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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 ISSUE OF UP TO USD150 MILLION
5.5% CONVERTIBLE BONDS DUE 2018**

Joint Placement Agents

Morgan Stanley

HSBC 

Proposed Issue of the Bonds

The Board is pleased to announce that on 11 June 2013, (i) the Company, the Subsidiary Guarantors and the Joint Placement Agents entered into the Placement Agreement, pursuant to which the Joint Placement Agents have conditionally agreed to act as agent for the Company in respect of the sale of the Firm Bonds and any Option Bonds and to use their best commercial efforts to procure the Investor to purchase the Bonds subject to the terms of the Subscription Agreement; and (ii) the Company, the Subsidiary Guarantors and the Investor have entered into the Subscription Agreement whereby (a) the Company has agreed to sell to the Investor and the Investor has agreed to subscribe and pay for the Firm Bonds to be issued by the Company in an aggregate principal amount of USD100 million on the Closing Date; and (b) subject to mutual agreement between the Company and the Investor, the Company may issue, and the Investor and/or its affiliates may subscribe for, all or any of the Option Bonds in an aggregate principal amount of up to USD50 million on or before the date falling at the end of the 12 months period following the Closing Date.

The Bonds will be jointly and severally guaranteed by the Subsidiary Guarantors and will have the benefit of the security over the collateral under the Security Documents.

Based on the initial Conversion Price of HK\$3.0799 and assuming full conversion of the Firm Bonds at the initial Conversion Price, the Firm Bonds will be convertible into 252,073,119 New Shares, representing:

- (i) approximately 7.20% of the existing issued ordinary share capital of the Company as at the date of this announcement; and
- (ii) approximately 6.72% of the ordinary share capital of the Company, as enlarged by the issue of New Shares.

Based on the initial Conversion Price of HK\$3.0799 and assuming full conversion of the Firm Bonds and the Option Bonds at the initial Conversion Price, the Firm Bonds and the Option Bonds will be convertible into 378,109,678 New Shares, representing:

- (i) approximately 10.80% of the existing issued ordinary share capital of the Company as at the date of this announcement; and
- (ii) approximately 9.75% of the ordinary share capital of the Company, as enlarged by the issue of New Shares.

It is intended that the Bonds will be listed on the SGX-ST. Approval-in-principle for the listing and quotation of the Bonds on the SGX-ST has been obtained from the SGX-ST and the Company will apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares.

Updated information about the Group

In connection with the Bond Issue, the Company will provide to the Investor with recent corporate and financial information regarding the Group, including indebtedness information, which information may not have previously been made public. The updated information which the Company considers to be material to the operation of the Company are set out in this announcement.

General Mandate

The New Shares will be allotted and issued pursuant to the general mandate of the Company granted to the Directors at the annual general meeting held on 13 May 2013 and will rank *pari passu* in all respects with the Shares then in issue on the relevant allotment or conversion date (as applicable). As at the date of this announcement, no Shares have been issued under the General Mandate.

Use of Proceeds

The net proceeds from the issue of (i) the Firm Bonds, and (ii) the Firm Bonds and the Option Bonds, after deducting the placing commissions and other estimated expenses payable, will amount to approximately USD97.0 million and USD146.0 million, respectively. The Company intends to use the net proceeds for general corporate purposes.

The Company may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

Completion of each of the Placement Agreement and the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein respectively. In addition, each of the Placement Agreement and the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraphs headed “The Placement Agreement” and “The Subscription Agreement” below for further information. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

THE PLACEMENT AGREEMENT

- A. Date: 11 June 2013
- B. Parties: the Company, the Subsidiary Guarantors and the Joint Placement Agents.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, the Joint Placement Agents and their respective ultimate beneficial owners are independent of the Company and its connected persons.

- C. Basis of the placement: Joint Placement Agents will use their best commercial efforts to procure the Investor to purchase the Bonds, subject to the terms of the Subscription Agreement.

- D. Conditions precedent: The obligations of the parties to the Placement Agreement are conditional on the following being satisfied or waived:

1. **Contracts:** the execution and delivery (on or before the Closing Date) of the contracts (including, among others, the Placement Agreement, the Trust Deed and the Security Documents), each in a form satisfactory to the Joint Placement Agents, by the respective parties;
2. **Subscription Agreement:** the Subscription Agreement becoming unconditional and not being terminated;
3. **Auditors' Letters:** upon the date of the Placement Agreement and on the Closing, there having been delivered to the Joint Placement Agents letters, in form and substance satisfactory to the Joint Placement Agents, from KPMG, Certified Public Accountants, the auditors to the Company;
4. **Compliance:** on the Closing Date and on the Option Closing Date (if any), the Company and the Subsidiary Guarantors having performed all of their obligations under the Placement Agreement to be performed on or before such date;
5. **Accuracy of representations:** the representations and warranties by the Company and the Subsidiary Guarantors are true and correct on the date of the Placement Agreement and on each date on which they are deemed to be repeated and would be true and correct if they were repeated on the Closing Date and on the Option Closing Date (if any) with reference to the facts and circumstances then subsisting;

6. **Other consents:** on or prior to the Closing Date and the Option Closing Date (if any) there shall have been delivered to the Joint Placement Agents copies of all consents and approvals required in relation to the issue of the Bonds and the performance of the respective obligations of the Company and the Subsidiary Guarantors under the contracts (including, among others, the Placement Agreement, the Trust Deed and the Security Documents) and the Bonds, if applicable;
7. **Certificate of No Default:** on the date of the Placement Agreement, the Closing Date and the Option Closing Date (if any), there having been delivered to the Joint Placement Agents a certificate of no default in the prescribed form of a director or a duly authorised signatory of the Company;
8. **Listing:** the Hong Kong Stock Exchange having agreed to list the New Shares upon conversion of the Bonds and the SGX-ST having agreed, subject to the issue of the Bonds, to list the Bonds (or, in each case, the Joint Placement Agents being satisfied that such listing will be granted); and
9. **Legal Opinions:** on or before the Closing Date and the Option Closing Date (if any), there having been delivered to the Joint Placement Agents opinions, in form and substance satisfactory to the Joint Placement Agents, dated the Closing Date and the Option Closing Date (if any).

E. Lock-up undertaking:

Neither the Company, the Subsidiary Guarantors nor any person acting on its or their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds or the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Placement Agents between the date of the Placement Agreement and the date which is 90 calendar days after the Closing Date (both dates inclusive); except for the Bonds and the New Shares issued on conversion of the Bonds and the Option Bonds, and for shares issued on exercise of the options granted under the Share Option Scheme and except for the grant of options under the Share Option Scheme.

F. Termination

The Placement Agreement may be terminated by the Joint Placement Agents, in their sole discretion at any time prior to payment of the net subscription monies for the Bonds to the Company upon occurrence of, among others:

1. any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Placement Agreement or in the Subscription Agreement or any failure to perform any of the undertakings or agreements of the Company or any of the Subsidiary Guarantors in the Placement Agreement or in the Subscription Agreement;
2. any condition precedent whether under the Placement Agreement or the Subscription Agreement to be fulfilled by the Company is not fulfilled or otherwise waived;
3. if in the opinion of the Joint Placement Agents, there shall have been, since the date of the Placement Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including foreign exchange controls) as would in its view, be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market;
4. if, in the opinion of the Joint Placement Agents, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the SGX-ST or the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the SGX-ST, the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded (other than a suspension of not more than one trading day and such suspension occurs on a day other than the business day immediately before the Closing Date or on the Closing Date); (iii) a general moratorium on commercial banking activities in the United States, Singapore, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong, Singapore or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Company, the Subsidiary Guarantors, the Bonds, the New Shares or the transfer thereof; or

5. if, in the opinion of the Joint Placement Agents, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in its view be likely to prejudice materially the success of the issue, offering and distribution of the Bonds or dealings in the Bonds in the secondary market.

THE SUBSCRIPTION AGREEMENT

- A. Date: 11 June 2013
- B. Parties: The Company as issuer, the Subsidiary Guarantors and the Investor as subscriber.
- C. Proposed issue of the Firm Bonds: The Company has agreed to issue to the Investor and the Investor has agreed to subscribe and pay for the Firm Bonds to be issued by the Company on the Closing Date.
- D. Proposed issue of the Option Bonds: The Company may issue, and the Investor and/any of its affiliates may subscribe for, all or any of the Option Bonds at any time, on or before the date falling at the end of 12 month period following the Closing Date, subject to mutual agreement between them.
- E. Conditions precedent:
- The obligations of the Investor to subscribe and pay for, and the obligations of the Company to issue, the Bonds are subject to the fulfilment prior to or simultaneously at the Closing Date, or as the case may be, the Option Closing Date, among others, the following conditions precedent:
1. **Compliance:** at the Closing Date and the Option Closing Date (if any):
 - (i) the representations and warranties of the Company and the Subsidiary Guarantors in the Subscription Agreement being true, accurate and correct and not misleading at, and as if made on such date;
 - (ii) the Company and the Subsidiary Guarantors having performed all of their respective obligations under the Subscription Agreement to be performed on or before such date; and
 - (iii) there having been delivered to the Investor a certificate in a specified form, dated as of such date, of a duly authorised officer of the Company and the Subsidiary Guarantors to such effect.

2. **Listing:** (i) the Hong Kong Stock Exchange having agreed to list the New Shares upon conversion of the Bonds and (ii) the SGX-ST having agreed, subject to any conditions reasonably satisfactory to the Investor, to list the Bonds;
3. **Material Adverse Change:** up to the Closing Date and the Option Closing Date (if any), there shall not have occurred any change (nor any development or event involving a prospective change), which is materially adverse to the condition (financial or other), prospects, results of operations or general affairs of the Company or the Group;
4. **No Default:** on the Closing Date and the Option Closing Date (if any), none of the Company, the Subsidiary Guarantors or any member of the Group is in breach of or in default under the terms of any indenture, contract or instrument to which it is a party or to which their respective assets are bound except for any breach of default which would not, individually or in the aggregate, have a material adverse effect;
5. **Other consents:** on or prior to the Closing Date there having been delivered to the Investor copies of all consents and approvals required on the part of the Company and the Subsidiary Guarantors in relation to the issue of the Bonds, and the performance of their respective obligations under the Bonds and all the transactions contemplated under the Subscription Agreement and other agreements entered into by the Company, the Subsidiary Guarantors and the Investor in connection with the transactions contemplated under the Subscription Agreement;
6. **Contracts:** on or before the Closing Date, there having been delivered to the Investor each of the contracts (including the Security Documents) other than the Subscription Agreement, duly executed by each party thereto other than the Investor in the form and substance as agreed between the Company and the Investor;
7. **Legal Opinions:** on or before the Closing Date and the Option Closing Date (if any), there having been delivered to the Investor opinions, in form and substance satisfactory to the Investor, dated the Closing Date or the Option Closing Date, as the case may be.

The Investor may, at its sole discretion and upon such terms as it thinks fit waive compliance with the whole or any of the above conditions (except the listing condition stated in paragraph 2 above).

- F. Completion: Completion of the subscription and issue of the Firm Bonds will take place on the Closing Date.
- Completion of the subscription and issue of the Option Bonds (if any) will take place on the Option Closing Date.
- G. Security: The Bonds will be jointly and severally guaranteed by the Subsidiary Guarantors and will have the benefit of the security over the collateral under the Security Documents.
- The Company will, and will procure that the Chargors will, perfect and protect the security interests created under the Security Documents on or prior to the Closing Date.
- H. Termination: The Investor may, by notice to the Company and the Subsidiary Guarantors given at any time prior to payment of the subscription monies for the Firm Bonds or the Option Bonds (if any) to the Company, terminate the Subscription Agreement in any of the following circumstances:
1. if there shall have come to the notice of the Investor any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties, representations and undertakings contained in the Subscription Agreement or any failure to perform, or breach of, any of the Company's or the Subsidiary Guarantors' undertakings or agreements in the Subscription Agreement;
 2. if any of the conditions under the Subscription Agreement has not been satisfied or waived by the Investor, on or prior to the Closing Date or the Option Closing Date;
 3. if in the reasonable opinion of the Investor, there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including foreign exchange controls) which would in its view be likely to prejudice materially the success of the offering and distribution of the Bonds;

4. if, in the reasonable opinion of the Investor, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the SGX-ST, the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the SGX-ST, the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded (other than a suspension of not more than 1 trading day and such suspension occurs on a day other than the business day immediately before the Closing Date or on the Closing Date); (iii) a general moratorium on commercial banking activities in the United States, Singapore, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Singapore Hong Kong or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Company, the Subsidiary Guarantors, the Bonds, the guarantee of the Subsidiary Guarantors, the Security and the New Shares;
5. if, in the opinion of the Investor, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in its view be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market.

I. Conversion Shares: Based on the initial Conversion Price of HK\$3.0799 and assuming full conversion of the Firm Bonds at the initial Conversion Price, the Firm Bonds will be convertible into 252,073,119 New Shares, representing:

- (i) approximately 7.20% of the existing issued ordinary share capital of the Company as at the date of this announcement; and
- (ii) approximately 6.72% of the ordinary share capital of the Company, as enlarged by the issue of the New Shares.

Based on the initial Conversion Price of HK\$3.0799 and assuming full conversion of the Firm Bonds and the Option Bonds at the initial Conversion Price, the Firm Bonds and the Option Bonds will be convertible into 378,109,678 New Shares, representing:

- (i) approximately 10.80% of the existing issued ordinary share capital of the Company as at the date of this announcement; and
- (ii) approximately 9.75% of the ordinary share capital of the Company, as enlarged by the issue of the New Shares.

J. Lock-up undertakings:

Neither the Company, the Subsidiary Guarantors nor any person acting on its or their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds or the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Placement Agents between the date of the Placement Agreement and the date which is 90 calendar days after the Closing Date (both dates inclusive); except for the Bonds and the New Shares issued on conversion of the Bonds and the Option Bonds, and for shares issued on exercise of the options granted under the Share Option Scheme and except for the grant of options under the Share Option Scheme.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised as follows:

Issuer: Zall Development Group Ltd.

Joint Placement Agents: Morgan Stanley and HSBC

Principal amount: Firm Bonds: USD100 million

Option Bonds: Up to USD50 million. The Company may issue, and the Investor and/or any of its affiliates, may subscribe for all or any of the Option Bonds at any time on or before the date following the end of the 12 month period following the Closing Date, subject to mutual agreement between the Company and the Investor.

Issue price: 100% of the principal amount of the Bonds.

Form and Denomination: The Bonds will be issued in registered form in denominations of USD200,000 each.

Subscription Price: The subscription amount payable in respect of each Bond on the Closing Date is USD200,000.

- Interest:** The Bonds bear interest from (and including) 19 June 2013 at the rate of 5.5% per annum calculated by reference to the principal amount of the Bonds and payable semi-annually in arrear on 19 December and 19 June in each year.
- Maturity date:** 19 June 2018 (the “**Maturity Date**”)
- Guarantee:** The Bonds will be jointly and severally guaranteed by the Subsidiary Guarantors. Such guarantee constitutes direct, unconditional, unsubordinated and secured obligations of each Subsidiary Guarantor and shall, save for such exceptions as may be provided by mandatory provisions of application law, at all times rank at least equally with all of each Subsidiary Guarantor’s other present and future unsecured and unsubordinated obligations.
- Conversion:** Subject to the terms of the Bonds, Bondholders have the right to convert their Bonds into New Shares at any time during the conversion period.
- The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond converted (translated into Hong Kong dollars at the fixed rate of HK\$7.7636 = USD1.00) (the “**Fixed Exchange Rate**”) by the Conversion Price then in effect.
- Conversion period:** At any time on or after 19 June 2013 up to the close of business (at the place where the certificate evidencing such Bonds is deposited for conversion) on the seventh day prior to the Maturity Date (both days inclusive) (but, except as provided in the terms and conditions of the Bonds, in no event thereafter) or, if such Bonds shall have been called for redemption by the Company before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Bonds pursuant to the terms and conditions of the Bonds then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.

Conversion price:

The initial Conversion Price is 3.0799 per Share, representing:

- (i) a premium of approximately 17.55% over the closing price of HK\$2.62 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 19.45% over the volume weighted average price of HK\$2.5784 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 19.34% over the volume weighted average price of HK\$2.5807 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

The initial Conversion Price was determined after arm's length negotiations between the Company and the Investor with reference to the volume weighted average price of the Shares for the 30 consecutive trading days ending on the Last Trading Day.

The Conversion Price will be subject to adjustment for, among other things, subdivision, reclassification or consolidation of Shares, capitalisation of profits or reserves, capital distributions (other than such distribution which does not exceed 40% of the Company's most recently published consolidated core profit result), rights issue, issues of shares or options, warrants or other rights to acquire shares at less than 92.5% of the current market price, issues of other securities at less than 95% of the current market price, modification of rights of conversion, distributions and other dilutive events as described in the terms and conditions of the Bonds. The Conversion Price may not be reduced so that, on conversion of the Bonds, Shares would fall to be issued at a discount to their par value.

Conversion Price reset:

The Conversion Price may be reset on the first and second anniversary of the Closing date.

On the first reset date, if the arithmetical average of the volume weighted average price of the Shares for each of 30 consecutive Trading Days immediately prior to such date (which shall be translated into US Dollars from Hong Kong Dollars at the prevailing rate) is less than the Conversion Price (which shall be translated into US Dollars at the Fixed Exchange Rate) on such date, then the Conversion Price will be adjusted downward in accordance with a specified formula, provided that any such adjustment shall be limited such that the adjusted Conversion Price shall not be less than 80% of the initial Conversion Price.

On the second reset date, if the arithmetical average of the volume weighted average price of the Shares for each of 30 consecutive Trading Days immediately prior to such date (which shall be translated into US Dollars from Hong Kong Dollars at the prevailing rate) is less than the Conversion Price (which shall be translated into US Dollars at the Fixed Exchange Rate) on such date then the Conversion Price will be similarly adjusted downward, provided that any such adjustment shall be limited such that the adjusted Conversion Price shall not be less than 68.10% of the initial Conversion Price.

The Company has undertaken that it will not take any corporate or other action that would cause the Conversion Price of the Bonds to be adjusted in a manner that contravenes the applicable laws of the Cayman Islands or the applicable listing rules of The Hong Kong Stock Exchange or result in the Company being unable to comply with the Conversion Price adjustments.

Public float requirement:

If the issue of the New Shares in satisfaction of the conversion right in respect of a Bond would result in the Company failing to meet its obligation under the Listing Rules to maintain the minimum prescribed percentage of the Shares that must at all times remain in public hands (as defined in the Listing Rules) or such other lower percentage permitted by the Hong Kong Stock Exchange at its discretion, then such conversion right in respect of a Bond shall be deemed not to have been exercised.

Cash settlement option:

Notwithstanding the conversion right of each Bondholder in respect of each Bond, at any time when the Company is required to deliver New Shares following delivery of a conversion notice and it is unable to do so without contravening the applicable laws of the Cayman Islands or the applicable listing rules of the relevant stock exchange, the Company shall have the option to pay to the relevant Bondholder an amount of cash in United States dollars equal to the applicable Cash Settlement Amount (as defined below) in order to satisfy such portion of the conversion right which would cause the Company to contravene the applicable laws of the Cayman Islands or the applicable listing rules of the relevant stock exchange (with the remaining portion of the conversion right to be satisfied by the delivery of Shares) (the “**Cash Settlement Option**”).

“**Cash Settlement Amount**” means the product of (i) the number of Shares otherwise deliverable upon exercise of the conversion right in respect of the Bond(s) to which the conversion notice applies, and in respect of which the Company has elected the Cash Settlement Option and (ii) the arithmetic average of the volume weighted average price of the Shares for each of the three consecutive Trading Days immediately following the cash settlement notice date (which shall be translated into US Dollars from Hong Kong dollars at the prevailing rate).

Ranking of New Shares: The New Shares to be issued upon conversion of the Bonds will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

Financial Covenants: So long as any Bond remains outstanding, the Company shall not directly or indirectly, permit:

- (i) the ratio of consolidated net debt as at the end of any relevant period to total equity attributable to shareholders as at the end of that relevant period to exceed 75%; or
- (ii) total equity attributable to shareholders as at the end of any relevant period to be less than RMB4,000,000,000.

Other Covenants: So long as any Bond remains outstanding, Mr. Yan Zhi shall at all times own (directly or indirectly) not less than 51% of the voting rights of the issued share capital of the Company.

Additionally, subject to certain qualifications and exceptions, the terms of the Bonds limit the Company’s ability and the ability of some of its subsidiaries (“**Restricted Subsidiaries**”) to, among other things:

- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;

- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

Final redemption:

Unless previously redeemed, converted or purchased and cancelled in the circumstances provided in the terms and conditions of the Bonds, the Company will redeem each Bond on 19 June 2018 at 135.40722% of its principal amount, accrued and unpaid interest thereon to the Maturity Date and the Non-conversion Premium Payment.

Redemption at the Option of the Company:

On giving not less than 30 nor more than 90 days' notice to the Bondholders and the Trustee (which notice will be irrevocable), the Company may at any time prior to the Maturity Date redeem all, but not some only, of the Bonds for the time being outstanding at an amount equal to the sum of the Early Redemption Amount, interest accrued to the date fixed for redemption and the Non-conversion Premium Payment, provided that prior to the date of such notice at least 90% in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

Early Redemption Amount:

means an amount in respect of each US\$200,000 principal amount of the 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 Early Redemption Amount shall be as set out in the table below in respect of such Interest Payment Date):

$$\text{Early Redemption Amount} = (\text{Previous Redemption Amount} \times (1 + r/2)^{d/p}) - \text{AI}$$

Previous Redemption Amount = the Early 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):

| Interest Payment Date | Early Redemption Amount (US\$) |
|------------------------------|---|
| 19 December 2013 | 205,500.00 |
| 19 June 2014 | 211,302.50 |
| 19 December 2014 | 217,424.14 |
| 19 June 2015 | 223,882.47 |
| 19 December 2015 | 230,696.00 |
| 19 June 2016 | 237,884.28 |
| 19 December 2016 | 245,467.92 |
| 19 June 2017 | 253,468.65 |
| 19 December 2017 | 261,909.43 |

r = 11.0 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

**Tax Redemption and
Non-Redemption Right:**

The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice (a "**Tax Redemption Notice**") to the Bondholders in an amount equal to the sum of the Early Redemption Amount, interest accrued and unpaid to the date fixed for redemption and the Non-conversion Premium Payment, if (i) the Company has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of PRC, Hong Kong or the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 11 June 2013, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax amounts were a payment in respect of the Bonds then due.

| | |
|---|---|
| Redemption at the option of the Bondholders: | The Company will, at the option of the holder of any Bond redeem all or some only of such holder's Bonds on 19 June 2016 (the " Put Option Date ") in an amount equal to the sum of the Early Redemption Amount, interest accrued to the Put Option Date and the Non-conversion Premium Payment. |
| Redemption for Delisting, Suspension of Trading or Change of Control: | Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Company to redeem all, but not some only, of such holder's Bonds on the Relevant Event Redemption Date (as defined below) at an amount equal to the sum of the Early Redemption Amount, interest accrued to the date fixed for redemption and the Non-conversion Premium Payment. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any paying agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any paying agent, specifying the number of Bonds to be redeemed and the Relevant Event that has occurred (" Relevant Event Redemption Notice "), together with the certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Company in accordance with the terms and conditions of the Bonds. The " Relevant Event Redemption Date " shall be the fourteenth day after the expiry of such period of 60 days as referred to above. |
| Listing: | Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The Bonds will be traded and settled in US Dollars only. |
| Clearing Systems: | The Bonds will be represented by the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Closing Date with a common depository for, Euroclear and Clearstream, Luxembourg. Interests in the Global Certificate will be shown on and transfers thereof will be affected only through records maintained by Euroclear and Clearstream, Luxembourg. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate. |
| Voting rights: | Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, they will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. |

Transferability: Subject to registration and compliance with the relevant procedures effecting the transfer, the Bonds are freely transferrable.

Status: The Bonds constitute direct, unconditional, unsubordinated, and secured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all of the Company's other present and future unsecured and unsubordinated obligations.

The Directors consider that the terms and conditions of the Placement Agreement, the Subscription Agreement and the Bonds are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE CONVERSION

The following table illustrates (1) the existing shareholding structure as at the date of this announcement; (2) the shareholding structure assuming the Firm Bonds are fully converted into New Shares at the initial Conversion Price of HK\$3.0799 each; and (3) the shareholding structure assuming both the Firm Bonds and the Option Bonds are fully converted into New Shares at the initial Conversion Price of HK\$3.0799 each; on the assumptions that (a) there will be no other change to the share capital of the Company from the date of this announcement until the completion of the conversion of the Bonds in full, save for the issue of the New Shares as a result of the conversion of the Bonds in full (as the case may be); and (b) the Bondholders do not and will not hold any Shares other than the New Shares as a result of the conversion of the Bonds.

| Shareholder | Existing (as at the date of this announcement) | | Assuming the Firm Bonds are fully converted into Shares at the initial Conversion Price of HK\$3.0799 each | | Assuming both the Firm Bonds and the Option Bonds are fully converted into Shares at the initial Conversion Price of HK\$3.0799 each | |
|---|--|--|--|--|--|--|
| | No. of Shares | % of issued share capital of the Company | No. of Shares | % of enlarged share capital of the Company | No. of Shares | % of enlarged share capital of the Company |
| Zall Development Investment Company Limited | 2,975,000,000 | 85.00% | 2,975,000,000 | 79.29% | 2,975,000,000 | 76.71% |
| Public | 525,000,000 | 15.00% | 525,000,000 | 13.99% | 525,000,000 | 13.54% |
| Bondholders | 0 | 0% | 252,073,119 | 6.72% | 378,109,678 | 9.75% |
| | 3,500,000,000 | 100.00% | 3,752,073,119 | 100.00% | 3,878,109,678 | 100.00% |

The Conversion Price may be reset as outlined in “Principal Terms of the Bonds.” However, the Company has undertaken that it will not take any corporate or other action that would cause the Conversion Price of the Bonds to be adjusted in a manner that contravenes the applicable laws of the Cayman Islands or the applicable Listing Rules or result in the Company being unable to comply with the Conversion Price adjustments.

UPDATED INFORMATION ABOUT THE GROUP

In connection with the Bond Issue, the Company will provide to the Investor with recent corporate and financial information regarding the Group, including indebtedness information, which information may not have previously been made public. The updated information which the Company considers to be material to the operation of the Company are set out below.

Capitalisation and Indebtedness

The following table sets forth our borrowings and capitalisation as of 31 December 2012 on an actual basis and on an adjusted basis after giving effect to the Firm Bonds after deducting the placing commissions and other estimated expenses of the Firm Bonds payable by the Company (assuming no Option Bonds will be issued by the Company). The following table should be read in conjunction with the Company's published audited consolidated financial statements and the notes thereto.

| | As of December 31, 2012 | | | |
|--|-------------------------|------------------|------------------|------------------|
| | Actual | | As adjusted | |
| | (RMB'000) | (US\$'000) | (RMB'000) | (US\$'000) |
| Current bank loans and loan from other financial institution | 545,160 | 87,504 | 545,160 | 87,504 |
| Long-term borrowings ⁽¹⁾ | | | | |
| — Non-current bank loans and loan from other financial institution | 2,426,540 | 389,487 | 2,426,540 | 389,487 |
| — Firm Bonds to be issued, net of placing commissions and other estimated expenses | — | — | 604,345 | 97,004 |
| Sub-total | <u>2,426,540</u> | <u>389,487</u> | <u>3,030,885</u> | <u>486,491</u> |
| Total equity ⁽²⁾ | <u>5,418,913</u> | <u>869,795</u> | <u>5,418,913</u> | <u>869,795</u> |
| Total capitalization ⁽³⁾ | <u>7,845,453</u> | <u>1,259,282</u> | <u>8,449,798</u> | <u>1,356,286</u> |

Notes:

(1) The Company has, since December 31, 2012, in the ordinary course of business, entered into additional financing arrangements to finance our property developments for general corporate purposes. As of 30 April 2013, the Company had bank loans and loan from other financial institution (including current and non-current portions) amounted to approximately RMB3.8 billion.

(2) Total equity includes share capital, reserves and non-controlling interests.

(3) Total capitalization includes total long-term borrowings and total equity.

INFORMATION ABOUT THE INVESTOR

The Investor is a private company wholly-owned by Pacific Alliance Asia Opportunity Fund L.P., an investment fund managed by Pacific Alliance Investment Management Limited, and an affiliate of PAG, an Asia alternative investment fund management group. PAG has extensive experience investing in the region's capital markets and property sectors.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, the Investor is independent of the Company and its connected persons.

USE OF PROCEEDS

The net proceeds from the issue of (i) Firm Bonds, and (ii) the Firm Bonds and the Option Bonds, after deducting the placing commissions and other estimated expenses payable, will amount to approximately USD97.0 million and USD146.0 million, respectively. The Company intends to use the net proceeds for general corporate purposes.

The Company may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE BONDS

The Directors consider the issue of the Bonds as an opportunity to enhance the Company's capital base and liquidity position. Accordingly, the Directors consider the terms of the Placement Agreement, the Subscription Agreement fair and reasonable and in the interests of the Shareholders and the Company as a whole.

GENERAL MANDATE

By a resolution of the Shareholders passed at the annual general meeting held on 13 May 2013, the Company granted a general mandate to the Directors to allot and issue up to 20% of the issued ordinary share capital of the Company, being 700,000,000 Shares. The New Shares will be issued under the General Mandate. At the date of this announcement, there has been no issue of Shares under the General Mandate.

An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares.

FUND RAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS

The Company has not carried out any equity fundraising activities in the past twelve months immediately before the date of this announcement.

Completion of each of the Placement Agreement and the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein respectively. In addition, each of the Placement Agreement and the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraphs headed “The Placement Agreement” and “The Subscription Agreement” above for further information. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

GENERAL

The Group is one of the leading developers and operators of large-scale, consumer product-focused wholesale shopping malls in the PRC. The Group also develops certain other commercial, residential and mixed-use property projects that serves a complimentary purpose to our wholesale shopping malls. The Group currently has eight projects in various stages of development located in Wuhan, Changsha and Shenyang, the PRC. As at 31 December 2012, the Group had a total land reserves of approximately 5.1 million square metres, for which the Group had obtained land use rights.

DEFINITIONS

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

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|------------------------------|--|
| “Affiliate” | of any specified Person means any other Person, directly or indirectly, Controlling or Controlled by or under direct or indirect common Control with such specified Person; |
| “Alternative Stock Exchange” | at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in; |
| “Board” | the board of Directors; |
| “Bondholders” | holder(s) of the Bonds from time to time; |
| “Bonds” | collectively, the Firm Bonds and the Option Bonds; |
| “Bond Issue” | the issue of the Firm Bonds and the Option Bonds; |

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| “Business Day” | in respect of the Subscription Agreement, means a day on which banks are open for business in London and Hong Kong; |
| “Change of Control” | <p>a “Change of Control” occurs when:</p> <ul style="list-style-type: none"> (i) any Person or Persons acting together acquires Control of the Company if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the date of the trust deed constituting the Bonds; (ii) Mr. Yan Zhi ceases to own (directly or indirectly) 51% or more of the voting rights of the issued share capital of the Company; (iii) the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company to any other Person; (iv) the individuals who on the date of the trust deed constituted the Board, together with any new Directors whose election by the Board was approved by a vote of at least two-thirds of the Directors then still in office who were either directors or whose election was previously so approved, ceasing for any reason to constitute a majority of the Board then in office; or (v) the adoption of a plan relating to the liquidation or dissolution of the Company; |
| “Chargors” | the Subsidiary Guarantors that grant such further security under the Security Documents after the date of the Trust Deed; |
| “Closing Date” | 19 June 2013 or such other date, not being later than 28 June 2013, as the Company and the Investor may agree; |
| “Closing Price” | “Closing Price” for the Shares for any Trading Day shall be the price published in the daily quotation sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day; |
| “Companies Ordinance” | the Companies Ordinance (Chapter 32 of the Laws of Hong Kong); |

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| “Company” | Zall Development Group Ltd., a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the main board of the Hong Kong Stock Exchange; |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules; |
| “Control” | the acquisition or control of more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the Company, whether through the ownership of voting securities, by contract or otherwise; |
| “Conversion Price” | the price at which New Shares will be issued upon conversion of the Bonds which will initially be HK\$3.0799 per Share and will be subject to adjustment in the manner provided in the terms and conditions of the Bonds; |
| “Director(s)” | director(s) of the Company; |
| “Early Redemption Amount” | principal amount of the Bonds calculated in accordance with the formula provided in the terms and conditions of the Bonds; |
| “Firm Bonds” | USD denominated 5.5% convertible bonds due 2018 of an initial aggregate principal amount of USD100 million; |
| “Further Security” | a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person or any other arrangement having a similar economic effect; |
| “General Mandate” | the general mandate to allot and issue Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting held on 13 May 2013; |
| “Global Certificate” | a global certificate representing the Bonds to be issued |
| “Group” | the Company and its Subsidiaries; |
| “HK\$” or “Hong Kong Dollars” | the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |

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| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “HSBC” | The Hongkong and Shanghai Banking Corporation Limited; |
| “Investor” | PA Prominent Opportunity VIII Limited, a limited liability company incorporated under the laws of the British Virgin Islands; |
| “Joint Placement Agents” | Morgan Stanley and HSBC, and each a “Joint Placement Agent”; |
| “Last Trading Day” | 11 June 2013, being the last full trading day immediately before the time at which the Subscription Agreement was signed; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange; |
| “Morgan Stanley” | Morgan Stanley & Co. International plc; |
| “New Shares” | Shares to be allotted and issued by the Company upon conversion of the Bonds; |
| “Non-conversion Premium Payment” | US\$13,160 per US\$200,000 in principal amount of the Bonds, which shall be payable upon any redemption of the Bonds in accordance with the terms and conditions of the Bonds; |
| “Option Bonds” | USD denominated 5.5% convertible bonds due 2018 of up to USD50 million; |
| “Option Closing Date” | the date the Option Bonds are to be issued by the Company against payment for the Option Bonds; |
| “Person” | includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include (i) the members of the Board or any other governing board of the Company or (ii) the Company’s wholly owned direct or indirect Subsidiaries; |
| “Placement Agreement” | the placement agreement entered into between the Company, the Subsidiary Guarantors and the Joint Placement Agents dated 11 June 2013 in relation to the Bonds; |

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| “PRC” | the People’s Republic of China (for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan); |
| “Relevant Event” | A “Relevant Event” occurs: <ul style="list-style-type: none"> (i) when the Shares cease to be listed or admitted to trading or suspended for trading for a period equal to or exceeding 45 consecutive Trading Days on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange; or (ii) when there is a Change of Control; |
| “Relevant Indebtedness” | any future or present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement); |
| “Securities Act” | the US Securities Act of 1933, as amended |
| “Security Documents” | collectively, the share charges and any other agreements or instrument that in each case may evidence or create any security in favour of HSBC (or its successors and assigns) as the security trustee for itself and the Bondholders in any or all of the relevant collateral; |
| “SGX-ST” | Singapore Exchange Securities Trading Limited; |
| “Share(s)” | the ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company; |
| “Shareholder(s)” | the holder(s) of the Shares; |
| “Share Option Scheme” | the Share Option Scheme of the Company adopted pursuant to the sole shareholder’s resolutions of the Company on 20 June 2011, details of which are set out on the 2012 Annual Report of the Company; |

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| “Subscription Agreement” | the subscription agreement entered into between the Company, the Subsidiary Guarantors and the Investor dated 11 June 2013 in respect of the issue of the Bonds; |
| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules; |
| “Subsidiary(ies)” | any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong or Cayman Islands law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person; |
| “Subsidiary Guarantors” | the Subsidiaries of the Company that guarantee the Bonds after the date of the Trust Deed; |
| “Trading Day” | a day when the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange, is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days; |
| “Trust Deed” | the trust deed to be dated on or about 19 June 2013 between the Company, the Subsidiary Guarantors and the Trustee constituting the Bonds; |
| “Trustee” | HSBC; |
| “US” or “United States” | the United States of America; |
| “US\$”, “USD” or “US Dollars” | United States dollars, the lawful currency of the United States; |

“%”

per cent.

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

Hong Kong, 11 June 2013

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; Mr. Fu Gaochao, as non-executive Director; Ms. Yang Qiongzhen, Mr. Cheung Ka Fai and Mr. Peng Chi, as independent non-executive Directors.