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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 AMENDMENT TO USD100 MILLION
5.5% CONVERTIBLE BONDS DUE 2018**

INTRODUCTION

References are made to the announcements (the “**Announcements**”) of Zall Development Group Ltd. (the “**Issuer**”) dated 11 June 2013, 19 June 2013, 30 March 2015 and 13 April 2015. 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 by a supplemental trust deed dated 13 April 2015) (the “**Trust Deed**”) and made between the Issuer, the Subsidiary Guarantors, the Chargors, the Trustee and the Security Trustee.

On 13 April 2015, the Issuer exercised its Early Redemption Right for the Early Redemption. Under the Early Redemption, the Issuer will redeem on 19 June 2015 the Bonds in the principal amount of USD10,000,000. Save as disclosed above, as of the date of this announcement, none of the Bonds has been converted, redeemed, purchased or cancelled. Based on the Conversion Price in effect as at the date of this announcement, 285,426,470 Shares, representing approximately 8.16% of the issued share capital of the Issuer as at the date of this announcement and approximately 7.54% of the issued share capital of the Issuer as enlarged by the allotment and issue of such new Shares, will be allotted and issued upon conversion in full of the Bonds. By a resolution of the Shareholders passed at the annual general meeting held on 29 May 2015, the Shareholders 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 “**General Mandate**”). As at the date of this announcement, there has been no issue of Shares under the General Mandate.

The Issuer announces that on 12 June 2015, at the request of the Issuer, the then sole beneficial holder of the Bonds (the “**Sole Bondholder**”) executed the written resolutions to authorise certain amendments to the terms and conditions of the Convertible Bonds in accordance with the Trust Deed (the “**Further Amendments**”). Pursuant to the Further Amendments, the Issuer will have the right (the “**Further Redemption Right**”) to redeem all and not some only of the Bonds outstanding before 31 July 2015, subject to the terms and conditions of the Bonds (as amended by the Supplemental Deed and a second supplemental deed to be entered into between, among others, the Issuer and the Trustee (the “**Second Supplemental Deed**”).

THE PROPOSED FURTHER AMENDMENTS

Under the Further Amendments, unless otherwise agreed by the Bondholders by way of an extraordinary resolution and the Issuer, on giving not less than 7 days’ notice to the Bondholders and the Trustee (which notice will be irrevocable), the Issuer may (a) on one or more occasions, at any time prior to the maturity date of the Bonds redeem some of the Bonds up to not more than 70 per cent. in principal amount of the Bonds originally issued; and (b) at any time on or prior to 31 July 2015 redeem all and not some only of the Bonds outstanding, in both cases, at an amount equal to the sum of the Prescribed Redemption Amount 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):

Prescribed Redemption Amount = (Last Redemption Amount $\times (1 + q/2)^{d/p}$) – 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>
	<i>(US\$)</i>
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 Further 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.

The Further Amendments will take effect upon execution of the Second Supplemental Deed.

REASONS FOR THE FURTHER AMENDMENTS AND EARLY REDEMPTION

Given the current market conditions, the Issuer is of the view that it may obtain alternative financing with a lower financing cost to the Issuer. As such, the Issuer has been in discussions with the Sole Bondholder on the feasibility to redeem the Bonds before their maturity date. Subsequent to the execution of the Supplemental Deed, the discussions continued and it has now been agreed between the Issuer and the Sole Bondholder to amend the terms of the Bonds which will entitle the Issuer to redeem all of the Bonds outstanding on or prior to 31 July 2015. The Directors are of the view the Further Amendments will enable the Issuer to 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 Further Amendments represent the arm's length negotiation between the Issuer and the sole Bondholder. The Directors consider that the Further Amendments are in the interest of the Issuer and the Shareholders as a whole.

Save as disclosed in this announcement, all existing terms and conditions of the Bonds remain unchanged and shall continue to have full force and effect.

The Issuer will seek the availability of alternative financing for the redemption of the Bonds, including but not limited to issue of new securities or debt financing before exercising the redemption right. A further announcement will be issued if and when the Issuer exercises the right to redeem any of the Bonds. In the event that the Issuer fails to secure sufficient financing to redeem all of the Bonds outstanding on or before 31 July 2015, the Issuer will not exercise the right to redeem the Bonds in full. Subject to availability of alternative financing, the Issuer may elect to redeem part only of the Bonds outstanding or may not exercise the right to redeem any of the Bonds except for the Early Redemption.

The Further 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, 12 June 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 Issuer; Mr. Fu Gaochao, as non-executive director of the Issuer; Ms. Yang Qiongzhen, Mr. Cheung Ka Fai and Mr. Peng Chi, as independent non-executive directors of the Issuer.