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

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**If you are in doubt** as to any aspect of this circular, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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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)**

**CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE RENEWAL OF AGREEMENT  
WITH HEBEI TIANSHAN INDUSTRIAL GROUP  
CONSTRUCTION ENGINEERING COMPANY LIMITED**

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



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A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 15 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 16 to 33 of this circular.

A notice convening the EGM to be held at the Meeting Room, 6th Floor, No. 109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone, Shijiazhuang, Hebei Province, the PRC on 9 February 2022 at 10:00 a.m., is set out on pages 38 to 40 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for holding the EGM (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, 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.

11 January 2022

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## PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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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 Wednesday, 9 February 2022 at 10:00 a.m. at the 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.

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## DEFINITIONS

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

“2019 Construction Services Agreement”	the framework construction services agreement dated 30 October 2019 entered into amongst the Company, Tian Shan Real Estate and Tianshan Construction whereby Tianshan Construction agreed to provide construction works and services for the property development projects of the Group through tender processes
“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 Renewal Construction Services Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Company”	Tian Shan Development (Holding) Limited (天山發展(控股)有限公司), a company incorporated in the Cayman Islands
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at the Meeting Room, 6th Floor, No. 109 Tianshan Avenue, Shijiazhuang, Hi-Tech Industry Development Zone, Shijiazhuang, Hebei Province, the PRC on Wednesday, 9 February 2022 at 10:00 a.m. to consider and approve, among others, the Renewal Construction Services Agreement
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Renewal Construction Services Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“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 Renewal Construction Services Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps
“Independent Third Parties”	persons or companies which are independent of and not connected with any Directors, chief executives, the controlling shareholders and the substantial shareholders of the Company, and the directors and shareholders of any other members of the Group, and their respective associates
“Latest Practicable Date”	7 January 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

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## DEFINITIONS

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“Renewal Construction Services Agreement”	the framework construction services agreement dated 30 November 2021 entered into amongst the Company, Tian Shan Real Estate and Tianshan Construction whereby Tianshan Construction agreed to provide construction works and services for the property development projects of the Group through a tender process
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 established in the PRC and is a wholly-owned subsidiary of the Company
“Tianshan Construction”	河北天山實業集團建築工程有限公司 (Hebei Tianshan Industrial Group Construction Engineering Company Limited*), a company with limited liability established in the PRC and is ultimately owned by 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) and thus a connected person 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)*

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## LETTER FROM THE BOARD

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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)**

*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

11 January 2022

*To Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO THE RENEWAL OF AGREEMENT WITH HEBEI TIANSHAN INDUSTRIAL GROUP CONSTRUCTION ENGINEERING COMPANY LIMITED**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 30 November 2021 in relation to the renewal of the 2019 Construction Services Agreement entered into amongst the Company, Tian Shan Real Estate and Tianshan Construction for the construction works and services of the property development projects of the Group upon successful tender. The purposes of this circular are to provide you with, among other things, (i) further details of the transactions contemplated under the Renewal Construction Services Agreement and the proposed annual caps for each of the years ending 31 December 2022 and 2023; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders regarding the continuing connected transactions contemplated under the Renewal Construction Services Agreement and the proposed annual caps; (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.

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## LETTER FROM THE BOARD

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### **Background**

References are made to the announcement of the Company dated 30 October 2019 and the circular of the Company dated 6 December 2019 in relation to the 2019 Construction Services Agreement entered into amongst the Company, Tian Shan Real Estate and Tianshan Construction for the construction works of the property development projects of the Group upon successful tender for a term of two years commencing from 1 January 2020 and ending on 31 December 2021.

In view of the forthcoming expiry of the 2019 Construction Services Agreement, the Directors consider that it is in the interest of the Group to continue such construction services and to enter into the Renewal Construction Services Agreement with Tianshan Construction in order to engage the services of Tianshan Construction upon successful tender(s) for a term of two years commencing from 1 January 2022 and ending on 31 December 2023 subject to the proposed annual caps.

### **THE RENEWAL CONSTRUCTION SERVICES AGREEMENT**

#### **Date**

30 November 2021

#### **Parties**

- (1) the Company
- (2) Tian Shan Real Estate, a wholly-owned subsidiary of the Company
- (3) Tianshan Construction, a company 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). Tianshan Construction is also ultimately controlled by Mr. Wu Zhen Shan, who is also the director of the holding company of Tianshan Construction. Hence Tianshan Construction is a connected person of the Company under the Listing Rules

#### **Duration**

Two years from 1 January 2022 to 31 December 2023



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## LETTER FROM THE BOARD

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### Nature of transaction

Pursuant to the Renewal Construction Services Agreement, the parties agreed that Tianshan Construction may be selected to provide the construction works and services for the property development projects of the Group through a tender process in compliance with the applicable laws and regulations in the PRC. Tianshan Construction has agreed, in the event that it is selected following the tender process, to provide construction and related works and services to the Group according to the tender documents and the relevant construction contracts to be signed and on terms no less favourable to the Group than terms available from Independent Third Parties.

Separate construction contracts will be entered into between Tian Shan Real Estate and Tianshan Construction if Tianshan Construction is selected through the tender process to provide the construction services to the Group. The tender process for the construction works of the Group principally follows the requirements under the PRC Tendering and Bidding Law Tenders for Construction Projects (中華人民共和國招標投標法)(the “**Tender Law**”). The Group would appoint an independent professional bidding agent (the “**Bidding Agent**”) to be responsible for each tender process, including publishing or sending invitations for and receiving of the tender bids. The Bidding Agent either publishes invitation for tender on the public websites designated by the local governments, or sends invitation for tender to a minimum of three qualified construction contractors it selected from the list of approved construction contractors kept by it. It prepares the list of approved contractors based on factors such as, among others, reputation, qualification, financial strength, and past performance in previous engagements (if applicable). For public tenders, all interested bidders are free to submit the tender bids; whereas for invitation for tender, invitations are sent to the qualified construction contractors selected by the Bidding Agent as described above. As the Bidding Agent is responsible for receiving the tender bids during the tender submission period, the Group will under no circumstances have access to the tender bids submitted by the bidders before the submission deadline. Pursuant to the project development process and policies of the Group, a minimum of three construction companies qualified to undertake construction works in accordance with the relevant PRC laws and regulations are invited to bid for the Group’s construction projects through a tender process. If less than three qualified construction companies participate in the tender, the tender will be withdrawn and a re-tender will be arranged. The qualified construction companies would submit the tender bids and upon all the tender bids are received from the qualified construction companies an external assessment committee comprised not less than five members, including at least two-thirds of industry experts randomly chosen by the Bidding Agent or the Group’s representative in the presence of the Bidding Agent from a pool of industry experts independent of the Group would be formed to assess the tender bids. The Bidding Agent is responsible for the procedural and administrative matters relating to the tender after the external assessment committee and the internal evaluation committee (details of which is discussed below) are

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## LETTER FROM THE BOARD

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appointed. Its main responsibilities involve arranging for the two committees to assess or evaluate the tender bids received, summarizing the assessment results of the two committees respectively, and facilitating signing of the construction contract between the Group and the successful bidder. In accordance with the Tender Law, the successful bidder would be selected based on an independent assessment by the members of the external assessment committee taking into account a number of factors set out in the tender, such as fee quote, construction timetable, qualifications of the bidders, construction plan and resource allocation i.e. the external assessment committee alone is responsible for recommending the Group on the selection of the tender bids.

In accordance with the internal control procedures of the Group, an internal evaluation committee comprising of at least five senior staff of the Group, randomly chosen, would also evaluate the tender bids submitted by the bidders. The internal evaluation committee is not involved in the recommendation and decision making on the selection of the tender bids. Its evaluation is only used as internal reference to cross-check against the assessment of the external assessment committee. The Group takes into account factors such as the tender price, track record, work quality, previous cooperation with the Group and technical capability when assessing potential tenders. Only the external assessment committee is responsible for recommending the Group on the selection of the tender bids, and if the assessment results of the external assessment committee and the internal evaluation committee are materially different, the Bidding Agent will then investigate those assessment results and prepare an investigation report for the Company's follow up on any observations as best practice. To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, during the three years ended 31 December 2021, there has been no material difference between the evaluation of the internal evaluation committee and the assessment of the external assessment committee. The Group may also conduct investigations and inspections on the construction companies which have participated in the tender process to ascertain if they can meet the requirements of the Group. In addition, the Group employs Independent Third Parties as construction supervisors to carry out the quality control functions throughout the whole construction process of its property projects. After taking into consideration the above, the Board is of the view that such transactions can be conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders taken as a whole.

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## LETTER FROM THE BOARD

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Under the construction contracts, the Group will pay Tianshan Construction the construction fees according to the terms set out therein. The construction fees are generally paid in accordance with the progress and delivery of the construction services by the contractor selected under the tender. As the construction fees are determined in accordance with the tender process and separate construction contracts will only be granted to Tianshan Construction through the tender process and entered into by Tian Shan Real Estate and Tianshan Construction pursuant to the Renewal Construction Services Agreement, the Directors are of the view that the construction fees to be paid by the Group to Tianshan Construction, if it is selected in accordance the tender process, shall be in line with the prevailing market prices from time to time and are on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole. Tian Shan Real Estate and Tianshan Construction also have the right under the Renewal Construction Services Agreement to transfer or subcontract all or part of each of their interests, rights and obligations therein to their respective directly or indirectly owned subsidiaries without the consent of the other party on the condition that no terms of the Renewal Construction Services Agreement shall be altered due to such transfer or subcontract and Tian Shan Real Estate and Tianshan Construction shall respectively bear all of their own liabilities in respect of the relevant transfer or subcontract. For such transfer of interests, rights and obligations under the Renewal Construction Services Agreement by Tianshan Construction to its directly or indirectly owned subsidiaries, where such transfer only allows its subsidiaries to be selected through the tender process, Tianshan Construction is not obliged to obtain consent from the Company and/or Tian Shan Real Estate. Nonetheless, separate construction contracts will be entered into between Tian Shan Real Estate and Tianshan Construction and/or, in the case which the directly or indirectly owned subsidiaries of Tianshan Construction is the successful bidder, such subsidiary if it is selected upon successful tender to provide the construction services to the Group. Distinctively the interests, rights and obligations under such construction contracts cannot be transferred unless with the consent of the Company and/or Tian Shan Real Estate. Such successful bidders must have satisfied the selection criteria to be selected, and as such in practice the Company and/or Tian Shan Real Estate will not grant its consent to these successful bidders for the transfer of interests, rights and obligations under these construction contracts. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, during the three years ended 31 December 2021, there was no request from Tianshan Construction for such transfer and therefore no such consent has been granted by the Company and/or Tian Shan Real Estate.

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## LETTER FROM THE BOARD

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### Conditions precedent

The Renewal Construction Services Agreement shall become effective upon the fulfillment of the conditions precedent set out as follows:

- (a) the Company having complied with all applicable requirements under the Listing Rules in respect of the Renewal Construction Services Agreement and the transactions contemplated thereunder; and
- (b) the approval from the Independent Shareholders having been obtained in respect of the Renewal Construction Services Agreement and/or any waiver (if applicable) having been granted by the Stock Exchange.

### ANNUAL CAPS FOR THE RENEWAL CONSTRUCTION SERVICES AGREEMENT

#### Historical transaction amounts

The table below sets out the total historical construction costs incurred by the Group for the construction services provided by Tianshan Construction for the year ended 31 December 2020 and the nine months ended 30 September 2021, and the annual cap for the year ending 31 December 2021:

<b>For the year ended 31 December 2020</b>	<b>For the nine months ended 30 September 2021</b>	<b>For the year ending 31 December 2021 Annual cap</b>
<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
597.4	374.6	1,390.6

#### Proposed annual caps and basis for the two years ending 31 December 2023

<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
<i>RMB million</i>	<i>RMB million</i>
892.8	994.2

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## LETTER FROM THE BOARD

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The above proposed annual caps under the Renewal Construction Services Agreement are determined with reference to:

- (a) the remaining contract sum of the existing outstanding construction contracts with Tianshan Construction (which were substantially entered into pursuant to the 2019 Construction Services Agreement) of approximately RMB801.7 million and RMB926.1 million for the two years ending 31 December 2022 and 2023, respectively;
- (b) the historical success percentage of Tianshan Construction being selected following the tender process in which Tianshan Construction has participated and the expected participation in the tender process of Tianshan Construction for the two years ending 31 December 2023; and
- (c) the total estimated construction costs to be incurred by the Group with reference to the expected construction works of its property development projects and where Tianshan Construction is expected to participate in the tender process,

and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the Group.

The proposed annual cap for the year ending 31 December 2022 of RMB892.8 million represents a decrease of RMB497.8 million as compared to the annual cap for the year ending 31 December 2021. The proposed annual cap for the year ending 31 December 2022 is based on (a) the remaining contract sum of the existing outstanding construction contracts with Tianshan Construction (which were substantially entered into pursuant to the 2019 Construction Services Agreement) of approximately RMB801.7 million for the year ending 31 December 2022; (ii) the historical tender success rate of Tianshan Construction's participation in the tender processes initiated by Tian Shan Real Estate from 1 January 2020 to 30 September 2021 of approximately 85.4%; and (iii) the total estimated construction costs to be incurred by the Group for projects where the tender process has not commenced and no construction company has yet been selected of approximately RMB106.6 million for the year ending 31 December 2022.

The executive Directors are of the view that the Group would not have excessive reliance on Tianshan Construction for construction services. In terms of construction costs, Tianshan Construction only accounted for approximately 14.5%, 21.0% and 18.0% of the total purchases of the Group for the years ended 31 December 2018, 2019 and 2020, respectively. Moreover, the Group is not obliged to engage the service of Tianshan Construction. As detailed in the section headed "The Renewal Construction Services Agreement – Nature of transaction" in this circular, the Group will select service provider for construction works and services through a tender process. During such process, the Group takes into account factors such as the tender price, track record, work quality, previous cooperation with the Group and technical capability when selecting and assessing potential tenders. It is at the Group's own discretion to determine whether to engage the service of Tianshan Construction or independent service providers, subject to its successful tender, in the interests of the Company and the Shareholders.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL

The Group has adopted the following internal control procedures over Renewal Construction Services Agreement:

- As detailed in the section headed “The Renewal Construction Services Agreement – Nature of transaction” in this circular, the Group will go through a number of steps for all of its tender processes for the construction works of the Group to ensure that such transactions can be conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders taken as a whole.
- In addition, pursuant to the Policy on Control of Continuing Connected Transactions of the Company:
  - the costs control department of the Company is primarily responsible for reviewing and monitoring the continuing connected transactions to ensure that the annual caps of the relevant continuing connected transactions have not been and would not be exceeded, will update the market price on record on a regular basis for the purpose of considering whether the prices of the transactions under the continuing connected transaction is fair and reasonable;
  - the president of the project company is responsible for the implementation of the continuing connected transactions, and will conduct regular checks to assess whether such transactions have been conducted in accordance with the terms and the mechanisms under the relevant framework agreements;
  - the Company’s external auditors will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually to check and confirm (among others) whether the terms of the relevant framework agreements have been adhered to and whether the relevant caps have been exceeded, and report its findings to the audit committee of the Company (the “**Audit Committee**”);
  - the Audit Committee will consider the findings of the external auditors and make evaluation on such continuing connected transactions to ensure that they are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Audit Committee will then report to the Board annually; and

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## LETTER FROM THE BOARD

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- the independent non-executive Directors will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually to confirm whether they are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the relevant pricing policies.

Therefore, the executive Directors were of the view that such internal control can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

### REASONS FOR THE TRANSACTION

The Group is engaged in property development in the PRC. Tianshan Construction is principally engaged in the business of building construction in the PRC.

Since its establishment, Tianshan Construction has been engaged in the business of building construction and has been providing building construction services to the Group pursuant to the construction contracts which were granted to Tianshan Construction through the tender process. The Group is expected to benefit from Tianshan Construction's familiarity and understanding of the Group which facilitates expedient and efficient services. The Directors confirm that there has not been any major disagreement between the Group and Tianshan Construction on the standard of works and services of Tianshan Construction in the past. To the best knowledge of the Directors, Tianshan Construction has obtained all the relevant licences as a construction contractor and it will continue to carry out construction works and to provide construction services to the property development projects of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Renewal Construction Services Agreement and the continuing connected transactions contemplated thereunder with Tianshan Construction are on normal commercial terms and are entered into in the ordinary and usual course of business of the Group and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole. The Directors (including the independent non-executive Directors) also consider that the proposed annual caps set out above in relation to the Renewal Construction Services Agreement and the continuing connected transactions contemplated thereunder with Tianshan Construction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### IMPLICATIONS UNDER THE LISTING RULES

Tian Shan Real Estate is a wholly-owned subsidiary of the Company whose principal business is the development of real property projects in the PRC. As at the date of this circular, 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). Tianshan Construction is also ultimately controlled by Mr. Wu Zhen Shan, who is also the director of the holding company of Tianshan Construction. As such, Tianshan Construction is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewal Construction Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps under the Renewal Construction Services Agreement exceed 5%, the Renewal Construction Services Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### EGM

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Renewal Construction Services Agreement, the transactions contemplated under it and the proposed annual caps for such transactions for each of the two years ending 31 December 2023.

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 Renewal Construction Services Agreement. 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 Renewal Construction Services Agreement, will abstain from voting on the resolution proposed at the EGM to approve the Renewal Construction Services Agreement and the proposed annual caps 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. 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 Renewal Construction Services Agreement and the proposed annual caps will be taken by way of poll at the EGM.



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## LETTER FROM THE BOARD

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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.

A notice convening the EGM to be held at the Meeting Room, 6th Floor, No. 109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone, Shijiazhuang, Hebei Province, the PRC on Wednesday, 9 February 2022 at 10:00 a.m., is set out on pages 38 to 40 of this circular.

The register of members of the Company will be closed from Friday, 4 February 2022 to Wednesday, 9 February 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 31 January 2022.

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, Wanchai, 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 15 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 16 to 33 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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)**

11 January 2022

To the Independent Shareholders

Dear Sir or Madam,

#### **CONTINUING CONNECTED TRANSACTION IN RELATION TO THE RENEWAL OF AGREEMENT WITH HEBEI TIANSHAN INDUSTRIAL GROUP CONSTRUCTION ENGINEERING COMPANY LIMITED**

We refer to the circular of the Company dated 11 January 2022 (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 Renewal Construction Services Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms, the terms of the Renewal Construction Services Agreement and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Renewal Construction Services Agreement and the advice of Caitong International Capital in relation thereto as set out on pages 16 to 33 of the Circular, we are of the opinion that the Renewal Construction Services Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms, and the terms of the Renewal Construction Services Agreement and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Renewal Construction Services Agreement, the transactions contemplated under it and the proposed annual caps.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee

**Wang Ping**

**Cheung Ying Kwan**

**Tian Chong Hou**

*Independent non-executive Directors*

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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*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.*



Unit 4811, 48th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

11 January 2022

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
THE RENEWAL OF AGREEMENT WITH HEBEI TIANSHAN  
INDUSTRIAL GROUP CONSTRUCTION  
ENGINEERING COMPANY LIMITED**

### 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 Renewal Construction Services Agreement, the transactions contemplated thereunder and the proposed annual caps for the two years ending 31 December 2023 (the “**Proposed Annual Caps**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 11 January 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 30 November 2021, the Company and Tian Shan Real Estate entered into the Renewal Construction Services Agreement with Tianshan Construction to renew the 2019 Construction Services Agreement for a term of two years commencing from 1 January 2022 and ending on 31 December 2023, subject to the Independent Shareholders’ approval having been obtained.

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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Tian Shan Real Estate is a wholly-owned subsidiary of the Company whose principal business is the development of real property projects in the PRC. 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). Tianshan Construction is also 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. Accordingly, the transactions contemplated under the Renewal Construction Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Proposed Annual Caps exceed 5%, the Renewal Construction Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps are subject to the reporting, annual review, 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 Renewal Construction Services Agreement and the transactions contemplated thereunder, has been established to advise the Independent Shareholders as to (i) whether the entering into the Renewal Construction Services 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 Renewal Construction Services Agreement and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to be proposed at the EGM. We, Caitong International Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **OUR INDEPENDENCE**

In the past two years preceding the Latest Practicable Date, we have been engaged as the independent financial adviser to the then independent board committee and the independent Shareholders of the Company regarding the discloseable and connected transactions contemplated under the financial assistance agreements, details of which were set out in the circulars of the Company dated 13 January 2021 and 21 June 2021, respectively. The professional fees in connection with such engagements have been fully settled. Given our independent role and normal professional fees received from the Company under such 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.

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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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 reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Accordingly, we are considered eligible to give independent advice on the Renewal Construction Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps. 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 others, the 2019 Construction Services Agreement, the Renewal Construction Services Agreement, the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020 (the “**2018 Annual Report**”, “**2019 Annual Report**” and “**2020 Annual Report**”, respectively), the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”) and the Circular.

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

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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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 Renewal Construction Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps. Except for its inclusion in the Circular, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation in respect of the Renewal Construction Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps, we have considered the following principal factors and reasons:

#### **1. Background of the Renewal Construction Services Agreement**

##### ***(a) Information on the Group***

The Group, including Tian Shan Real Estate, is principally engaged in property development in the PRC. As set out in the 2021 Interim 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, and strategically increase presence in Yinchuan and Yangzhou markets, and vigorously enhance its market share where its business locates. As at 30 June 2021, the Group had numerous property projects under development, which were primarily located in Shijiazhuang, Tianjin, Yinchuan and Yangzhou, the PRC. As confirmed by the Company, the Group is not directly engaged in building construction works and it is the Group's business model to outsource such construction works of its property projects to external qualified construction contractors through tender process.

In light of the above, we are of the view that the Renewal Construction Services Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group.

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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**(b) Information on Tianshan Construction**

Tianshan Construction is principally engaged in the business of building construction in the PRC. As set out in the Letter from the Board, Tianshan Construction has been providing building construction services to the Group pursuant to the construction contracts which were granted to Tianshan Construction through the tender process since its establishment. The Group is expected to benefit from Tianshan Construction's familiarity and understanding of the Group which facilitates expedient and efficient services. As set out in the 2020 Annual Report, Tianshan Construction was the largest supplier of the Group, and purchases from Tianshan Construction represented approximately 18.0% of the total purchases of the Group for the year ended 31 December 2020.

To the best knowledge of the Directors, Tianshan Construction has obtained all necessary licenses as a construction contractor in the PRC to undertake property development projects of the Group, and its principal business activities are and will continue to include carrying out construction services. We have obtained through the Company and reviewed copies of the 2020 renewed Business License (營業執照) of Tianshan Construction and the 2021 renewed Construction Enterprise Qualification Certificate (建築業企業資質證書) with Class I Qualification for General Contracting of Building Construction Services ("Class I License") of Tianshan Construction issued by the Department of Housing and Urban-Rural Development, Hebei (河北省住房和城鄉建設廳). It is set out in the Business License that the business scope of Tianshan Construction includes but is not limited to building construction. It is also set out in the Class I License that Tianshan Construction is classified as having, among others, Class I Qualification for General Contracting of Building Construction Services (建築工程施工總承包一級資質). In respect of the qualifications of various key employees of Tianshan Construction who, as confirmed by the Company, are responsible for the building construction services for the property development projects of the Group, we have also obtained through the Company and reviewed copies of the relevant constructor qualification certificates (一級建造師證書) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) and associate constructor qualification certificates (二級建造師證書) issued by the Department of Housing and Urban-Rural Development, Hebei (河北省住房和城鄉建設廳). The Company has also confirmed that, to its best knowledge, information and belief having made all reasonable enquiries, all such licenses and certificates mentioned above remained valid as at the Latest Practicable Date.



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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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### **2. Reasons for and benefits of entering into the Renewal Construction Services Agreement**

As set out in this letter above, Tianshan Construction has obtained all necessary licenses as a construction contractor in the PRC to undertake property development projects of the Group and has participated in the provision of construction services to various property development projects of the Group since its establishment in 2000, the construction costs incurred amounting to approximately RMB597.4 million and RMB374.6 million for the year ended 31 December 2020 and the nine months ended 30 September 2021, respectively. It is further advised by the Company that the Group is satisfied with the quality of the construction services provided by Tianshan Construction, and there has been no major disagreement between the Group and Tianshan Construction on the standard of works and services of Tianshan Construction since the commencement of their cooperation.

Having considered that (i) all necessary licenses and certificates have been obtained by Tianshan Construction as a construction contractor in the PRC to undertake property development projects of the Group; (ii) the Group has established long-term business relationship with Tianshan Construction and Tianshan Construction is familiar with the construction requirements and quality standards of the Group after years of cooperation; (iii) the track record of Tianshan Construction on building construction services; and (iv) the construction contracts to be granted to Tianshan Construction under the Renewal Construction Services Agreement will be subject to successful tender, we concur with the Directors and are of the view that the Renewal Construction Services Agreement and the transactions contemplated thereunder with Tianshan Construction are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### **3. Principal terms of the Renewal Construction Services Agreement**

Pursuant to the Renewal Construction Services Agreement, the parties agreed that Tianshan Construction may be selected to provide construction works and services for the property development projects of the Group through tender process in compliance with the applicable laws and regulations in the PRC. In the event that it is selected following the tender process, Tianshan Construction has agreed to provide construction and related works and services to the Group according to the tender documents and the relevant construction contracts to be signed and on terms no less favourable to the Group than terms available from Independent Third Parties. The Renewal Construction Services Agreement will be for a term of two years commencing from 1 January 2022 and ending on 31 December 2023, which, subject to the compliance with the Listing Rules, may be renewed if the parties thereto mutually agree. We have obtained and reviewed both the 2019 Construction Services Agreement and the Renewal Construction Services Agreement and noted that the major terms of the Renewal Construction Services Agreement remain unchanged as compared to those of the 2019 Construction Services Agreement.



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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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As further set out in the Letter from the Board, both Tian Shan Real Estate and Tianshan Construction have the right under the Renewal Construction Services Agreement to transfer or subcontract all or part of each of their interests, rights and obligations therein to their respective directly or indirectly owned subsidiaries without the consent of the other party on the condition that (i) no terms of the Renewal Construction Services Agreement shall be altered due to such transfer or subcontract; and (ii) Tian Shan Real Estate and Tianshan Construction shall respectively bear all of their own liabilities in respect of the relevant transfer or subcontract. Although Tianshan Construction is not obliged to obtain consent from the Company and/or Tian Shan Real Estate for transferring its interests, rights and obligations to its directly or indirectly owned subsidiaries, such transfer only allows those subsidiaries to participate in the tendering and their tender bids must be assessed and evaluated by Independent Third Parties during the tender process as detailed in the subparagraph headed “*Tender process*” below. The Group will only enter into construction contracts with the successful bidders and the interests, rights and obligations under such construction contracts cannot be transferred unless with the consent of the Group. In practice, the Group will not grant its consent for such transfer, including the transfer among Tianshan Construction and its subsidiaries as all successful bidders, before entering into the construction contracts with the Group, must have satisfied the selection criteria during the tender process to win the tender. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, during the three years ended 31 December 2021 and up to the Latest Practicable Date, there was no request from Tianshan Construction for such transfer and therefore no such consent has been granted by the Company and/or Tian Shan Real Estate.

The Directors believe and we concur that the entitlement of the right for the transfer of interests, rights and obligations under the Renewal Construction Services Agreement by Tianshan Construction to its directly or indirectly owned subsidiaries would provide the Company with flexibility to allow the subsidiaries of Tianshan Construction to participate in the tendering, while the engagement of its subsidiaries is still subject to its successful tender and the selection criteria shall have been satisfied.

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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### *Tender process*

As set out in the Letter from the Board, the tender process for the construction works of the Group principally follows the requirements under the Tender Law. In order to comply with the Tender Law, the Group has established internal policies for its tender process and pricing policy. At the initial stage of each tender process, the Group would appoint an independent professional Bidding Agent to either publish invitation for tender on the public websites designated by the local governments or send invitation for tender to a minimum of three qualified construction contractors selected from the list of approved construction contractors kept by it and to receive tender bids during the tender submission period. It prepares the list of approved construction contractors based on factors such as, among others, the reputation, qualification, financial strength, and past performance in previous engagements (if applicable). For public tenders, all interested bidders are free to submit the tender bids; whereas for invitation for tenders, invitations are sent to the qualified construction contractors selected by the Bidding Agent as described above. The Company confirmed that as the Bidding Agent is responsible for receiving the tender bids during the tender submission period, the Group under no circumstances has access to any tender bids submitted by the bidders before the tender submission deadline. If there are less than three qualified construction contractors participating in the tender, the tender will be withdrawn and a re-tender will be arranged.

We are of the view that, having considered the aforesaid, together with the independence and capabilities of the Bidding Agent governed by the Tender Law, the fairness and reasonableness of publishing or sending invitations for and receiving the tender bids in charge of by the Bidding Agent during the tender process would be ascertained.

Upon all tender bids are received from the qualified construction contractors, pursuant to the Tender Law, an assessment committee (the “**External Assessment Committee**”) comprised of not less than five members, including at least two-thirds of industry experts who are independent to the bidders, would then be formed to assess the tender bids taking into account a number of factors set out in the tender, such as fee quote, construction timetable, qualifications of the bidders, construction plan and resource allocation to evaluate the tender bids. Also, in accordance with the internal policies of the Group, an evaluation committee (the “**Internal Evaluation Committee**”) would also be formed randomly by at least five senior staff of the Group, including but not limited to regional general managers, project managers, and persons in charge from research and development department, cost control department, procurement department and engineering department, who would only be informed shortly before the internal tender assessment meeting as advised by the Company, to evaluate the tender bids. Factors to be taken into consideration by the Internal Evaluation Committee include tender price, track record, work quality, previous

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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cooperation with the Group and technical capability when assessing potential tenders. As set out in the Letter from the Board, the External Assessment Committee alone is responsible for recommending the Group on the selection of the tender bids and the Internal Evaluation Committee is not involved in recommending or making decision on such selection process. Its evaluation is only used as internal reference to cross-check against the assessment of the External Assessment Committee.

As also set out in the Letter from the Board, the Bidding Agent is responsible for the procedural and administrative matters relating to the tender after the External Assessment Committee and the Internal Evaluation Committee are appointed. Its main responsibilities involve arranging for the two committees to assess or evaluate the tender bids received, summarising the assessment results of the two committees, respectively, and facilitating signing of the construction contract between the Group and the successful bidder. Respective assessment results of the two committees would contain a numerical score given to each of the factors considered and to the overall assessment. The bidder who attains the highest overall score and is ranked first in the assessment result of the External Assessment Committee would be selected and granted the construction contract. Notwithstanding only the assessment result of the External Assessment Committee would be used on the selection of the tender bids, if the assessment results of the External Assessment Committee and the Internal Evaluation Committee are materially different, the Bidding Agent will then investigate those assessment results and prepare an investigation report for the Company to follow up on any observations as best practice. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, during the three years ended 31 December 2021 and up to the Latest Practicable Date, there has been no material difference between the assessment results of the two committees. The Group may also conduct investigations and inspections on the construction contractors which have participated in the tender process to ascertain if they can meet the requirements of the Group.

Construction contracts to be entered into between the Group and the selected construction contractors will set out the specific terms of the construction services, including scope of construction services and related construction fees as quoted and approved in the tender process. Under these separate construction contracts, the Group will pay the selected construction contractors the construction fees according to the progress and delivery of the construction services by the selected construction contractors.

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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As different construction contractors may participate in the tender process relating to the provision of construction services for the property development projects of the Group, and separate construction contracts will only be granted to Tianshan Construction subject to successful tender and be entered into by Tian Shan Real Estate and Tianshan Construction pursuant to the Renewal Construction Services Agreement, the Directors are of the view that the construction fees to be paid by the Group to Tianshan Construction following the tender process shall be on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Company also confirmed that the construction contracts awarded to Tianshan Construction pursuant to the 2019 Construction Services Agreement were on terms no more favourable than terms of the construction contracts awarded by it to the construction contractors who were Independent Third Parties.

In relation to the above, we have obtained and reviewed the Tender Law and the relevant internal policies of the Group and noted that the Group has established policies for its tender process and pricing policy as mentioned above and have been confirmed by the Directors that the Group has strictly followed the Tender Law and the Group's policies for its tender process and pricing policy during the terms of the 2019 Construction Services Agreement.

With the above internal policies in place and continued to be implemented effectively, we are of the view that the Group's internal policies would be effective such that the prevailing market rates of the transactions of the Group with Tianshan Construction pursuant to the Renewal Construction Services Agreement would be ascertained and the pricing terms of such transactions would be on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

As regards the selection of the Bidding Agent, we noted from the Company that at the initial stage of each tender process, the Group would obtain quotations from two to three independent bidding agents. Pursuant to the Tender Law, such Bidding Agents have to possess all necessary qualifications and certifications in acting as the construction services bidding agents. The Group would then select the one with the lowest quote as its bidding agent for that tender. We have obtained and reviewed 10 sets of sample quotations together with the copies of Business Licenses (營業執照) specifying the relevant license holders' eligibilities for being as bidding agents submitted by the respective Bidding Agents in association with the 10 randomly selected Sample Tender Bids (as defined below) and noted that the Bidding Agents who had the requisite qualifications and offered the most favourable quote were appointed.

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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For the selection of the External Assessment Committee, with reference to the Tender Law, the industry expert members of the External Assessment Committee are randomly chosen by either the Bidding Agent or the Group's representative in the presence of the Bidding Agent from a pool of industry experts maintained by the Bidding Agent and shall remain confidential until the tender submission deadline. We have obtained and reviewed 10 samples of both the expert selection results and related tendering and bidding reports in association with the 10 randomly selected Sample Tender Bids (as defined below) and noted that such selection mechanism was in place and did not deviate from the foregoing.

Based on the above, we are of the view that the selection processes of the Bidding Agent and the External Assessment Committee are fair and reasonable so far as the Independent Shareholders are concerned.

With regard to the independence of the members selected to the Internal Evaluation Committee, we have obtained and reviewed the relevant internal policies of the Group and noted that there are policies in place to ensure the fairness of tender process and for the benefit of the Group in each tender. These policies include, among others, composition of the Internal Evaluation Committee for each tender being kept strictly confidential until the tender submission deadline. In addition, there are also rules and punishment in place in the Group's internal policies governing the conduct of the Internal Evaluation Committee members in preventing cronyism, tender information leakage, unauthorised contacts with bidders, and alternation or replacement of tender bids after the tender submission period. According to such rules and punishment, in the most serious case, the Group could claim compensation for its economic losses from the ones who breach the policies and transfer such persons to government judicial department. It is confirmed by the Directors that during the terms of the 2019 Construction Services Agreement, they did not notice any violation of the abovementioned policies. With the above internal policies in place and continued to be implemented effectively, we are of the view that the Group's internal policies would be effective such that the possibility of the members selected to the Internal Evaluation Committee being connected with the bidders, including Tianshan Construction and those who were Independent Third Parties would be minimal and the independence of the members selected to the Internal Evaluation Committee could be ascertained. Besides, it is also confirmed by the Directors that all senior staff of the Group who are eligible for being selected to form the Internal Evaluation Committee are independent of the controlling shareholders of the Company and/or their respective associates and are not involved in any operations of Tianshan Construction. We have also obtained and reviewed both lists of such senior staff of the Group and employees of Tianshan Construction as at 30 November 2021 and were not aware of any employees overlapping with each other.

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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For assessing the tender process (from the appointment of the Bidding Agent, the evaluation of the tender bids by the External Assessment Committee and the Internal Evaluation Committee to the entering into the construction contracts), we had also obtained from the Company and reviewed (a) 10 out of 42 tenders of the Group and the related tender bids, which were selected by us on a random sample basis, (the “**Sample Tender Bids**”) submitted by both Tianshan Construction and various construction contractors who were Independent Third Parties, respectively, during the terms of the 2019 Construction Services Agreement in which Tianshan Construction successfully bid the tenders and finally entered into the construction contracts with the Group; and (b) both assessment results of the Internal Evaluation Committee and the External Assessment Committee, respectively, summarised by the Bidding Agent for the Sample Tender Bids. Based on the review of the above samples, we noted that the tender process as stated above has been adhered to, the procedural steps in tender bids evaluation process has been followed through and no material difference was noted between the assessment results of the two committees. Taking into account the above, we are of the view that the tender process including the evaluation mechanism in recommending and making decision on the selection of the tender bids is fair and reasonable so far as the Independent Shareholders are concerned. We have also reviewed the Sample Tender Bids and the related sample construction contracts with Tianshan Construction and noted that the fees quoted in the Sample Tender Bids among the bidders were comparable to each other and the contract sums set out in those construction contracts with Tianshan Construction were the same as the fees quoted in the Sample Tender Bids of Tianshan Construction. Accordingly, we concur with the view of the Directors that the construction fees charged by Tianshan Construction under the 2019 Construction Services Agreement were on normal commercial terms and fair and reasonable as compared to those quoted by the construction contractors who were Independent Third Parties during the tender process.

Moreover, as set out in the Letter from the Board, the Group employs construction supervisors who are Independent Third Parties to carry out the quality control functions throughout the whole construction process of property development projects.

Based on the aforesaid, we are of the opinion that the terms of the Renewal Construction Services Agreement (which will be conducted with substantially the same mechanism of those transactions contemplated under the 2019 Construction Services Agreement) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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**LETTER FROM CAITONG INTERNATIONAL CAPITAL**

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**4. Historical transaction amounts and the Proposed Annual Caps**

The table below sets out (i) the historical construction costs incurred by the Group for the construction services provided by Tianshan Construction for the year ended 31 December 2020 and the nine months ended 30 September 2021 (the “**Historical Figures**”); (ii) the existing annual caps in relation to the 2019 Construction Services Agreement for the two years ending 31 December 2021 (the “**Existing Annual Caps**”); and (iii) the Proposed Annual Caps:

	Historical Figures		Existing Annual Caps		Proposed Annual Caps	
	For the year ended 31 December 2020 (RMB million) (audited)	For the nine months ended 30 September 2021 (RMB million) (unaudited)	For the year ended 31 December 2020 (RMB million)	For the year ending 31 December 2021 (RMB million)	For the year ending 31 December 2022 (RMB million)	
Construction costs	597.4	374.6	1,511.1	1,390.6	892.8	994.2

**(a) Historical construction fees**

It is noted that the historical construction fees paid by the Group to Tianshan Construction in respect of the construction services provided by Tianshan Construction during the year ended 31 December 2020 and the nine months ended 30 September 2021 represented approximately 39.5% and 26.9% of the respective Existing Annual Caps. As advised by the Management, the low utilisation rates of the Existing Annual Caps for the year ended 31 December 2020 and the nine months ended 2021 were mainly attributable to the lockdown measures imposed by the local government under the COVID-19 pandemic and the atmospheric pollution measures imposed by the PRC government. Adjustments were made to the property development plan and schedule of the Group due to these measures during the year ended 31 December 2020 and the nine months ended 2021.

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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*(b) Basis of the Proposed Annual Caps*

As set out in the Letter from the Board, the Proposed Annual Caps of RMB892.8 million and RMB994.2 million for each of the two years ending 31 December 2023, respectively, were determined with reference to: (a) the existing outstanding construction contracts with Tianshan Construction (which were obtained by Tianshan Construction through the tender processes initiated by Tian Shan Real Estate and substantially entered into pursuant to the 2019 Construction Services Agreement) and the construction schedules proposed thereunder. The construction schedules outlined the construction works which will be carried out during the years ending 31 December 2022 and 2023 and the relevant construction costs are expected to be recognised during the two years ending 31 December 2023; (b) the historical success percentage of Tianshan Construction being selected following the tender process in which Tianshan Construction has participated and the expected participation in the tender process of Tianshan Construction for the two years ending 31 December 2023; and (c) the total estimated construction costs to be incurred by the Group with reference to the expected construction works of its property development projects and where Tianshan Construction is expected to participate in the tender process. As also set out in the Letter from the Board, the Proposed Annual Caps were determined based on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the Group.

In relation to the above, we have discussed with the Management regarding the basis of the Proposed Annual Caps, obtained and reviewed (i) the samples of existing outstanding construction contracts with Tianshan Construction; (ii) the minutes dated 30 November 2021 for the meeting convened by the Management in relation to the review on the progress of the Group's property development projects; and (iii) the updated property development schedule of the Group (the "**Updated Development Schedule**") (which set out details of (a) the existing outstanding construction contracts with Tianshan Construction; and (b) the expected construction services currently scheduled for the years ending 31 December 2022 and 2023, respectively, of which the tender process has not commenced and no construction contractor has yet been selected (the "**Scheduled Property Development Projects**"). As at the Latest Practicable Date, there were 30 property development projects of the Group, in which Tianshan Construction has participated, and the construction services are still in progress, the vast majority of which are expected to be completed by the end of 2023. The construction fees of these outstanding construction contracts with Tianshan Construction (which were substantially entered into pursuant to the 2019 Construction Services Agreement, including those delayed during the terms of the 2019 Construction Services Agreement) amounting to approximately RMB801.7 million and RMB926.1 million are expected to be recognised during the years ending 31 December 2022 and 2023, respectively.



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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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Besides, as mentioned above, we had obtained and reviewed the historical construction contracts tendering list which summarised all the tenders in which Tianshan Construction participated during the period from 1 January 2020 to 30 September 2021 and noted that the average historical success percentage of Tianshan Construction being selected following the tender process initiated by Tian Shan Real Estate (calculated as the total contract sums of all construction contracts granted to Tianshan Construction as a result of its successful tender bids divided by the total contract sums of all construction contracts entered into with all construction contractors, including Tianshan Construction and those who were Independent Third Parties, of which Tianshan Construction participated in such tender process initiated by Tian Shan Real Estate) during the period from 1 January 2020 to 30 September 2021 was approximately 85.4% (the “**Historical Tender Success Rate**”). Based on (i) the total estimated values of construction contracts for the Scheduled Property Development Projects of approximately RMB106.6 million and RMB79.7 million for each of the two years ending 31 December 2023, respectively; and (ii) the Historical Tender Success Rate of approximately 85.4%, the total contract sums relating to construction contracts that may be awarded by the Group to Tianshan Construction, subject to successful tender and pursuant to the Renewal Construction Services Agreement, would be approximately RMB91.1 million and RMB68.1 million for each of the two years ending 31 December 2023, respectively.

**Proposed Annual Caps  
for the year ending  
31 December**

<b>2022</b>	<b>2023</b>
<i>(RMB</i>	<i>(RMB</i>
<i>million)</i>	<i>million)</i>

**Estimated construction fees for:**

Existing outstanding construction contracts with Tianshan Construction ( <i>basis (a)</i> )	801.7	926.1
Construction contracts expected to be entered into with Tianshan Construction ( <i>bases (b) &amp; (c)</i> )	91.1	68.1
Total	892.8	994.2

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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Based on the above, we concur with the Directors and are of the view that it is reasonable to estimate the annual caps for the two years ending 31 December 2023 by taking into account: (a) the remaining contract sums of the existing outstanding construction contracts with Tianshan Construction (which were substantially entered into pursuant to the 2019 Construction Services Agreement) of approximately RMB801.7 million and RMB926.1 million for each of the years ending 31 December 2022 and 2023, respectively; (b) the Historical Tender Success Rate of approximately 85.4%; and (c) the total estimated construction costs to be incurred by the Group for the Scheduled Property Development Projects of approximately RMB106.6 million for the year ending 31 December 2022 and approximately RMB79.7 million for the year ending 31 December 2023. We are also of the view that the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. However, as the Proposed Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the two years ending 31 December 2023 and the actual transaction amounts would be subject to tendering, we express no opinion as to how closely the actual transaction amounts to be generated under the transactions correspond with the Proposed Annual Caps of RMB892.8 million and RMB994.2 million for the two years ending 31 December 2023, respectively.

Notwithstanding such a high Historical Tender Success Rate of approximately 85.4% as aforementioned, as set out in the Letter from the Board, the executive Directors are of the view that the Group does not/will not have excessive reliance on Tianshan Construction for construction services. In terms of construction costs, as noted from the 2018 Annual Report, 2019 Annual Report and 2020 Annual Report, Tianshan Construction only accounted for approximately 14.5%, 21.0% and 18.0% of the total purchases of the Group for the years ended 31 December 2018, 2019 and 2020, respectively. Moreover, the Group is not obliged to engage the service of Tianshan Construction. As set out in this letter above, the Group will select service provider for construction works and services through a tender process. During such process, the Group takes into account factors such as the tender price, track record, work quality, previous cooperation with the Group and technical capability when selecting and assessing potential tenders. It is at the Group's own discretion to determine whether to engage the service of Tianshan Construction or independent service providers, subject to its successful tender, in the interests of the Company and the Shareholders. Therefore, we concur with the view of the executive Directors that the Group does not/will not have excessive reliance on Tianshan Construction for construction services.

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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### 5. Listing Rules requirement

Having reviewed the 2019 Annual Report and 2020 Annual Report regarding the confirmations by the independent non-executive Directors and the external auditors of the Company in relation to the continuing connected transactions between the Group and Tianshan Construction during the two years ended 31 December 2020 (which, as confirmed by the Company, included the transactions contemplated under the 2019 Construction Services Agreement), we noted that the Directors (including the independent non-executive Directors) were of the view that such transactions were in the ordinary and usual course of business of the Group and were conducted on normal commercial terms and were commercially fair and reasonable and in the interests of the Company and the Shareholders as a whole. We also noted that the external auditors of the Company further confirmed that, among others, nothing has come to their attention that (a) causes them to believe that the continuing connected transactions have not been approved by the Board; (b) causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (c) causes them to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company with respect to the aggregate amount of each of the continuing connected transactions.

In light of the annual review requirements for the continuing connected transactions pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, in particular, (i) the restriction of the value of the continuing connected transactions by way of the annual caps; and (ii) the ongoing review by the independent non-executive Directors and the external auditors of the Company on the terms of the continuing connected transactions and the annual caps not being exceeded, we are of the view that appropriate internal control measures (further details are set out in the section headed “*Internal Control*” in the Letter from the Board) have been in place to govern the conduct of the continuing connected transactions (including the transactions contemplated under the Renewal Construction Services Agreement) and to safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons above, we are of the opinion that the entering into the Renewal Construction Services Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms; and the terms of the Renewal Construction Services Agreement and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM CAITONG INTERNATIONAL CAPITAL

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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 Renewal Construction Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

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, 25% by Mr. Zhang Zhen Hai, all being directors of Neway Enterprises Limited. Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai are all executive Directors. 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**

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

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

**3. SUBSTANTIAL SHAREHOLDERS**

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

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares (long position)</b>	<b>Approximate percentage of shareholding</b>
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:

<b>Name</b>	<b>Qualification</b>
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, Wanchai, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

## **10. DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection on the Stock Exchange's website and the Company website from the date of this circular up to and including the date of the EGM:

- (a) the 2019 Construction Services Agreement;
- (b) the Renewal Construction Services Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular;
- (d) the letter from Caitong International Capital, the text of which is set out on pages 16 to 33 of this circular; and
- (e) the letter of consent from Caitong International Capital referred to in the paragraph headed "Expert and consent" in the appendix to this circular.



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## NOTICE OF EGM

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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)

## 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 the Meeting Room, 6th Floor, No. 109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone, Shijiazhuang, Hebei Province, the People’s Republic of China on Wednesday, 9 February 2022 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 renewal construction services agreement dated 30 November 2021 (the “**Renewal Construction Services Agreement**”) entered into between the Company, 天山房地產開發集團有限公司 (Tian Shan Real Estate Development Group Limited) 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 purposes) in relation to the provision of construction works and services for the property projects of the Company and its subsidiaries (the “**Group**”) according to the tender documents and the construction contracts signed or to be signed between Tianshan Construction and the Group from time to time for a term of two years from 1 January 2022 to 31 December 2023 and the transactions contemplated under it be and are hereby approved, confirmed and ratified (terms defined in the circular dated 11 January 2022 (the “**Circular**”) shall have the same meanings when used in this resolution);
- (ii) the proposed annual caps as set out in the Circular, being the expected construction costs incurred by the Group for the construction works and services to be provided by Tianshan Construction under the Renewal Construction Services Agreement for each of the two years ending 31 December 2023, be and are hereby approved and confirmed; and

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## NOTICE OF EGM

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(iii) the execution of the Renewal Construction Services Agreement by any director of the Company be and is hereby approved, ratified and confirmed and any director of the Company be and is hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, execute, seal (where required) and deliver all such documents and to take all such steps as he may in his discretion may consider necessary, appropriate, desirable or expedient to give effect to implement or in connection with or incidental to the Renewal Construction Services Agreement and any and all of the transactions contemplated thereunder.”

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

Hong Kong, 11 January 2022

*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

*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, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof).

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## NOTICE OF EGM

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4. 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.
5. 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.
6. The vote at the meeting will be taken by poll.