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**ZALL** Development

**Zall Development Group Ltd.**

**卓爾發展集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2098)**

**PROPOSED AMENDMENTS TO USD100 MILLION**

**5.5% CONVERTIBLE BONDS DUE 2018**

**and**

**PROPOSED EARLY REDEMPTION**

**INTRODUCTION**

References are made to the announcements (the “**Announcements**”) of Zall Development Group Ltd. (the “**Issuer**”) dated 11 June 2013 and 19 June 2013. Terms defined in the Announcements have the same meanings when used in this announcement unless otherwise stated.

On 19 June 2013, the Issuer issued US\$100,000,000 in aggregate principal amount 5.50 per cent. of convertible bonds due 2018 (the “**Bonds**”). The Bonds were constituted by a trust deed dated 19 June 2013 (as amended and supplemented from time to time) (the “**Trust Deed**”) and made between the Issuer, the Subsidiary Guarantors, the Chargors, the Trustee and the Security Trustee. As of the date of this announcement, none of the Bonds has been converted, redeemed, purchased or cancelled.

The Issuer announces that on 30 March 2015, the Issuer and the sole beneficial holder of the Bonds as at the date of this announcement (the “**Sole Bondholder**”) executed a deed of consent, pursuant to which:

- (i) the Sole Bondholder consented to instruct the Trustee to execute a supplemental deed (the “**Supplemental Deed**”) to amend certain terms and conditions of the Convertible Bonds in accordance with the Trust Deed (the “**Proposed Amendments**”), details of which are set out below. Upon execution of the Supplemental Deed, the terms and conditions of the Bonds will be amended such that the Company has the right (the “**Early Redemption Right**”) to redeem the Bonds before the maturity date of the Bonds, subject to the terms and conditions of the Bonds (as amended by the Supplemental Deed);
- (ii) Provided that the Supplemental Deed has been executed and becomes effective, the Issuer will elect to redeem on 19 June 2015 (the “**Redemption Date**”) the Bonds in the principal amount of US\$10,000,000 at an amount equal to the sum of (a) the applicable Prescribed Redemption Amount (being an aggregate amount of US\$11,594,440) and (b) interest accrued to the Redemption Date (the “**Proposed Early Redemption**”);
- (iii) The Issuer irrevocably agrees to sign, and procure the Subsidiary Guarantors to sign the Supplemental Deed;
- (iv) The Issuer will do such acts as may be required under the Trust Deed to facilitate the Trustee’s entering into the Supplemental Deed to effect the Proposed Amendments; and
- (v) The Issuer undertakes to effect the matters set out in (ii) to (iv) described above as soon as practicable and in any event, within 7 business days from the date hereof.

## **THE PROPOSED AMENDMENTS**

Pursuant to the Supplemental Deed, unless otherwise agreed by the Bondholders by way of an extraordinary resolution and the Issuer, on giving not less than 30 nor more than 90 days’ notice to the Bondholders and the Trustee (which notice will be irrevocable), the Issuer may on one or more occasions, at any time prior to the maturity date redeem some of the Bonds up to not more than 70 per cent. in principal amount of the Bonds originally issued at an amount equal to the sum of the Prescribed Redemption Amount (which gives the same effective gross yield per annum to the Bondholders as represented by the sum of the Early Redemption Amount and Non-Conversion Premium Payment payable to Bondholders as at the Put Option Date) and interest accrued to the date fixed for redemption.

“**Prescribed Redemption Amount**” means an amount in respect of each US\$200,000 principal amount of Bonds calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the date fixed for redemption is an Interest Payment Date (as set out below), such Prescribed Redemption Amount shall be as set out in the table below in respect of such Interest Payment):

$$\text{Prescribed Redemption Amount} = (\text{Last Redemption Amount} \times (1 + q/2)^{d/p}) - \text{AI}$$

Last Redemption Amount = the Prescribed Redemption Amount for each US\$200,000 principal amount of Bonds on the Interest Payment Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to the first Interest Payment Date, US\$200,000):

<u>Interest Payment Date</u>	<u>Prescribed Redemption Amount</u> (US\$)
19 December 2013. . . . .	207,249.13
19 June 2014 . . . . .	214,960.35
19 December 2014. . . . .	223,163.13
19 June 2015 . . . . .	231,888.81
19 December 2015. . . . .	241,170.70
19 June 2016 . . . . .	251,044.28
19 December 2016. . . . .	261,547.25
19 June 2017 . . . . .	272,719.75
19 December 2017. . . . .	284,604.44

q = 12.749125 per cent. expressed as a fraction

d = number of days from and including the immediately preceding Interest Payment Date (or if the Bonds are to be redeemed on or before the first Interest Payment Date, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360 day year consisting of 12 months of 30 days each

p = 180

AI = means the accrued interest on the principal amount of the Bonds from and including the immediately preceding Interest Payment Date (or if the Bonds are to be redeemed on or the first Interest Payment Date, from and including the Issue Date) to, but excluding, the date fixed for redemption

The maximum amount of the Bonds which may be redeemed, pursuant to the Proposed Amendments, by the Issuer was agreed after arm's length negotiation between the Issuer and the Sole Bondholder, taking into account in particular the existing terms and conditions of the Bonds including, among others, the redemption right of the the Bondholders, which may be exercised on 19 June 2016 (the “**Bondholders’ Redemption Right**”), and the current market conditions.

## **REASONS FOR THE AMENDMENTS AND PROPOSED EARLY REDEMPTION**

As disclosed in the Announcements, the Bondholders may on the Put Option Date (i.e., 19 June 2016) exercise the Bondholders’ Redemption Right to require the Issuer to redeem all or some of the Bonds. Under current market conditions and the recent performance of the Shares, the exercise of the Bondholders’ Redemption Right may have a significant impact on the Issuer’s liquidity. The Early Redemption Right would allow the Issuer to redeem the Bonds up to 70 per cent. in principal amount of the Bonds originally issued, at the Issuer’s option and the Issuer may elect to exercise such right when the Issuer is in a better liquidity position.

For the above reasons, the Directors are of the view the Proposed Amendments and the Proposed Early Redemption of the Bonds will enable the Issuer to improve the Company’s debt position and gearing ratio, better manage its capital structure with more flexibility, potentially reduce the Issuer’s future financial expenses and lower its financial gearing level, as well as avoid potential equity dilution.

The Proposed Amendments represent the arm’s length negotiation between the Issuer and the Sole Bondholder. The Directors consider that the Supplemental Deed, the Proposed Amendments and the Proposed Early Redemption are in the interest of the Company and the Shareholders as a whole.

Save as disclosed in this announcement, all existing terms and conditions of the Bonds as set out in the Announcements remain unchanged.

The Proposed Amendments have been approved by the Stock Exchange prior to the issue of this announcement in accordance with Rule 28.05 of the Listing Rules.

By order of the Board  
**Zall Development Group Ltd.**  
**Yan Zhi**  
*Chairman*

Hong Kong, 30 March 2015

*As at the date of this announcement, the Board comprises Mr. Yan Zhi, Mr. Cui Jinfeng, Mr. Fang Li and Ms. Wang Danli, as executive directors of the Company; Mr. Fu Gaochao, as non-executive director of the Company; Ms. Yang Qiongzheng, Mr. Cheung Ka Fai and Mr. Peng Chi, as independent non-executive directors of the Company.*