest Practicable Date”	16 June 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITION

“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 circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“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, 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

* *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

Independent non-executive Directors:

Mr. Tian Chong Hou

Mr. Wang Ping

Mr. Cheung Ying Kwan

Registered office:

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Head office and principal place
of business:*

Suite 801, 8th Floor

Everbright Centre

108 Gloucester Road

Wanchai

Hong Kong

21 June 2021

To the Shareholders

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

Reference is made to the announcement of the Company dated 14 May 2021 in relation to the 2020 Financial Assistance Supplemental Agreement 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 2020 Financial Assistance Supplemental Agreement; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders regarding the 2020 Financial Assistance Supplemental Agreement 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

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 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.

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.

LETTER FROM THE BOARD

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 (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 2020 Financial Assistance Supplemental Agreement 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 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 entering into of 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, among others, of Tianshan Construction 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. Tian Shan Real Estate will not approve the drawdown if it is for purpose other than the payment of labour costs or purchase of construction materials for the construction of the projects of the Group by Tianshan Construction;

LETTER FROM THE BOARD

- (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 (as extended by two supplemental agreements dated 14 May 2021) 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 RMB2,300,000, respectively.

LETTER FROM THE BOARD

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, interbanks 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 by Tianshan Construction. Given Tianshan Construction is principally engaged in the business of building construction and is also a major construction services supplier to the Group, the Group shall benefit from the continuing stable and reliable provision of construction services by Tianshan Construction. Furthermore, 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 (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 2020 Financial Assistance Supplemental Agreement 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 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.

LETTER FROM THE BOARD

To assess the default risk, the Directors have:

- (i) communicated with key personnel of Tianshan Construction and reviewed the financial results of Tianshan Construction for the two years ended 31 December 2020 and the three months ended 31 March 2021. The unaudited net assets of Tianshan Construction as at 31 March 2021 were approximately RMB544.0 million (as at 31 December 2020 (audited): approximately RMB541.0 million). The audited net profit of Tianshan Construction for the years ended 31 December 2019 and 31 December 2020 and the three months ended 31 March 2021 (unaudited) were approximately RMB38.0 million, RMB30.8 million and RMB2.9 million, respectively. The Directors note that Shijiazhang and certain other cities in Hebei province, where Tianshan Construction principally operates, entered into lockdown of about five weeks with residents restricted to their home communities and public transport suspended following the COVID-19 outbreak in these areas in early January 2021, thereby affecting the economic activities in the first quarter of 2021, and hence the financial performance of Tianshan Construction was adversely affected for the three months ended 31 March 2021. Nonetheless, Tianshan Construction continued to generate net profit for the three months ended 31 March 2021. In addition, the net asset value and current ratio of Tianshan Construction indicated a slightly upward trend and there is a downward trend for the net debt to equity ratio from 31 December 2019 to 31 March 2021, and no items from the financial results and financial position of Tianshan Construction for the two years ended 31 December 2020 and the three months ended 31 March 2021 are considered to cast doubt on the repayment obligations of Tianshan Construction for the Extended Loan should it become due;
- (ii) checked the repayment record and history of Tianshan Construction and Tianshan Construction Material 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; and
- (iii) obtained and reviewed the credit report of Tianshan Construction issued by the Credit Reference Centre of the People's Bank of China on 8 March 2021, based on which Tianshan Construction 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.

LETTER FROM THE BOARD

Given the aforesaid reasons, the Directors consider Tianshan Construction has demonstrated a credible repayment track record to the Group, and Tianshan Construction has ample repayment ability for the Extended Loan, therefore the risk of default by Tianshan Construction is low.

In addition, as stated in the paragraph headed “Miscellaneous” above, 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 hence the following obligations of Tianshan Construction remain in effect: (i) Tianshan Construction shall inform the Group of the purpose of the loan and provide the relevant supporting documents to the Group prior to drawdown, and Tianshan Construction may not utilise the loan unless the prior approval of Group has been obtained; (ii) Tianshan Construction shall provide its management accounts to the Group on a monthly basis so that the Group can monitor the utilization of the loan and the repayment status; and (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 remain more than the amount of the total outstanding liabilities payable to the Lender by Tianshan Construction.

With close monitoring of the utilization of the loan and the financial status of Tianshan Construction, the Group can regularly assess the underlying default risk of Tianshan Construction and can withhold approval for further drawdown 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 Extended Loan because in the event of default on the part of Tianshan Construction, 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 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder, but including the independent nonexecutive Directors who have taken into consideration the advice of 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 entering into of the 2020 Financial Assistance Supplemental Agreement is not in the ordinary and usual course of business of the Group.

LETTER FROM THE BOARD

Tianshan Construction is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors, as well as Ms. Wu 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. 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 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 Latest Practicable Date, Tianshan Construction is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors, as well as Ms. Wu 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.

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 2020 Financial Assistance Supplemental Agreement 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 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder. As Tianshan Construction 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 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder, will abstain from voting on the resolution proposed at the EGM to approve the 2020 Financial Assistance Supplemental Agreement 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 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder will be taken by way of poll at the EGM.

A notice convening the EGM to be held at Meeting Room, 6th Floor, No. 109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone, Shijiazhuang, Hebei Province, the PRC on Monday, 12 July 2021 at 10:00 a.m., is set out on pages 37 to 39 of this circular.

LETTER FROM THE BOARD

The register of members of the Company will be closed from Wednesday, 7 July 2021 to Monday, 12 July 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 Tuesday, 6 July 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 16 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 17 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)

21 June 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 21 June 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 2020 Financial Assistance Supplemental Agreement 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 2020 Financial Assistance Supplemental Agreement and the advice of Caitong International Capital in relation thereto as set out on pages 17 to 32 of the Circular, we are of the opinion that the 2020 Financial Assistance Supplemental Agreement was entered into on normal commercial terms, and the terms of the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, although the entering into of the 2020 Financial Assistance Supplemental Agreement 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 2020 Financial Assistance Supplemental Agreement 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

21 June 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 2020 Financial Assistance Supplemental Agreement 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 21 June 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.

Reference is made to the announcement of the Company 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.

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 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.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

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.

As at the Latest Practicable Date, Tianshan Construction is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors, as well as Ms. Wu Xiaozhi (the niece of Mr. Wu Zhen Shan and Mr. Wu Zhen Ling), 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 Xiaozhi (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%, 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.

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 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder, has been established to advise the Independent Shareholders as to (i) whether the entering into the 2020 Financial Assistance Supplemental 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 2020 Financial Assistance Supplemental 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.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

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 (i) 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; and (ii) the discloseable and connected transaction contemplated under the financial assistance agreement, details of which were set out in the circular of the Company dated 13 January 2021. The professional fees in connection with such previous engagements have been fully settled. Given our independent role and normal professional fees received from the Company under such previous engagements, we consider it would not affect our independence to form our opinion in this letter. Save for the above, we have not provided any other services to the Company in the past two years.

As at the Latest Practicable Date, we were not aware of any relationships or interests among us and the Company, Tian Shan Real Estate, Tianshan Construction or their respective substantial shareholders or associates that could be reasonably 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 2020 Financial Assistance Supplemental Agreement 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 Real Estate, 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 2020 Financial Assistance Agreement, the 2020 Financial Assistance Supplemental Agreement, the Charge and its two supplemental agreements, the announcements of the Company dated 22 May 2020 and 14 July 2020 and 15 December 2020, the circular of the Company dated 13 January 2021, the annual reports of the Company for the years ended 31 December 2019 and 2020 (the “**2019 Annual Report**” and “**2020 Annual Report**”, respectively) and the Circular.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

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, and/or 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 Real Estate 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 2020 Financial Assistance Supplemental Agreement 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.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background of the 2020 Financial Assistance Supplemental Agreement

(a) Information on the Group

The Group is principally engaged in property development in the PRC, whilst 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. As disclosed in the 2020 Annual Report, in the future, the Group will continue to follow the national policy, combine its competitive advantages and market positioning, focus on the Beijing-Tianjin-Hebei region, strategically increase presence in Yinchuan and Yangzhou markets, and vigorously enhance its market share where its business locates. As at 31 December 2020, the Group had numerous property projects under development, which were primarily located in Shijiazhuang, Tianjin, Ningxia and Yangzhou, the PRC.

(b) Information on Tianshan Construction

Tianshan Construction is principally engaged in the business of building construction in the PRC. According to the 2019 Annual Report and the 2020 Annual Report, Tianshan Construction was the largest supplier of the Group in both years, and purchases from Tianshan Construction were approximately RMB979.0 million and RMB597.4 million, representing approximately 21.0% and 18.0% of the total purchases of the Group for the years ended 31 December 2019 and 2020, respectively.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

Set out below is a summary of the financial results of Tianshan Construction as extracted from the audited reports of Tianshan Construction for the two years ended 31 December 2020 and the unaudited management accounts of Tianshan Construction for the three months ended 31 March 2021 (collectively, “**Tianshan Construction’s Accounts**”), which were prepared in accordance with the relevant account principles generally accepted in the PRC:

	For the year ended		For the three
	31 December		months ended
	2019	2020	31 March
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(audited)	(audited)	(unaudited)
Revenue	958,790	839,326	119,613
Operating profit	43,250	37,708	2,817
Net profit	38,013	30,788	2,923

Set out below is a summary of the financial position of Tianshan Construction as at 31 December 2019 and 2020 and 31 March 2021, as extracted from Tianshan Construction’s Accounts:

	As at 31 December		As at
	2019		31 March
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(audited)	(audited)	(unaudited)
Current assets	1,001,449	1,013,615	1,022,905
Non-current assets	53,408	52,569	52,391
Current liabilities	544,610	525,149	531,337
Non-current liabilities	–	–	–
Net asset value	510,247	541,035	543,959

LETTER FROM CAITONG INTERNATIONAL CAPITAL

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

	As at 31 December		As at
	2019	2020	31 March 2021
Current ratio ⁽¹⁾	1.84	1.93	1.93
Net debt to equity ratio ⁽²⁾	0.17	0.04	0.04

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.

As shown in the tables above, Tianshan Construction has been able to generate net profits for the two years ended 31 December 2020 and the three months ended 31 March 2021. As stated in the Letter from the Board, the Directors note that Shijiazhuang and certain other cities in Hebei Province, where Tianshan Construction principally operates, entered lockdown of about five weeks with residents restricted to their home communities and public transport suspended (the “**Lockdown**”) following the COVID-19 outbreak in these areas in early January 2021, thereby affecting the economic activities in the first quarter of 2021, and hence the financial performance of Tianshan Construction was adversely affected for the three months ended 31 March 2021. As set out in the 2020 Annual Report, in mid-February 2021, the pandemic was under control and the local government announced the reopening of Hebei Province. According to the unaudited management accounts of Tianshan Construction, the revenue of Tianshan Construction amounted to approximately RMB65.3 million in March 2021, representing an increase of approximately 165.6% and 119.2% as compared to those in January and February 2021, respectively showing the gradual recovery of the operations of Tianshan Construction after the Lockdown. Furthermore, the net asset value and current ratio of Tianshan Construction indicated a slightly upward trend and the net debt to equity ratio indicated a downward trend from 31 December 2019 to 31 March 2021. Assuming no material adverse change in the financial conditions of Tianshan Construction, we concur with the Directors' view that no items from the financial results and financial position of Tianshan Construction for the two years ended 31 December 2020 and the three months ended 31 March 2021 are considered to cast doubt on the repayment obligations of Tianshan Construction for the Extended Loan, should they become due, save for the temporary adverse impact from the Lockdown in Hebei Province.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

2. Reasons for and benefits of entering into the 2020 Financial Assistance Supplemental Agreement

As set out in the Letter from the Board, 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 by Tianshan Construction. Given Tianshan Construction is principally engaged in the business of building construction and is also a major construction services supplier to the Group, the Group shall benefit from the continuing stable and reliable provision of construction services by Tianshan Construction. Furthermore, 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 set out in the Letter from the Board, in assessing the default risk of the Tianshan Construction in repayment of the Extended Loan, the Directors have (i) communicated with key personnel of Tianshan Construction and reviewed Tianshan Construction's Accounts; (ii) checked the repayment record and history of Tianshan Construction and Tianshan Construction Material 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 Tianshan Construction issued by the Credit Reference Centre of the People's Bank of China (the "CCRC") on 8 March 2021 (the "CCRC Credit Report"). 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. Based on the above, the Directors consider Tianshan Construction has demonstrated a credible repayment track record to the Group, and Tianshan Construction has ample repayment ability for the Extended Loan, therefore the risk of default by Tianshan Construction is low. For further details, please refer to the section headed "*Reasons for the Extension of Term of Financial Assistance*" in the Letter from the Board.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

We have accordingly obtained and reviewed (i) Tianshan Construction's Accounts (as discussed in the sub-paragraph headed "*1. Background of the 2020 Financial Assistance Supplemental Agreement – (b) Information on Tianshan Construction*" 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; and (iii) the CCRC Credit Report indicating that Tianshan Construction 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. As such, we concur with the Directors' view that Tianshan Construction has demonstrated a credible repayment track record to the Group, and Tianshan Construction have ample repayment ability for the Extended Loan, and therefore the risk of default by Tianshan Construction is low.

Having considered (i) Tianshan Construction being a major construction services supplier to the Group; (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 Extended Loan being and remaining solely for payment of labour costs and purchase of construction materials for the construction of the projects of the Group; (iv) the CCRC Credit Report which demonstrated the creditability of Tianshan Construction; 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 from the continuing stable and reliable provision of construction services by Tianshan Construction; and (b) 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, although the entering into of the 2020 Financial Assistance Supplemental Agreement is not in the ordinary and usual course of business of the Group.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

3. Principal terms of the 2020 Financial Assistance Supplemental Agreement and the Charge

(a) 2020 Financial Assistance Supplemental Agreement

Pursuant to the terms of the 2020 Financial Assistance Supplemental Agreement, 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 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.

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. Save for the extension of the term of the financial assistance for the Extended Loan, all other terms of the 2020 Financial Assistance Supplemental Agreement remains unchanged to the terms of the 2020 Financial Assistance Agreement. Details of the 2020 Financial Assistance Supplemental Agreement are set out as follows:

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 (the “**Annual Guarantee Fee**”) of the maximum amount guaranteed under the 2020 Financial Assistance Supplemental 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 Shijiazhuang, the PRC (the “**Guarantee Companies**”). The guarantee fee is a one-off payment.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

We have obtained and reviewed the relevant written quotations provided by all three Guarantee Companies to Tian Shan Real Estate and noted that the rates quoted by the three Guarantee Companies to Tian Shan Real Estate ranged from 3.35% to 3.5% per annum of the guarantee amount. The Annual Guarantee Fee is at a rate higher or equal to the rates quoted by all three Guarantee Companies.

We have also, on a best effort basis, identified 11 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 2020 Financial Assistance Supplemental Agreement (i.e. 14 May 2021) 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
10/05/2021	Qingdao Port International Co., Ltd.	6198	RMB497,520,000	RMB497,520,000	Nil
15/04/2021	Livzon Pharmaceutical Group Inc.	1513	RMB1,005,000,000	RMB1,005,000,000	Nil
29/03/2021	DIT Group Limited	726	RMB20,000,000	RMB20,000,000	Nil
21/03/2021	Greenland Hong Kong Holdings Limited (“Greenland HK”)	337	Not disclosed	RMB2,000,000,000	3.0% (Note 1)
05/03/2021	Macrolink Capital Holdings Limited	758	RMB696,000,000	RMB696,000,000	0.06%
19/01/2021	Xiwang Special Steel Company Limited (“Xiwang Steel”)	1266	Not disclosed	RMB5,000,000,000	0.5% (Note 2)
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

LETTER FROM CAITONG INTERNATIONAL CAPITAL

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
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%
Maximum:					3.0%
Minimum:					Nil
Average:					0.5%

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

Notes:

1. 3.0% is the highest rate of guarantee fee receivable by Greenland HK for the guaranteed amount. According to the announcement of Greenland HK dated 21 March 2021, the rate of guarantee fee shall range from nil to not more than 3.0% subject to the proportion of the amount guaranteed by it; and
2. The guarantee fee shall be 0.5% on the guaranteed amount in excess of the outstanding amount payable by Xiwang Steel to its connected persons.

As illustrated above, the annual guarantee fees of the Comparable Guarantees ranged from nil to 3.0% of the maximum guarantee amount. The Annual Guarantee Fee represented a rate of 3.5% per annum of the maximum amount guaranteed under the 2020 Financial Assistance Supplemental Agreement, which is above all the Comparable Guarantees.

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

LETTER FROM CAITONG INTERNATIONAL CAPITAL

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, among others, of Tianshan Construction 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 any loan under the Extended Loan, and Tianshan Construction may not utilise the loan unless prior approval of Tian Shan Real Estate has been obtained. Tian Shan Real Estate will not approve the drawdown if it is for purpose other than the payment of labour costs or purchase of construction materials for the construction of the projects of the Group by Tianshan Construction;
- (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 remain 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.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

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

- (i) the Group shall be entitled to check and monitor the repayment status and latest financial conditions of Tianshan Construction; and
- (ii) the Group shall minimise the underlying default risk on the Extended Loan by Tianshan Construction by reducing the same amount of payable by Tian Shan Real Estate to Tianshan Construction by way of set-off in the event of default by Tianshan Construction and that Tianshan Real Estate has repaid any liabilities on its behalf.

For further details, please refer to the section headed “*Reasons for the Extension of Term of Financial Assistance*” in the Letter from the Board.

As advised by the Management, the amount payable by Tian Shan Real Estate to Tianshan Construction was approximately RMB130.8 million as at 30 April 2021, which was higher than the sum of (i) the maximum guarantee amount of RMB40.0 million under the 2020 Financial Assistance Supplemental Agreement; and (ii) the total maximum guarantee amount under the Existing Financial Assistance Agreements of RMB52.0 million.

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 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) *The Charge and the Immovable Properties*

In respect of the extension of the term of the financial assistance, the Charge (as extended by two supplemental agreements dated 14 May 2021) 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 to the 2020 Financial Assistance Supplemental Agreement.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

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 was approximately RMB62,721,000. For illustrative purposes, the fair value of the Immovable Properties was approximately RMB80,781,400 in aggregate as at 7 May 2021.

As advised by the Company, save for Immovable Property I, the Immovable Properties have been leased to third parties for rental purpose. We have obtained and reviewed the rental agreements of the relevant Immovable Properties and, as confirmed with the Company, the Charge over such Immovable Properties in favour of the Lender will not affect the rental income to be generated from the leases of the same. Pursuant to the rental agreements stated above, the total rental income receivable from the Immovable Properties for the year ended 31 December 2020 was approximately RMB2.3 million, representing approximately 0.04% of the Group's total revenue for the year ended 31 December 2020. As such, we concur with the Directors' 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 Annual Report, the cash and cash equivalents of the Group amounted to approximately RMB374.8 million as at 31 December 2020. Therefore, we concur with the Directors that in the event of default by Tianshan Construction, 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 Lender under the Charge.

LETTER FROM CAITONG INTERNATIONAL CAPITAL

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the opinion that (i) the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the 2020 Financial Assistance Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, although the entering into of the 2020 Financial Assistance Supplemental Agreement is not 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 2020 Financial Assistance Supplemental Agreement 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 person(s) (other than a Director or a chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	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 2020 (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 2020, 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 2020 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

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 2020 Financial Assistance Agreement;
- (c) the 2020 Financial Assistance Supplemental Agreement;
- (d) the agreement for the provision of the Charge dated 22 May 2020 and the two supplemental agreements dated 14 May 2021 which, among others, extended the provision of the Charge (subject to the fulfillment of the conditions precedent);
- (e) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular;
- (f) the letter from Caitong International Capital, the text of which is set out on pages 17 to 32 of this circular; and
- (g) 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 at Meeting Room, 6th Floor, No. 109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone, Shijiazhuang, Hebei Province, the PRC on Monday, 12 July 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 supplemental agreement dated 14 May 2021 entered into between 天山房地產開發集團有限公司(Tian Shan Real Estate Development Group Limited)(“**Tian Shan Real Estate**”) and 河北天山實業集團建築工程有限公司 (Hebei Tianshan Industrial Group Construction Engineering Company Limited) (“**Tianshan Construction**”) (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose) (the “**2020 Financial Assistance Supplemental Agreement**”) in relation to the extension of the term of financial assistance which is provided for a loan taken out by Tianshan Construction in the principal amount of RMB40.0 million, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (ii) the implementation of the 2020 Financial Assistance Supplemental Agreement by any director of the Company and by 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 Real Estate be and is hereby authorised to sign, execute, perfect and deliver the 2020 Financial Assistance Supplemental Agreement and all such documents (collectively, the “**Documents**”) and to affix the common seal of the Company or Tian Shan Real Estate on any such documents (including, but not limited to, the 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 2020 Financial Assistance Supplemental Agreement and the transactions contemplated under it.”

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

Hong Kong, 21 June 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 Wednesday, 7 July 2021 to Monday, 12 July 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 Tuesday, 6 July 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.