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TONIC INDUSTRIES HOLDINGS LIMITED
東力實業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

ANNOUNCEMENT
(1) VERY SUBSTANTIAL ACQUISITION
(2) CONNECTED TRANSACTION
(3) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
AND
(4) RESUMPTION OF TRADING

Financial adviser to Eureka Investment Company Limited

ING Bank N.V.

Financial adviser to the Company

Goldman Sachs (Asia) L.L.C.

* *For identification purposes only*

THE ACQUISITION

On 24 April 2013, the Company (as the purchaser), Eureka (as the seller) and CMPD entered into the Agreement pursuant to which the Company has conditionally agreed to acquire, and Eureka has conditionally agreed to sell, the Sale Shares and the Shareholder's Loans. The Consideration for the sale and purchase of the Sale Shares and the Shareholder's Loans is approximately HK$6,177 million, which will be satisfied by:

(i) the issue of the Perpetual Convertible Securities, or

(ii) (a) the issue of not more than 2,897,028,703 new Shares to Success Well Investments Limited, a wholly-owned subsidiary of Eureka, at the Issue Price and (b) if the aggregate price of the Consideration Shares calculated at the Issue Price is less than the Consideration, the payment of the rest of the Consideration in cash from all or part of the proceeds of the placement of not less than 939,760,297 Placement Shares at the Issue Price.

The aggregate number of the Consideration Shares and the Placement Shares will be 3,836,789,000 Shares and the Issue Price will not be less than HK$1.61 per Share. The issue of the Consideration Shares and the Placement Shares will not cause the Company not to comply with the minimum public float requirement under the Listing Rules.

The Company will decide whether to satisfy the Consideration by way of (i) or (ii) above before the despatch of the Circular. The Conversion Shares or (as the case may be) the Consideration Shares and the Placement Shares will be allotted and issued pursuant to a specific mandate proposed to be obtained at the EGM and further details of the terms on which the specific mandate is to be sought from the Independent Shareholders will be set out in the Circular to be despatched in due course.

Through the Acquisition, the Company will acquire Eureka's equity interests in eight PRC Operating Subsidiaries, which own and operate eight property development projects in four Target Cities, namely, Guangzhou, Chongqing, Foshan and Nanjing.

BUSINESS DELINEATION

In selecting the Target Cities, the Company has taken into account various factors including PRC legal and regulatory restrictions on project transfer, the profile and development stage of the relevant property development projects and the growth potential of the relevant cities to delineate the Property Business between the Enlarged Group and the CMPD Group after Closing.

After Closing, the CMPD Group will continue to hold controlling interests in four property development projects in three out of the four Target Cities, including one in Guangzhou, two in Chongqing and one in Foshan, which could potentially compete with the Property Business of the Enlarged Group in those three cities. Until the end of 31 December 2017 when the Operation Transitional Assets are expected to have been completed and sold, they will be owned by the CMPD Group and revenue derived from them will belong to the CMPD Group. Except for one project that will continue to be operated and managed by a joint venture partner of that project, which is an independent third party, all the Operation Transitional Assets will be operated and managed by the Enlarged Group for a fee under the Operation Agreement during the Transitional Period.

Based on the business delineation factors set out in this announcement, the Directors are of the view that although there is potential competition between the Operation Transitional Assets and the Target Projects, such potential competition will not be extreme and, if it were to materialise, will be sufficiently addressed by the terms of the Operation Agreement and the Non-Competition Deed and will not adversely affect the Enlarged Group.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

The Acquisition constitutes:

(a) a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules as one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition;

(b) a connected transaction of the Company as Eureka is a connected person of the Company by virtue of its being a controlling shareholder of the Company; and

(c) a reverse takeover for the Company under Rule 14.06(6)(b) of the Listing Rules on the basis that the Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and (ii) involves acquisition of assets from Eureka within 24 months of Eureka gaining control (as defined under the Takeovers Code) of the Company.

Accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the EGM. Eureka and its associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve, among others, the Agreement and the transactions contemplated under the Agreement.

In addition, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Enlarged Group must be able to meet the basic listing eligibility requirements of the Listing Rules. The Company must also comply with the procedures and requirements for new listing applicants as set out in Chapter 9 of the Listing Rules.

Accordingly, the Acquisition is also subject to the approval by the Listing Committee. As at the date of this announcement, the new listing application has not been submitted to the Stock Exchange, and the Company will initiate the new listing application process as soon as practicable. The Listing Committee may or may not grant its approval to the new listing application. If such approval is not granted by the Listing Committee, the Agreement will not become unconditional and the Acquisition will not proceed.

WARNING

The Company will despatch a circular in accordance with the requirements under the Listing Rules, which will contain, among other things, further details of the Acquisition and related agreements, a letter of advice from the Independent Financial Adviser to the IBC of the Company and the Independent Shareholders in relation to the Acquisition, financial information of the Target Group and of the Enlarged Group and a property valuation of the Target Group. The Circular will be subject to review by the Stock Exchange which may raise comments during the review process and require additional information to be included in the Circular. Shareholders and potential investors should refer to the Circular for further details of the Acquisition.

The Acquisition is subject to a number of conditions including Independent Shareholders' approval, which may or may not be fulfilled. In addition, the Listing Committee's approval to the new listing application to be made by the Company may or may not be granted. SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES OF THE COMPANY.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 23 April 2013 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 25 April 2013.

On 24 April 2013, the Company (as the purchaser), Eureka (as the seller) and CMPD entered into the Agreement pursuant to which, among other things, (i) the Company has conditionally agreed to acquire, and Eureka has conditionally agreed to sell the Sale Shares and the Shareholder's Loans; and (ii) CMPD has undertaken to the Company to procure the performance by Eureka (which is wholly-owned by CMPD) of its obligations under the Agreement.

Through the Acquisition, the Company will acquire Eureka's equity interests in eight PRC Operating Subsidiaries, which own and operate eight property development projects in four Target Cities, namely, Guangzhou, Chongqing, Foshan and Nanjing.

Set out below are details of the Agreement:

THE AGREEMENT

Date: 24 April 2013

Parties

(1) the Company (as the purchaser);

(2) Eureka (as the seller); and

(3) CMPD.

Eureka is an investment holding company and a wholly-owned subsidiary of CMPD. As at the date of this announcement, Eureka indirectly holds 749,860,626 Shares of the Company, representing approximately 70.18% of the total issued share capital of the Company.

The Acquisition

The Company has conditionally agreed to acquire from Eureka:

(i) the Sale Shares comprising (1) 50% of the issued share capital of Harpen and (2) all the issued share capital of Converge, Sino Action and Happy City, free from third party rights with effect from Closing and with all rights attaching to them including the right to receive all distributions and dividends declared, paid or made in respect of the Sale Shares after Closing; and

(ii) the Shareholder's Loans, being all the shareholder's loans which were outstanding and owing by each of Harpen, Converge, Sino Action and Happy City to Eureka as at the date of the Agreement.

All of the Target Companies are investment holding companies holding, directly or indirectly, equity interests in the PRC Operating Subsidiaries. Further information on the Target Group is set out in the section headed "Information on the Target Group" below.

Conditions Precedent

Closing of the Acquisition is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:

(a) the approval of Independent Shareholders of the Agreement and the transactions contemplated under the Agreement, including without limitation, (i) the acquisition of the Sale Shares and the Shareholder's Loans and (ii) (a) the terms of the Instrument and the creation and issue of the Perpetual Convertible Securities and the allotment and issue of the Conversion Shares pursuant to the exercise of the Conversion Rights attaching to the Perpetual Convertible Securities, or (as the case may be) (b) the allotment and issue of the Consideration Shares and the Placement Shares pursuant to a specific mandate to be sought from Independent Shareholders at the EGM, having been obtained and remaining in full force and effect;

(b) the Company having completed its legal, financial and business due diligence on the Target Group and the results of such due diligence are satisfactory to the Company;

(c) the Proposed Restructuring having been duly completed and all necessary approvals required for the implementation of the Proposed Restructuring having been obtained and remaining in full force and effect;

(d) the approval of CMG in relation to the Acquisition having been obtained and remaining in full force and effect;

(e) all necessary approvals and consents of, among others, (i) creditors of Eureka, any other member of the Seller Group, and/or any Target Group member, and (ii) shareholders (other than any member of the Seller Group or any other Target Group member) of any Target Group member to the Acquisition having been obtained and remaining in full force and effect;

(f) approval having been obtained from the Listing Committee for the listing of, and permission to deal in, the Conversion Shares or (as the case may be) the Consideration Shares and the Placement Shares on the Main Board of the Stock Exchange;

(g) approval in principle having been obtained from the Listing Committee for the new listing application by the Company in relation to the Acquisition and not having been revoked or withdrawn;

(h) if the Company decides to satisfy the Consideration by the issue of the Consideration Shares and the Placement Shares, the placing of the Placement Shares having become unconditional;

(i) the Warranties remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Closing by reference to the facts and circumstances then existing (on the basis that the references in the Warranties to the date of this Agreement were references to the relevant date);

(j) there being no material adverse change since the Last Accounts Date;

(k) Jones Lang LaSalle having completed the valuation of the properties of the Target Group in accordance with the requirements of the Listing Rules in relation to the Acquisition and the content and results of such valuation being satisfactory to the Company;

(l) Deloitte Touche Tohmatsu having completed the audit of and issued an unqualified opinion on the accountants' report of the Target Group in accordance with the requirements of the Listing Rules in relation to the Acquisition and the content and results of such audit being satisfactory to the Company;

(m) the Company having received an opinion issued by Shu Jin Law Firm, the PRC legal advisers to the Company, in respect of the PRC Operating Subsidiaries and other PRC legal issues and in form and substance satisfactory to the Company; and

(n) the Company and CMPD having executed and delivered to each other the Non-Competition Deed and the Operation Agreement substantially in the agreed form as required by the Agreement on or before the Circular Date.

If any of the conditions precedent set out above has not been fulfilled (or, for the conditions except (a), (d), (f), (g), waived by the Company) on or before 31 December 2013 (or such later date as may be agreed between the Company, Eureka and CMPD), the Agreement will terminate with immediate effect.

The Consideration

The Consideration for the Sale Shares and the Shareholder's Loan is approximately HK$6,177 million, including approximately HK$2,649 million for the Sale Shares and HK$3,528 million for the Shareholder's Loans, which will be satisfied by:

(i) the issue of the Perpetual Convertible Securities, or

(ii) (a) the issue of not more than 2,897,028,703 new Shares to Success Well Investments Limited, a wholly-owned subsidiary of Eureka, at the Issue Price and (b) if the aggregate price of the Consideration Shares calculated at the Issue Price is less than the Consideration, the payment of the rest of the Consideration in cash from all or part of the proceeds of the placement of not less than 939,760,297 Placement Shares at the Issue Price.

The aggregate number of the Consideration Shares and the Placement Shares will be 3,836,789,000 Shares and the Issue Price will not be less than HK$1.61 per Share. The issue of the Consideration Shares and the Placement Shares will not cause the Company not to comply with the minimum public float requirement under the Listing Rules.

The Company will decide whether to satisfy the Consideration by way of (i) or (ii) above before the despatch of the Circular. The Conversion Shares or (as the case may be) the Consideration Shares and the Placement Shares will be allotted and issued pursuant to a specific mandate proposed to be sought at the EGM and further details of the terms on which the specific mandate is to be sought from the Independent Shareholders will be set out in the Circular to be despatched in due course.

The Consideration was determined after arm's length negotiations between the Company, Eureka and CMPD and is equal to the agreed value of the Sale Shares and the Shareholder's Loans, which is derived as follows:

(a) the equity attributable to Eureka and the Shareholders' Loans as at 31 December 2012;

(b) plus:

   (i) the appreciation of the properties attributable to Eureka based on the preliminary appraisal by Jones Lang LaSalle as at 31 March 2013 in a valuation amount of approximately RMB19.3 billion;

   (ii) RMB31.5 million of capital contribution to be made by Eureka to Foshan Merchants Wharf and an aggregate of RMB76.5 million of capital contribution to be made by Eureka and Converge to Merchants Property Development (Guangzhou) after the date of this announcement but prior to the completion of the Proposed Restructuring; and

(c) less:

   the estimated amount of business tax, land appreciation tax and income tax (attributable to Eureka) that will be payable upon the sale of the properties of the Target Group at their appraised value in the preliminary appraisal by Jones Lang LaSalle as at 31 March 2013.

Principal terms of the Perpetual Convertible Securities

Issuer	:	the Company
Principal amount of the Perpetual Convertible Securities	:	an amount equal to the Consideration
Issue price	:	100% of principal amount of the Perpetual Convertible Securities
Form and denomination	:	in registered form in the denomination of HK$1,000,000
Interest		no interest will be accrued
Maturity Date	:	no maturity date

Initial Conversion Price	:	HK$1.61 per Conversion Share, subject to adjustments including among others and alteration to the nominal amount of the Shares as a result of consolidation, subdivision or reclassification, capitalisation of profits or reserves, capital distributions, rights issues or issue of options, warrants or other rights to subscribe for or purchase of the Shares, rights issues of securities (other than the Shares or options, warrants or other rights to subscribe for or purchase Shares), issues at a price which is less than 95% of the average volume-weighted average price quoted on the Stock Exchange for the five consecutive trading days ending on the trading day immediately preceding the date of such issue; modifications of rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities, offers to the Shareholders. No adjustment will be made to the Conversion Price where Shares or other securities are issued, offered, exercised, allotted or granted to, or for the benefit of, employees or former employees (including Directors or former directors) of the Company or any subsidiary of the Company pursuant to any employees' share scheme or plan.
Conversion Period	:	The Holder has the right to convert its Perpetual Convertible Securities into Shares at any time commencing from the Closing of the Acquisition at the Conversion Price. Subject to and upon compliance with the provisions of the Perpetual Convertible Securities and any applicable laws and regulations (including but not limited to the Listing Rules and the Takeovers Code), the Conversion Right attaching to any Perpetual Convertible Securities may be exercised, at the option of the Holder thereof, at any time commencing from the Closing, provided that a Holder may only convert such number of Perpetual Convertible Securities as would not cause the Company not to comply with the minimum public float requirement under the Listing Rules following the conversion.
Redemption rights	:	Non-redeemable
Status and subordination of the Perpetual Convertible Securities	:	The Perpetual Convertible Securities constitute direct, unsecured and subordinated obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves.

In the event of Winding-Up, the Perpetual Convertible Securities shall become immediately due and payable at their outstanding principal amount, provided that the rights and claims of the Holders against the Company in respect of or arising under the Perpetual Convertible Securities shall be subordinated in right of payment to the claims of holders of all Senior Obligations of the Company, but shall rank (a) pari passu with the claims of holders of all Parity Obligations (if any) of the Company and (b) in priority to the claims of holders of ordinary share capital of the Company and any other obligations of the Company, incurred directly or indirectly by it, which rank, or expressed to rank, pari passu with such ordinary shares (except as otherwise provided by mandatory provisions of law).

Conversion Shares	:	Based on the initial Conversion Price, a maximum of 3,836,789,000 Conversion Shares will be issued upon the full conversion of the Perpetual Convertible Securities, representing approximately 359% of the issued share capital of the Company as at the date of this announcement and approximately 78% of the issued share capital of the Company as enlarged by a full conversion of the Perpetual Convertible Securities (assuming no other Shares are issued).
Transferability	:	The Perpetual Convertible Securities may be transferred by delivery to the Company of a duly executed transfer form together with the certificate(s) for the Perpetual Convertible Securities being transferred. The Company shall, within five (5) Business Days of receipt of such documents from the Holder of the Perpetual Convertible Securities, cancel the existing Perpetual Convertible Securities, issue new certificate(s) in respect thereof under the seal of the Company in favour of the transferee.
Voting	:	The Holder(s) will not be entitled to attend or vote at any meetings of the Company by reason only of it being a Holder.
Listing	:	No application will be made for the listing of the Perpetual Convertible Securities on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Conversion Shares, the Consideration Shares and the Placement Shares

The Conversion Shares or (as the case may be) the Consideration Shares and the Placement Shares will be allotted and issued under a specific mandate proposed to be obtained at the EGM. The Conversion Shares or (as the case may be) the Consideration Shares and the Placement Shares will rank equally among themselves and pari passu in all respects with the Shares in issue on the date of the allotment and issue of the Conversion Shares or (as the case may be) the Consideration Shares and the Placement Shares.

Conversion Price and the minimum Issue Price

The Conversion Price of HK$1.61 per Conversion Share and the minimum Issue Price of HK$1.61 per Share each represents:

- a discount of approximately 44.5% to the closing price of the Shares of HK$2.90 per Share as quoted on the Stock Exchange on the Last Trading Day;

- a discount of approximately 42.3% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK$2.79 per Share;

- a discount of approximately 39.5% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$2.66 per Share; and

- a discount of approximately 34.8% to the average of the closing price of the Shares as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK$2.47 per Share.

Closing

Closing of the Acquisition is scheduled to take place within three (3) Business Days after all the conditions precedent to which Closing is subject have been fulfilled (or, if applicable, waived).

APPLICATION FOR LISTING OF THE CONVERSION SHARES, OR (AS THE CASE MAY BE) THE CONSIDERATION SHARES AND THE PLACEMENT SHARES

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares or (as the case may be) the Consideration Shares and the Placement Shares to be allotted and issued pursuant to the Agreement.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after Closing assuming full conversion of the Perpetual Convertible Securities at the Conversion Price; (iii) immediately after partial conversion of the Perpetual Convertible Securities whilst maintaining minimum public float; and (iv) immediately after Closing assuming the Consideration is satisfied by way of the issue of the Consideration Shares and the Placement Shares at a price of HK$1.61 per Share:

	As at the date of this announcement		Immediately after Closing assuming full conversion of the Perpetual Convertible Securities at the Conversion Price		Assuming partial conversion of the Perpetual Convertible Securities whilst maintaining minimum public float		Assuming Consideration is satisfied by the issue of the Consideration Shares and the Placement Shares at a price of HK$1.61 per Share	
	Number of Shares	Approx. % of total	Number of Shares	Approx. % of total	Number of Shares	Approx. % of total	Number of Shares Note 5	Approx. % of total
CMPD	749,860,626 Note 1	70.18	4,586,649,626	93.51	827,608,438 Note 4	72.20	3,646,889,329	74.35
So Shu Fai Note 2	32,054,066	3.00	32,054,066	0.65	32,054,066	2.80	32,054,066	0.65
Existing public shareholders	286,554,168	26.82	286,554,168	5.84 Note 3	286,554,168	25.00	286,554,168	5.84
New public shareholders	–	–	–	–	–	–	939,760,297	19.16
Public shareholding subtotal	286,554,168	26.82	286,554,168	5.84 Note 3	286,554,168	25.00	1,226,314,465	25.00
Total	1,068,468,860	100.00	4,905,257,860	100.00	1,146,216,672	100.00	4,905,257,860	100.0

Notes:

1. These Shares are legally owned by Success Well Investments Limited, a wholly owned subsidiary of CMPD. CMG is the ultimate controlling shareholder of CMPD and currently indirectly holds approximately 51.89% of the total issued share capital of CMPD.

2. An executive Director.

3. Pursuant to the terms of the Instrument, a Holder may only convert such number of Perpetual Convertible Securities as would not cause the Company not to comply with the minimum public float requirement under the Listing Rules following the conversion.

4. Assuming there is no change in the shareholding of So Shu Fai and the total public shareholding, to maintain a public float of 25%, only 77,747,812 Conversion Shares can be issued by the Company.

5. Assuming the Issue Price is HK$1.61, a total number of 3,836,789,000 Shares, including 2,897,028,703 Consideration Shares and 939,760,297 Placement Shares, will be issued, representing approximately 359% of the issued share capital of the Company as at the date of this announcement and approximately 78% of the issued share capital of the Company as enlarged by the Consideration Shares and the Placement Shares.

INFORMATION ON THE TARGET GROUP

The PRC Operating Subsidiaries of the Target Group own and operate eight property development projects (the ***Target Projects***) as set out in the table below:

PRC Operating Subsidiaries	Project	Location	Planned use	Total GFA (sq.m.) as at 31 December 2012	Total GFA (sq.m.) available for sale as at 31 December 2012	Interest attributable to the Target Group
Chongqing China Merchants	Changjiahui (長嘉滙)	Chongqing	Residential, commercial	1,886,519	1,475,178	50%
Merchants Property Development (Guangzhou)	Jinshan Valley (金山谷)	Guangzhou	Residential, commercial	1,356,296	684,106	51%
Foshan Yi Yun	Evian Tianhui (依雲天滙)	Foshan	Residential, commercial	301,818	230,251	25.5%
Foshan Xin Cheng	Evian Water Bank (依雲水岸)	Foshan	Residential, commercial, office	655,716	110,130	25.5%
Foshan Xin Jie	Evian Upper City (依雲上城)	Foshan	Residential, commercial	361,064	142,591	50%
Foshan Merchants Wharf	Evian Xicheng (依雲曦城)	Foshan	Residential, commercial	422,961	356,238	50%
Merchants Nanjing Real Estate	Zijinshan No.1 (紫金山1號)	Nanjing	Residential, commercial	213,870	81,184	51%
Nanjing China Merchants Rui Sheng	Yonghuafu (雍華府)	Nanjing	Residential	183,234	154,713	51%
				5,381,478	3,234,391	

Financial information of the Target Group

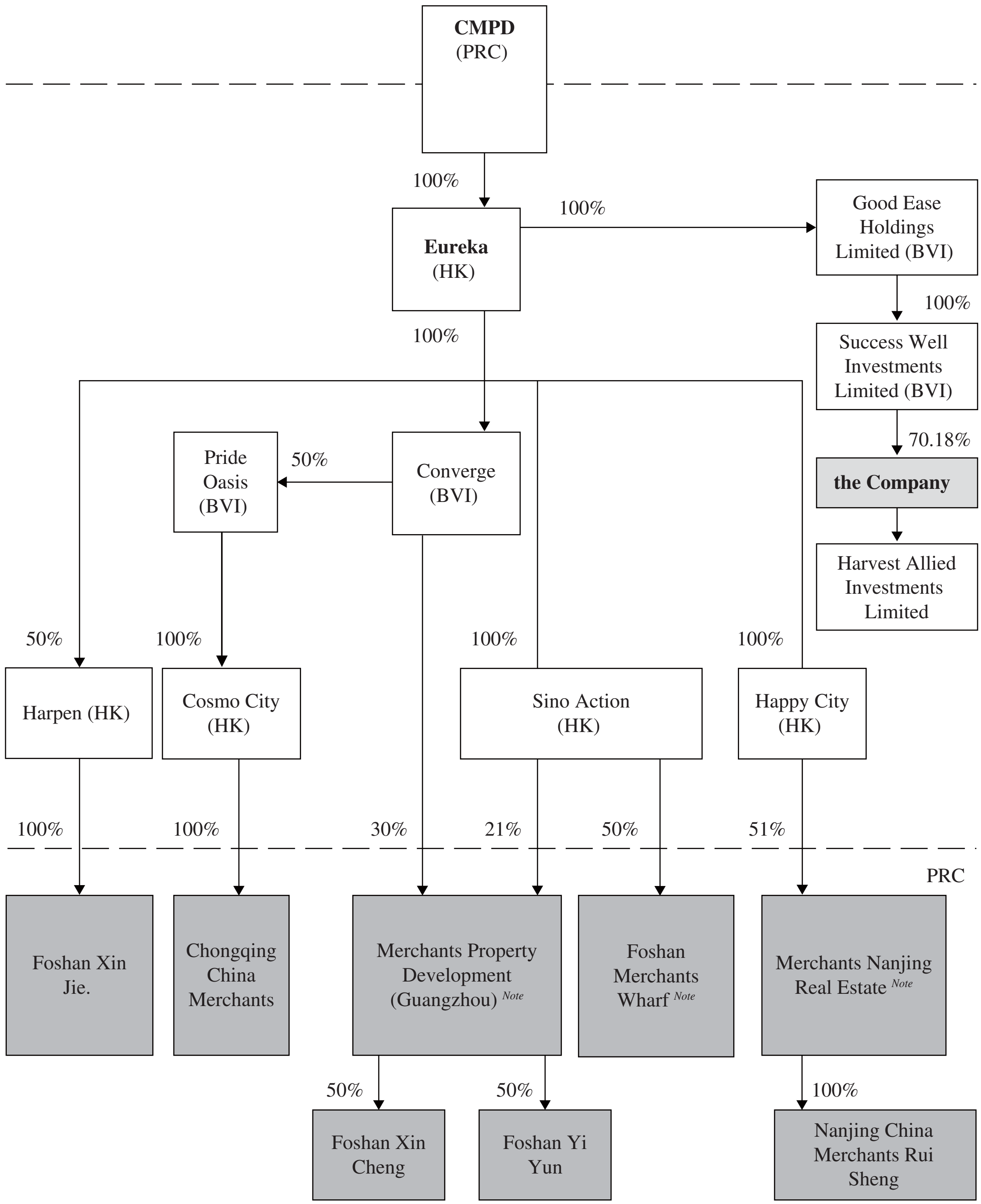
The unaudited net asset value of the Target Group (including net assets value attributable to non-controlling interests) as at 31 December 2012 was approximately RMB2,852 million. The unaudited net profit before and after taxation of the Target Group for the respective periods were as follows:

	For the year ended 31 December	
	2011	**2012**
	(RMB'000)	*(RMB'000)*
Net profit before taxation	1,661,854	2,259,631
Net profit after taxation	889,553	1,045,191

Shareholding Structure of the Target Group and the Company

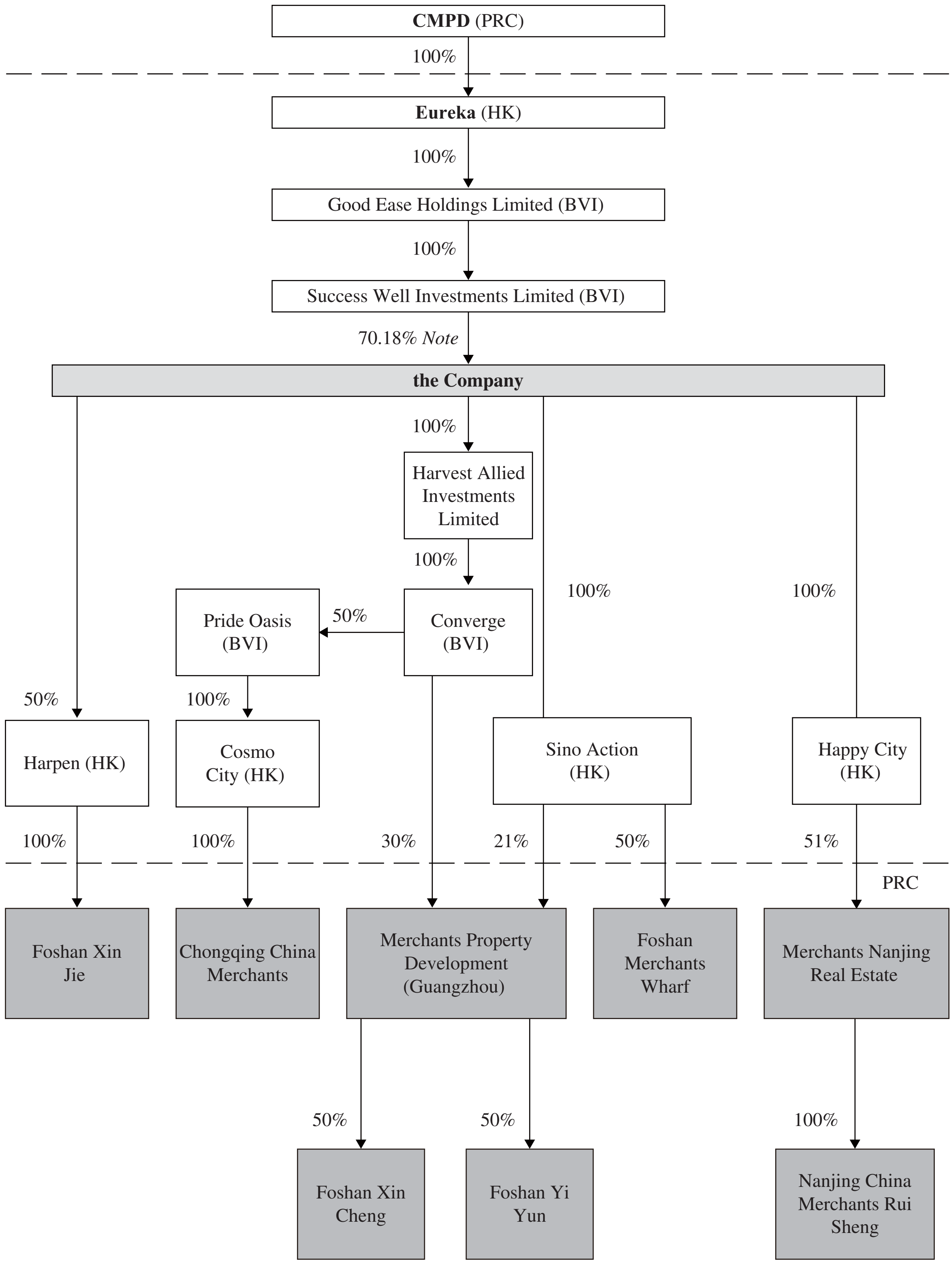
Set out below is the shareholding structure of the Target Group and the Company immediately before and after Closing:

Shareholding structure of the Target Group and the Company immediately before Closing



Note: as at the date of this announcement, Eureka has not transferred its 21% equity interest in Merchants Property Development (Guangzhou) and its 50% equity interest in Foshan Merchants Wharf to Sino Action and its 51% equity interest in Merchants Nanjing Real Estate to Happy City. Such transfers will be completed before Closing under the Proposed Restructuring.

Shareholding structure of the Target Group and the Company immediately after Closing



Note: this shareholding percentage does not reflect the potential change in the shareholding as a result of the issue of the Consideration Shares and the Placement Shares if the Company decides to satisfy the Consideration by the issue of the Consideration Shares and the Placement Shares.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands whose ordinary shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the manufacture, processing and sale of electronic consumer products and related components.

CMPD became the controlling shareholder of the Company through an unconditional mandatory general offer which was completed in June 2012. Currently, CMPD indirectly holds approximately 70.18% of the issued shares in the Company.

INFORMATION ON EUREKA AND CMPD

Eureka was incorporated in Hong Kong and is a wholly-owned subsidiary of CMPD. The principal activity of Eureka is investment holding.

CMPD is currently the real estate flagship of CMG, which is the controlling shareholder of CMPD and currently holds approximately 51.89% of the total issued share capital of CMPD. CMG is a state-owned conglomerate regulated by the national State-Owned Assets Supervision and Administration Commission.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors (excluding all the independent non-executive Directors of the Company, who will give their opinion based on the recommendation from the Independent Financial Adviser) consider the Acquisition to be in the interests of the Company and the Shareholders as a whole for the following reasons:

(a) Following Closing, the Company can leverage from the platform of, and the favorable conditions under the proposed non-competition arrangement with, the CMPD Group to speed up the development of the Enlarged Group's Property Business and create value for its Shareholders.

CMPD is one of the largest and the most prestigious property developers in China with a very strong brand. As the real estate flagship of CMG, which is a key state-owned enterprise directly under the PRC central government and whose headquarter is located in Hong Kong, CMPD has run its Property Business through Eureka from Hong Kong for more than 10 years and has established good cooperative relationship with some of the largest property developers in Hong Kong.

After Closing, the Company will become the first and only overseas listed business platform of the CMPD Group. The Enlarged Group will be able to make use of the platform and the brand of the CMPD Group to develop its Property Business in China.

Under the proposed Non-Competition Deed:

- except for the Operation Transitional Assets, which will mostly be operated and managed by the Enlarged Group after Closing under the Operation Agreement, the CMPD Group will not commence new Property Business in the Target Cities while the Company conducts Property Business in those areas; and

- as regards any new city in which neither group has any Property Business as at the date of the Non-Competition Deed, the Company will have a perpetual right of first refusal to conduct Property Business in such city, which means that whenever there is new property project opportunity in such city, the Company will always have a right of first refusal to take up the opportunity.

These arrangements are expected to minimise the direct and potential competition between the two groups whilst providing a broad space for the Enlarged Group's development. Please see the section headed "Business Delineation between the CMPD Group and the Enlarged Group" for further information.

(b) The Target Group has started generating profits as most of the Target Projects are beyond their respective preliminary development stage.

For the year ended 31 December 2012, the Target Group generated net profit after taxation of approximately RMB1,045 million and positive cash flow from operating activities of approximately RMB2,504 million. After Closing, the Company will become a property holding company with comprehensive capabilities of property development, operation and management.

The Target Projects comprise the projects that, as a whole, are relatively more mature among the property development projects of the CMPD Group in the Target Cities, in which CMPD holds equity interests through its overseas subsidiaries. They will help boost the profitability of the Group after Closing.

In Guangzhou and Foshan, as at 31 March 2013, the total completed GFA of the Target Projects was 463,731 sq.m. and 893,777 sq.m., respectively. The cash generated from the sale of these Target Projects is sufficient to finance the development of these Target Projects as well as provide some finance to certain other Target Projects.

The Target Projects in Chongqing and Nanjing have entered into their respective sale period except for Yonghuafu in Nanjing, which is expected to commence its sale period in August 2013. Except for Yonghuafa, the Target Projects in Chongqing and Nanjing have all met the requirements for obtaining development and construction loans from commercial banks.

(c) The management team of the PRC Operating Subsidiaries of the Target Group has valuable operating experience in property development in the Target Cities, which have significant potential for property development.

The PRC Operating Subsidiaries' management team has a track record of property development ranging from 6 to 10 years in the relevant Target Cities and has accumulated valuable operating experience. They are familiar with the operating environment of the relevant Target Cities and have strong capability for business development. The PRC Operating Subsidiaries have maintained a good market position in the relevant Target Cities. In 2012, the Target Cities' GDP growth rates were all above 8% and Chongqing's growth rate reached 13.6%, compared to 7.8% of the PRC, which have demonstrated significant potential for property development in these cities. Details of the business prospect of the Company in the Target Cities as compared to the CMPD Cities will be included in the industry overview section of the Circular.

(d) The Enlarged Group will have strong capacity to raise funds for the development of its Project Business.

The Target Projects, their experienced management team and strong growth potential of the PRC Operating Subsidiaries together are expected to enable the Enlarged Group to obtain equity financing through the Company, which will in turn optimise the debt equity structure of the Enlarged Group, enhance its profitability and facilitate further financing. The Directors believe that the Enlarged Group will have strong capability to raise sufficient funds to develop its Property Business so as to create value for its Shareholders.

The Directors (excluding all the independent non-executive Directors, who will give their opinion based on the recommendation from the Independent Financial Adviser) are of the view that the terms of the Agreement, which have been agreed after arm's length negotiations, are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BUSINESS DELINEATION BETWEEN THE CMPD GROUP AND THE ENLARGED GROUP

Overview

After Closing, CMG and CMPD will continue to be the controlling shareholders of the Company, indirectly holding approximately 70.18% of the issued shares in the Company. CMPD is currently the real estate flagship of CMG. CMG is engaged in three core businesses, namely, (i) transportation, infrastructure construction, operation and services, (ii) financial investing and management, and (iii) real estate development and operation (through CMPD only).

As at 31 December 2012, the CMPD Group had 64 property development projects in 19 cities (including the Target Cities), comprising residential units, serviced apartments, hotels, commercial and office building, with an aggregate GFA of approximately 12 million sq.m.

The Target Group is principally engaged in Property Business in the PRC through the PRC Operating Subsidiaries. As at 31 December 2012, the Target Group has eight Target Projects located in four Target Cities, namely Chongqing, Guangzhou, Foshan and Nanjing, in the PRC with an aggregate GFA of approximately 5,381,478 sq.m. Property Business will become the core business of the Enlarged Group after Closing.

Reasons for selecting the eight Target Projects in four Target Cities

The Company, Eureka and CMPD have agreed to inject only the Target Projects in the Target Cities into the Company for the following reasons:

- ***Legal and regulatory restrictions on project transfer.*** According to the Company's PRC legal advisers, Shu Jin Law Firm, acquisition of wholly domestically-owned property projects is subject to the examination and approval of MOFCOM and the approval process in relation to such acquisition is long and uncertain. Accordingly, the Company has not selected any wholly domestically-owned property projects of the CMPD Group as Target Projects for the Acquisition.

  The Company has also excluded the property projects in which CMPD has not held equity interests through its overseas subsidiaries for more than three years. According to Shu Jin Law Firm, unless specifically approved by CSRC, PRC regulations currently do not, in principle, allow CMPD to sell such assets in the PRC to the Company if such acquisition were to result in an overseas listing of those assets.

- ***The Target Projects being more mature.*** The Company has selected Target Projects as they are relatively more mature and enjoy a dominant position among all the property development projects of the CMPD Group in the relevant Target Cities.

- ***No significant competition.*** The Company has selected property development projects in Chongqing, Guangzhou, Foshan and Nanjing as the Target Projects, so as not to result in significant competition with the property development projects retained by the CMPD Group in the relevant Target Cities. See "Operation Transitional Assets retained by CMPD in the Target Cities" and "An analysis of the Operation Transitional Assets and the Target Projects in the Overlapping Target Cities" below.

Mr. Yu Zhiliang and Mr. Liu Zhuogen, who are executive Directors of the Company and do not hold positions in CMPD, together with Mr. Huang Peikun, who is an executive director of each of the Company and CMPD, and Ms. Liu Ning, who is a non-executive Director of the Company and a company secretary of CMPD, are responsible for selecting the Target Cities and negotiating the terms of the Non-Competition Deed and the Operation Agreement.

Operation Transitional Assets Retained by CMPD in the Target Cities

After Closing, CMPD will continue to hold controlling interests in four property development projects in three out of the four Target Cities, including one in Guangzhou, two in Chongqing and one in Foshan (***Operation Transitional Assets***), which could potentially compete with the Property Business of the Enlarged Group in those three cities.

Until the end of 31 December 2017, when the Operation Transitional Assets are expected to have been completed and sold, they will be owned by the CMPD Group and revenue derived from them will belong to the CMPD Group. Except for one project that will continue to be operated and managed by a joint venture partner of that project, which is an independent third party, all the Operation Transitional Assets will be operated and managed by the Enlarged Group for a fee under the Operation Agreement during the Transitional Period.

Set out below is a list of the property development projects comprising the Target Projects and brief details of the Operation Transitional Assets which will continue to be owned by CMPD but operated and managed by the Enlarged Group under the Operation Agreement during the Transitional Period:

Asset Type	Chongqing	Guangzhou	Foshan	Nanjing
Target Projects to be injected into the Company	Changjiahui (長嘉滙)	Jinshan Valley (金山谷)	– Evian Tianhui (依雲天滙) – Evian Upper City (依雲上城) – Evian Water Bank (依雲水岸) – Evian Xicheng (依雲曦城)	– Zijinshan No.1 (紫金山1號) – Yonghuafu (雍華府)
Operation Transitional Assets to be retained by CMPD	– China Merchants Bay City (江灣城) – China Merchants Garden City (花園城)	Donghui City (東薈城)	Evian International (依雲國際)	None

Chongqing

- China Merchants Bay City (江灣城): China Merchants Bay City is a traditional mid to high-end community-oriented residential blocks targeting general retail residential customers. It is located at the north bank of Jialing River, which is a relatively mature region in terms of property development. As at 31 December 2012, it had an aggregate GFA of approximately 495,403 sq.m. and a total saleable GFA of approximately 53,150 sq.m.

- China Merchants Garden City (花園城): China Merchants Garden City mainly comprises high-end condominiums (low-rise residential buildings of 4-18 stories), high-rise residential buildings (higher than 18 stories) and a few villa, and there are no commercial properties except for some community-oriented stores. It is located at the north bank of Jialing River, which is a relatively mature region in terms of property development. As at 31 December 2012, it had an aggregate GFA of approximately 696,083 sq.m. and a total saleable GFA of approximately 519,083 sq.m.

Guangzhou

- Donghui City (東薈城): Donghui City mainly comprises mid-size residential apartments, which target general retail residential customers. It is located in the science city of the economic development zone of Luo Gang District of Guangzhou. As at 31 December 2012, it had an aggregate GFA of approximately 372,207 sq.m. and a total saleable GFA of approximately 302,900 sq.m.

  CMPD owns 34% interest in Donghui City and two joint venture partners each own 33% interest in it. Since the commencement of this project in 2011, CMPD and the two joint venture partners have agreed that this project will be operated and managed by one of the joint venture partners, which is one of the top property developers in the PRC and is an independent third party. This joint venture partner has been responsible for the operation and management of this project since 2011. CMPD has the right to appoint the chief financial officer of this project and apart from exercising this right, it has not been involved in the day to day operation and management of this project. Accordingly, it is inappropriate for the Company or CMPD to operate and manage Donghui City following Closing.

  Since Donghui City and Jinshan Valley are very different in terms of location, market positioning and scale (Donghui City is much smaller than Jinshan Valley), the Company believes that Donghui City does not pose significant actual or potential competition to Jinshan Valley. See "An analysis of the Operation Transitional Assets and the Target Projects in the Overlapping Target Cities".

Foshan

- Evian International (依雲國際): Evian International comprises purely commercial properties, which are mainly high-end office buildings, shops and apartments designed for corporate and commercial customers, within which office buildings amount to approximately 56%, shops amount to approximately 20% and the remaining 24% are small size (35-40 sq.m.) apartment units for commercial customers. It is located in the Shun De District. As at 31 December 2012, it had an aggregate GFA of approximately 139,319 sq.m. and a total saleable GFA of approximately 88,819 sq.m.

Management Arrangement in relation to the Operation Transitional Assets during the Transitional Period

To minimise potential competition between the CMPD Group and the Enlarged Group after Closing, except for Donghui City in Guangzhou, being one of the Operation Transitional Assets, which will continue to be operated and managed by a joint venture partner of that project (an independent third party), the Operation Transitional Assets will be operated and managed by the Enlarged Group until they are completed and sold during the Transitional Period.

If Donghui City were no longer operated and managed by the joint venture partner, CMPD will make best efforts to let the Enlarged Group operate and manage Donghui City on the terms of the Operation Agreement.

Under the proposed Operation Agreement, the Enlarged Group will have full discretion to deal with the operational matters of the projects operated and managed under the Operation Agreement, including but not limited to:

- application for approvals in relation to project development;
- project construction management;
- cost management;
- financial management;
- planning for construction period, sale period, marketing events and pricing;
- completion inspection and property handover; and
- archive management.

Project design and the construction contract with a contractual amount of more than RMB200 million will be subject to the written consent of CMPD.

Material matters relating to the business, operational, managerial and financial delineation between the Enlarged Group and the CMPD Group will be subject to the approval of the IBC of the Company that will be formed for this purpose, including the following:

- the project design (including the key aspects of a project, such as total GFA, plot ratio, floor plan, appearance and layout of buildings, etc.) of the projects operated and managed under the Operation Agreement; and
- the project management target (including target for cost and revenue and development plan) set by CMPD for the projects operated and managed under the Operation Agreement.

Where necessary, the IBC will be able to seek professional advice at the Company's cost in relation to the matters set out above.

CMPD will pay a pre-agreed management fee to the Company for providing the operational support service. Such management fee will be determined on an arm's length basis and calculated with reference to:

- 6% to 10% of the annual construction cost of the projects operated and managed under the Operation Agreement; or
- 1% to 5% of the pre-sale amount of the projects,

taking into account their scale, project development stage, construction period, revenue and profits.

The transactions under the Operation Agreement will constitute continuing connected transactions between the Company and CMPD under the Listing Rules, and will be subject to Independent Shareholders' approval which will be sought at the time of the approval of the Acquisition, and also the other requirements under Chapter 14A of the Listing Rules. The Operation Agreement will be entered into prior to the despatch of the Circular. The relevant details, including the annual caps, required under Chapter 14A of the Listing Rules will be disclosed in a separate announcement of the Company.

AN ANALYSIS OF THE OPERATION TRANSITIONAL ASSETS AND THE TARGET PROJECTS IN THE OVERLAPPING TARGET CITIES

Overview

The Operation Transitional Assets and the Target Projects currently all belong to the CMPD Group. As a property developer, CMPD would not develop property projects within one city which will directly compete with each other. When it first decided to conduct Property Business within the same city, from a commercial and operational perspective, CMPD must have taken into consideration a number of factors in project selection, such as geographical location, product positioning and target customers, etc. and would never intend to allow direct competition to exist between its property projects within one city.

After Closing, the Operation Transitional Assets and the Target Projects overlap in three out of the four Target Cities, namely Chongqing, Guangzhou and Foshan (***Overlapping Target Cities***). Based on the business delineation factors set out below, the Directors are of the view that although there is potential competition between the Operation Transitional Assets and the Target Projects, such potential competition will not be extreme and, if it were to materialise, will be sufficiently addressed by the terms of the Operation Agreement and the Non-Competition Deed and will not adversely affect the Enlarged Group.

Factors taken into account to delineate properties within each of the Overlapping Target Cities

Set out below is an analysis of the way in which the Operation Transitional Assets and the Target Projects in each of the Overlapping Target Cities have been delineated to minimise potential competition, having taken the following factors into account:

- the geographical location of each property development project by district and product positioning;
- the proportion of GFA held by the Target Projects as compared to the GFA held by the Operation Transitional Assets as at 31 December 2012.
- the proportion of AFA held by the Target Projects as compared to the AFA held by the Operation Transitional Assets as at 31 December 2012; and
- the fact that any overlap in relation to the sale period of the relevant property development projects within the Target Projects and the Operation Transitional Assets will not lead to significant competition due to their different location and product positioning, which will attract different customers.

In China, in relation to Property Business, geographical locations should not be distinguished merely by reference to cities but also to the specific district that each property is located in. The factors relating to specific district or zone of a city such as schooling, daily commutes and transportation normally do not allow people to easily move to live in another district or zone in the relevant city. For example, in urban areas of China, schools are divided in accordance with division of districts or zones and the government's general policy on school assignment is that students go to the public school in their district of residence. For these reasons, residential property projects rarely compete with each other if they are located in different districts of the same city.

Dealing with each of these factors in each Overlapping Target City in turn:

Chongqing

- *Geographical location and product positioning*

  The distance between the Target Project and the Operation Transitional Assets are more than 20 kilometers in Chongqing, one of which is located in Jiang Bei district and the other in South Bank district, respectively. The Target Project is located in the Dan Zi Shi area in the south part of Chongqing Central Business District, which is one of the key developing areas in Chongqing. Facing the juncture of Yangtze River and Jialing River, the Target Project enjoys a broad river view and has high growth potential for property development. By contrast, the Operation Transitional Assets are inland residential buildings located at the north bank of Jialing River, which is a relatively mature region in terms of property development.

  As to product positioning, the Target Project is upper-class multi-purpose urban complex, including high-rise high quality residential apartments, office buildings and shopping malls. With its superior geographical location, the Target Project is designed to cater for needs of upper-class residential, corporate and commercial customers. In contrast, the Operation Transitional Assets are mainly traditional mid – to high-end residential blocks targeting at general retail residential customers.

- *GFA proportion*

  As at 31 December 2012, the total GFA of the Target Project was 1,886,519 sq.m., accounting for 61% of the total GFA owned by the CMPD Group in Chongqing. The Operation Transitional Assets accounted for the remaining 39% of the total GFA.

- *AFA proportion*

  As at 31 December 2012, the total AFA of the Target Project was approximately 1,475,178 sq.m., accounting for 72% of the total AFA owned by the CMPD Group in Chongqing. The Operation Transitional Assets accounted for the remaining 28% of the total AFA.

- *Sale period*

  In Chongqing, the Target Project has commenced its sale period at the end of 2011 and is currently at its phase 1 sale stage. Due to the very large scale of the Target Project (which has a total GFA of 1,886,519 sq.m.), it is expected that the sale will go on for about 8 to 9 years. By contrast, China Merchants Bay City of the Operation Transitional Assets has almost been sold out, and China Merchants Garden City of the Operation Transitional Assets is currently at its phase 2 sale stage, which will go on for about 4 to 5 years.

  While the sale periods of the Target Project and Operation Transitional Assets overlap to certain extent in Chongqing, this will not lead to significant competition since their different locations and market positioning will attract different customers. Furthermore, the Operation Transitional Assets will be operated and managed by the Enlarged Group after Closing, which will have the discretion to make internal co-ordination and conduct separate marketing events to the extent sufficient to avoid any actual competition.

Guangzhou

- *Geographical location and product positioning*

  In Guangzhou, the Target Project is located at Panyu District whilst the Operation Transitional Asset is located at the science city in Luogang District. They are about 37 kilometers away from each other and are not close to each other at all.

  As to product positioning, the Target Project consists of mainly complexes of huge-size stand-alone villas, large-size high-rise residential apartments, office buildings and stores, and they are targeting entrepreneurs, businessmen, corporate and commercial customers in the area. By contrast, the Operation Transitional Asset consists of ordinary mid-size residential apartments, which target general retail residential customers.

- *GFA proportion*

  As at 31 December 2012, the total GFA of the Target Project was 1,356,296 sq.m., accounting for approximately 78% of the total GFA owned by the CMPD Group in Guangzhou. The Operation Transitional Asset accounted for the remaining 22% of the total GFA.

- *AFA proportion*

  As at 31 December 2012, the total AFA of the Target Project was 684,106 sq.m., accounting for approximately 69% of the total AFA owned by the CMPD Group in Guangzhou. The Operation Transitional Asset accounted for the remaining 31% of the total AFA.

- *Sale period*

  In Guangzhou, the Target Project has commenced the sale period since 2008 and because of its large scale, its sale period is expected to last until November 2016 whilst the Operation Transitional Asset commenced its sale period at the end of 2012 and is expected to be sold out by the end of 2015.

While the sale periods of the Target Project and Operation Transitional Asset overlap to certain extent in Guangzhou, this will not lead to significant competition since their different locations and market positioning will attract different customers. Furthermore, the Operation Transitional Asset will continue to be operated and managed by the joint venture partner of this project, which is an independent third party.

Foshan

- *Geographical location and product positioning*

  The Operation Transitional Asset is adjacent to one project of the Target Projects and is 8, 16 and 34 kilometres away from the other three projects of the Target Projects, respectively.

  The Operation Transitional Asset and the Target Projects have completely different product positioning and target customers. The Target Projects in Foshan comprise (i) mid-end and upper-class large size residential apartments with an average price of RMB10,000 to RMB14,000 per sq.m., which are targeting office clerks, entrepreneurs and senior management, and (ii) low-end residential apartments, which are targeting general wage-earners. The Operation Transitional Asset consists of mainly high-end office buildings, shops and apartments designed for corporate and commercial customers, of which office buildings account for approximately 56%, shops accounts for approximately 20% and the remaining 24% are small size (35-40 sq.m.) apartment units for commercial customers.

- *GFA proportion*

  As at 31 December 2012, the total GFA of the Target Projects was 1,741,559 sq.m., accounting for approximately 93% of the total GFA owned by the CMPD Group in Foshan. The Operation Transitional Asset accounted for the remaining 7%.

- *AFA proportion*

  As at 31 December 2012, the total AFA of the Target Projects was 839,210 sq.m. accounting for approximately 90% of the total AFA owned by CMPD in Foshan. The Operation Transitional Asset accounted for the remaining 10%.

- *Sale period*

  While the sale periods of the Target Projects and the Operation Transitional Asset overlap to certain extent in Foshan, this will not lead to significant competition since their different locations and product positioning will attract different customers. Furthermore, Operation Transitional Asset will also be operated and managed by the Enlarged Group after Closing under the Operation Agreement, which will have the discretion to make internal co-ordination and conduct separate marketing events to the extent sufficient to avoid any actual competition.

MEASURES TO MINIMISE ACTUAL AND POTENTIAL COMPETITION BETWEEN THE ENLARGED GROUP AND THE CMPD GROUP

The Company proposes to adopt a number of measures to avoid actual and potential competition and conflict of interest between the Enlarged Group and the CMPD Group.

Non-Competition Deed between CMPD and the Company

CMPD not to compete in the Target Cities

In order to minimise the direct competition between the CMPD Group and the Enlarged Group in the future, it is proposed that CMPD and the Company will entered into the Non-Competition Deed, under which, CMPD is expected to undertake to the Company (for itself and on behalf of each of its subsidiaries) that during the Relevant Period when the Company or any of its subsidiaries conducts Property Business in any of the Target Cities, that CMPD (i) shall not, and (ii) shall procure that its subsidiaries (excluding the Enlarged Group) shall not, and (iii) shall use its best endeavours to procure that its associates (excluding its subsidiaries) shall not, solely or jointly, or through the representation of any person, enterprise or company:

(a) hold and/or be interested, directly or indirectly, in any shares or other securities or interest in any company, partnership, trust or other business entity, which engages or is involved in, directly or indirectly, any Property Business in any of the Target Cities; or

(b) otherwise, directly or indirectly, engage or be involved or participate or invest in, or provide other support, financial or otherwise, to any Property Business in any of the Target Cities.

Notwithstanding the above, during the Relevant Period, CMPD, any of its subsidiaries and/or any of its associates may:

(c) hold or be interested in, directly or indirectly, any shares or securities or interest in the Company or, through the Company, in any shares or other securities or interest in any of its subsidiaries;

(d) continue to own or be interested in, directly or indirectly, the Operation Transitional Assets;

(e) hold and/or be interested, directly or indirectly, in shares or other securities or interests in any company which engages or is involved in, directly or indirectly, any Property Business in any of the Target Cities, if

    (i) such company is listed on a recognised stock exchange;

    (ii) such shares or securities or interests do not exceed 5% of such company's issued and outstanding share capital;

(iii) CMPD, any of its subsidiaries and/or any of its associates are not entitled to appoint a majority of the directors of such company; and

(iv) such company shall at all relevant times have at least one other shareholder which (together, where appropriate, with its associates) holds and/or is interested, directly or indirectly, in a larger percentage of shares and securities or other interests in such company than CMPD, any of its subsidiaries and/or any of its associates does, which does not act in concert with CMPD, any of its subsidiaries and/or any of its associates in relation to its shares and securities or other interests in such company; and/or

(f) have interests in properties acquired and held for their own use provided that such activities do not involve any property development.

The Company not to compete in the CMPD Cities

The Company is expected to undertake to CMPD (for itself and on behalf of each of its subsidiaries) that during the Relevant Period when CMPD or any of its subsidiaries conducts Property Business in any of the CMPD Cities, that it (i) shall not, and (ii) shall procure that its subsidiaries shall not, and (iii) shall use its best endeavours to procure that its associates (excluding the CMPD Group), solely or jointly, or through the representation of any person, enterprise or company:

(a) hold and/or be interested, directly or indirectly, in any shares or other securities or interests in any company, partnership, trust or other business entity, which engages or is involved in, directly or indirectly, any Property Business in any of the CMPD Cities; or

(b) otherwise, directly or indirectly, engage or be involved or participate or invest in, or provide other support, financial or otherwise, to, any Property Business in the CMPD Cities.

Notwithstanding the above, during the Relevant Period, the Company, any of its subsidiaries and/or any of its associates may:

(c) hold and/or be interested, directly or indirectly, in any shares or other securities or interest in any company which engages or is involved in, directly or indirectly, any Property Business in any of the CMPD Cities, if

(i) such company is listed on a recognised stock exchange;

(ii) such shares or securities or interests do not exceed 5% of such company's issued and outstanding share capital;

(iii) the Company, any of its subsidiaries and/or any of its associates, are not entitled to appoint a majority of the directors of such company; and

(iv) such company shall at all relevant times have at least one other shareholder which (together, where appropriate, with its associates) holds and/or is interested, directly or indirectly, in a larger percentage of shares and securities or other interests in such company than the Company, any of its subsidiaries and/or any of its associates does, and which does not act in concert with the Company, any of its subsidiaries and/or any of its associates does, in relation to its shares and securities or other interests in such company; and/or

(d) have interests in properties acquired and held for their own use provided that such activities do not involve any property development.

CMPD to grant perpetual right of first refusal in respect of the Unoccupied Cities

As regards any city in which neither the Target Group nor the CMPD Group will have any Property Business as at the date of the Non-Competition Deed (the ***Unoccupied Cities***), CMPD is expected to granted a perpetual right of first refusal to the Company to conduct Property Business in such city (the ***ROFR***) on the terms set out below:

- If CMPD or any of its subsidiaries (the ***Offeror***) identifies or is offered any Business Opportunity in any Unoccupied City during the Relevant Period, the Offeror shall give a written notice (the ***Offer Notice***) to the Company of such Business Opportunity as soon as practicable after the Offeror identifies or is offered such Business Opportunity and shall provide or procure the provision of all necessary information and documents possessed by the Offeror in respect of such Business Opportunity to enable the Company to evaluate the Business Opportunity.

- If the Company is interested in pursuing the Business Opportunity in such Unoccupied City, it shall give a written notice (the ***Notice of Interest***) to the Offeror as soon as possible but in any case within 25 Business Days of receipt of the Offer Notice indicating its decision to pursue or decline the Business Opportunity.

- The Offeror shall use all reasonable endeavours to procure that the Business Opportunity in such Unoccupied City shall remain available for pursuit by the Company on terms and conditions which are not less favourable than those offered or made available to the Offeror for at least 30 Business Days from the date of the Notice of Interest.

However, the Offeror shall be free to pursue the Business Opportunity in such Unoccupied City if prior to such pursuit:

- the Offeror has received a written notice from the Company stating that it will not pursue the Business Opportunity in such Unoccupied City and therefore waive the ROFR;

- the Offeror has not received a Notice of Interest within the prescribed time period referred to above;

- the Offeror has received a Notice of Interest within the prescribed time period referred to above but the Company has not taken such reasonable steps as are necessary to pursue the Business Opportunity in such Unoccupied City by the end of the 30 Business Days mentioned above; or

- the Company has previously notified the Offeror that the Company will pursue the Business Opportunity in such Unoccupied City, but the Company is subsequently precluded from doing so due to a regulatory decision or regulatory restrictions.

It is proposed that no matter whether CMPD has taken up a Business Opportunity in a Unoccupied City or not, the ROFR will enable the Company to take up any other new Business Opportunity in that city within the Unoccupied Cities each and every time it were to arise in the future.

It is further proposed that where any Business Opportunity in the Unoccupied Cities has to be pursued faster than the timeframe set out above due to time limitations imposed by third parties, the Company and CMPD shall agree to a reasonable timeframe in order to achieve and complete the procedure set out above to ensure that the Business Opportunity in the Unoccupied Cities may be duly pursued.

Based on the proposed arrangements above, CMPD will focus on the CMPD Cities where it operates at present, and the Enlarged Group will base its activities in the Target Cities and focus in the future on development of new property projects in the Unoccupied Cities.

Annual review and disclosure of geographical delineation between the Enlarged Group and the CMPD Group

It is proposed that during the Relevant Period, the Company and CMPD will review annually the Company's and CMPD's respective portfolio of property projects in the Target Cities and the CMPD Cities, and to consult with each other and determine if any adjustments need to be made to the geographical delineation between the Enlarged Group and the CMPD Group (the ***Annual Review***).

The Annual Review will be carried out by the Company and the CMPD jointly during the Relevant Period. Each party will undertake that, during the Relevant Period, it should as soon as practicable upon request by the other party, provide to the other party all such information as may reasonably be requested by the other party to facilitate the Annual Review.

The Company and CMPD are expected to disclose any material change in their properties portfolio and any change in the geographical delineation as a result of the Annual Review to their respective shareholders in their respective annual report. If any adjustment in the geographical delineation is so material that it will require amendment to the Non-Competition Deed, such adjustment and the amendment to the Non-Competition Deed should be subject to the independent shareholders' approval.

Corporate measures in relation to the implementation of the Non-Competition Deed

The Company is expected to implement the following corporate measures to govern and monitor the decision-making process in relation to the ROFR under the Non-Competition Deed:

- ***Independent directors' decision***

  The IBC is expected to be solely responsible for deciding whether or not to take up a Business Opportunity referred to the Company under the terms of the Non-Competition Deed. In order for the IBC to consider and make a decision in relation to a Business Opportunity, the Company's management should provide each member of the IBC with all the information and documents possessed by it in respect of the Business Opportunity as soon as possible but no later than two (2) Business Days after its receipt of the Offer Notice.

  Before the IBC makes a decision on whether or not to take up a Business Opportunity, any member of the IBC has the right to require the Company's management to provide further information in relation to the Business Opportunity. The decision of the IBC will be made by a majority vote.

  The board of Directors of the Company will take appropriate steps to implement the decision of the IBC. If the IBC decides to pursue a Business Opportunity, the Company's management should implement such decision in a timely manner under the timeframe provided for under the Non-Competition Deed. Any failure to do so is expected to be reported back to the IBC.

  Ms. Chen Yanping, who will be a member of the IBC, is a Certified Metropolitan Planner of the PRC and has in-depth knowledge and industry experience in architecture and urban planning. Given her academic and industry background, Ms. Chen is qualified and is expected to contribute significantly to the decision making process of the IBC in deciding whether or not to take up each Business Opportunity. In addition, where necessary, the IBC will be able to seek professional advice at the Company's cost in relation to any issues that they may come across in their decision-making process, which will ensure that the IBC will have strong professional support in discharging their responsibilities.

- ***Independent directors' review and public disclosure***

  The IBC is expected to review a report prepared by the Company's management on a quarterly basis containing details and the latest information in respect of the property project portfolio of the CMPD Group and the Enlarged Group, and how any Business Opportunities accepted or given up by the Company during the last quarter (if any) may have impacted or will impact the property project portfolio of the CMPD Group and the Enlarged Group in the short to long term. The IBC is also expected to review, on an semi-annual basis, the extent to which the terms of the Non-Competition Deed have been complied with by the CMPD Group and the Company.

  The Company will disclose by way of an announcement the decisions made by the IBC on accepting or rejecting any Business Opportunity and other material matters reviewed by the IBC relating to the enforcement of the Non-Competition Deed, and the occurrence of any material conflicts of interest in relation to the business delineation between the CMPD Group and the Enlarged Group on a quarterly basis. A report in relation to the implementation of, and the compliance with, the Non-Competition Deed by the CMPD Group and the Company, including the IBC's confirmation on such compliance is expected to be published in the interim and annual report of the Company.

INDEPENDENCE OF THE ENLARGED GROUP FROM CMPD

Management Independence

The Company's board of Directors and senior management will be independent from CMPD and CMG after Closing. In terms of overlapping management personnel:

- Mr Huang Peikun will be the only overlapping director at the board level and he will be an executive director of CMPD and the chairman and a non-executive Director of the Company after Closing; and

- Ms Liu Ning will be the only overlapping officer at the senior management level. She will continue to be the board secretary of CMPD and a non-executive Director of the Company after Closing.

Mr. Huang and Ms. Liu are representative directors of CMPD, the controlling shareholder of the Company, and will continue to serve as Directors of the Company after Closing. However, they will both be non-executive Directors of the Company after Closing and will not be involved in the day to day operation and management of the Company. There will be no overlap in terms of independent non-executive directors between the Company and CMPD and there will be no overlap in the other senior management of both groups.

Set out below is the proposed board composition and the senior management team of CMPD and the Company after Closing:

CMPD	**Company**
Executive Directors	*Executive Directors*
Lin Shaobin *(chairman)*	So Shu Fai
He Jianya *(director and general manager)*	Hu Jianxin
Huang Peikun *(director and financial controller)*	Liu Zhuogen
	Yu Zhiliang
Non-executive Directors	*Non-executive Directors*
Yang Tianping *(vice-chairman)*	Huang Peikun *(chairman)*
Wang Hong	Liu Ning
Hua Li	
Hu Yong	
Independent Non-executive Directors	*Independent Non-executive Directors*
Chai Qiang	Wong Wing Kuen, Albert
Liu Hongyu	Chen Yanping
Lu Weixiong	Shi Xinping
Zhang Wei	

Senior Management
He Jianya *(general manager)*
Yang Zhiguang *(deputy general manager)*
Huang Peikun *(financial controller)*
Wang Li *(deputy general manager)*
Zhu Wenkai *(deputy general manager)*
Meng Cai *(deputy general manager)*
Zhang Lin *(deputy general manager)*
Wang Zhengde *(chief economist)*
Liu Ning *(company secretary)*

Senior Management
Liu Zhuogen *(deputy general manager)*
Yu Zhiliang *(financial controller)*
Jiang Tiefeng *(project general manager)*
Xian Yaoqiang *(project general manager)*
Wang Tao *(project general manager)*
Chan Wing Yan *(company secretary)*

Details of the CV of each of the directors and senior management personnel of the Company will be included in the Circular to be despatched in due course.

Currently, PRC Operating Subsidiaries are sharing certain management personnel with the Operation Transitional Assets in the same Target City. In order to ensure the independent operation of the Enlarged Group after Closing, the overlapping management personnel in each project company of the Operation Transitional Assets will be exclusively transferred to the Target Group prior to Closing. Such management personnel will continue to manage the Operation Transitional Assets under the Operation Agreement.

Operational Independence

The Enlarged Group is operationally independent of the CMPD Group and CMG and has independent project development, construction and marketing teams. It has direct access to its suppliers and customers and does not rely on the CMPD Group or CMG to establish or maintain its business relationship with new or existing customers and suppliers. The Enlarged Group also has sufficient capital, equipment and employees to operate its business independently. Other than (i) the transactions under the Non-Competition Deed and the Operation Agreement, (ii) the continuing connected transactions between the Company and the CMPD Group that have been disclosed in the annual report of the Company for the year ended 31 December 2012, and (iii) the possible continuing connected transactions mentioned in the section headed "Potential Continuing Connected Transactions" below, the Enlarged Group is not expected to enter into any material transactions with the CMPD Group which will continue after Closing.

Financial Independence

The Enlarged Group will have an independent financial system and makes financial decisions according to its own business needs. It will also have its own treasury function which is operated independently from the CMPD Group and CMG.

The Targets Group utilises advances and entrustment loans from CMPD in its ordinary and usual course of business on terms no less favourable than terms available from commercial banks in China. As of 12 April 2013, the total amount of advances and entrustment loans from CMPD to the Target Group amounted to approximately RMB883.75 million, representing approximately 44.6% of the Target Group' total interest-bearing bank loans and other borrowings. Such advances and entrustment loans from CMPD have a term of either 1 year or 3 years.

The Target Group is expected to fully settle all the advances and entrustment loans from CMPD by 30 May 2013 with loans obtained by it from commercial banks without any credit support from CMPD or CMG.

Except for Yonghuafu in Nanjing, all of the other Target Projects have already commenced their respective sale period and are generating revenues. During the year ended 31 December 2012, the Target Group generated net profit after taxation of approximately RMB1,045 million and cash flow from operating activities of approximately RMB2,504 million. The Enlarged Group will have strong capacity to raise sufficient funds to develop its Property Business.

POTENTIAL CONTINUING CONNECTED TRANSACTIONS

In the ordinary and usual course of business of the PRC Operating Subsidiaries, they have entered into property management agreements from time to time with Merchants Property Management Co., Ltd., a subsidiary of CMPD. Pursuant to the property management agreements, Merchants Property Management Co., Ltd. provides property management services to the PRC Operating Subsidiaries. Such transactions will, upon Closing, constitute continuing connected transactions of the Company and are subject to the requirements set out in Chapter 14A of the Listing Rules. Details of the continuing connected transactions will be disclosed in a further announcement of the Company and the Circular to be despatched by the Company to its Shareholders in compliance with the requirements of the Listing Rules if and when required.

RISKS ASSOCIATED WITH THE ACQUISITION

Closing is subject to the fulfilment of the conditions precedent and there is no assurance that they can be fulfilled and/or the Acquisition will be competed as contemplated.

A number of the conditions precedent to Closing involve the decisions of third parties, including approvals by the Independent Shareholders at the EGM, the approval by the Listing Committee for the new listing application of the Company and for the listing of and permission to deal in the Conversion Shares or (as the case may be) the Consideration Shares and Placement Shares on the Main Board of the Stock Exchange. These conditions precedent are set out in the section headed "Conditions Precedent" of this announcement. As fulfilment of these conditions precedent is not within the control of the parties involved in the Acquisition, there is no assurance that the Acquisition will be completed as contemplated.

The shareholding percentages of the existing Shareholders in the Company will be diluted following conversion of the Perpetual Convertible Securities or (as the case may be) the issue of the Consideration Shares and the Placement Shares.

Pursuant to the Agreement, the Company may (i) issue an aggregate of 3,836,789,000 Conversion Shares to Eureka (or as it may direct) when it exercises the conversion rights attaching to the Perpetual Convertible Securities, or (ii) issue an aggregate of 3,836,789,000 Consideration Shares and Placement Shares, each under the condition that such issue of Shares shall not result in the Company's public float being less than 25%. The total number of the Conversion Shares and the maximum aggregate number of the Consideration Shares and the Placement Shares each represent approximately 359% of the issued share capital of the Company as at the date of this announcement and 78% of the issued share capital of the Company as enlarged by the allotment and issue of the total Conversion Shares or (as the case may be) the total Consideration Shares and Placement Shares. As a result, the shareholding percentages of the existing Shareholders in the Company would be diluted when the Company issues the Conversion Shares or (as the case may be) the Consideration Shares and the Placement Shares. Any value enhancement of the Shares as a result of the Acquisition may not necessarily be reflected in their market price and may not offset the dilution effect to the Shareholders.

Other risks

The risks relating to the business of the Enlarged Group, the business, legal and regulatory environment for property development in the PRC and the general economic, legal and political aspects of the PRC will be set out in the Circular.

WARNING

The Company will despatch a circular in accordance with the requirements under the Listing Rules, which will contain, among other things, further details of the Acquisition and related agreements, a letter of advice from the Independent Financial Adviser to the IBC and the Independent Shareholders in relation to the Acquisition, financial information of the Target Group and of the Enlarged Group and a property valuation of the Target Group. The Circular will be subject to review by the Stock Exchange which may raise comments during the review process and require additional information to be included in the Circular. Shareholders and potential investors should refer to the Circular for further details of the Acquisition.

The Acquisition is subject to a number of conditions including Independent Shareholders' approval, which may or may not be fulfilled. In addition, the Listing Committee's approval to the new listing application to be made by the Company may or may not be granted. SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES OF THE COMPANY.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

As one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. As Eureka is a connected person of the Company by virtue of its being a controlling shareholder of the Company, the Acquisition also constitutes a connected transaction of the Company and subject to the approval of the Independent Shareholders at the EGM. Eureka and its associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve, among others, the Agreement and the Acquisition contemplated under the Agreement.

In addition, the Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(b) of the Listing Rules on the basis that the Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and (ii) involves acquisition of assets from Eureka within 24 months of Eureka gaining control (as defined under the Takeovers Code) of the Company. Accordingly, under Rule 14.54 of the Listing Rules, the Company will be treated as if it were a new listing applicant. The Acquisition is therefore also subject to the approval by the Listing Committee of a new listing application to be made by the Company. Such new listing application is required to comply with all the requirements under the Listing Rules, in particular, the requirements under Chapters 8 and 9 of the Listing Rules. As at the date of this announcement, the new listing application have not been submitted to the Stock Exchange, and the Company will initiate the new listing application process as soon as practicable. The Listing Committee may or may not grant its approval to the new listing application.

It is one of the conditions precedents to Closing that the approval to the new listing application by the Listing Committee has been obtained. In the event that the approval to the new listing application is not granted by the Listing Committee, the Agreement will not become unconditional and the Acquisition will not proceed

FINANCIAL ADVISER, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Goldman Sachs (Asia) L.L.C. has been appointed as the financial adviser to the Company in relation to the Acquisition.

The IBC comprising Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping and Mr. Shi Xinping, being all the independent non-executive Directors of the Company, has been formed to advise the Independent Shareholders in relation to the Acquisition. The Company has, with the approval of the IBC, appointed Altus Capital Limited as an independent financial adviser in accordance with the requirements under the Listing Rules to advise the IBC of the Company and the Independent Shareholders on matters in relation to the Acquisition.

DESPATCH OF CIRCULAR

The Company will despatch a circular in accordance with requirements under the Listing Rules, which will contain, among other things, (i) further details of the Acquisition; (ii) the recommendation of the IBC of the Company in relation to the Acquisition; (iii) a letter of advice from the Independent Financial Adviser to the IBC of the Company and the Independent Shareholders in relation to the Acquisition; (iv) financial information of the Target Group and of the Enlarged Group; (v) a property valuation of the Target Group; and (vi) the notice of the EGM.

The Circular is subject to review and comments by the Stock Exchange and will be despatched to the Shareholders as soon as practicable after the Company has obtained the approval in principle from the Listing Committee with respect to the new listing application. **The Shareholders and potential investors should refer to the Circular for further details of the Acquisition and the transactions contemplated under the Agreement.**

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 23 April 2013 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 25 April 2013.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

"AFA"	available floor areas for sale;
"Acquisition"	the sale and purchase of the Sale Shares and the Shareholder's Loans as contemplated under the Agreement;
"act in concert"	has the meaning given to it under the Takeovers Code;
"Affiliate"	in relation to any party of the Agreement, any subsidiary or parent company of that party and any subsidiary of any such parent company, in each case from time to time;
"Agreement"	the share purchase agreement dated 24 April 2013 entered into between the Company, Eureka and CMPD in respect of the Acquisition;
"associate"	has the meaning given to it under the Listing Rules;
"Business Day"	a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning no.8 or above or a "black" rain warning signal is hoisted in Hong Kong at any time between 9.00 a.m. and 5.00 p.m.) on which banks are open in Hong Kong for general commercial business;
"Business Opportunity"	any opportunity (whether arising by invitation or pursuant to open bidding in response to a "request for proposal" or otherwise) to participate in Property Business in the PRC, whether such participation is direct or indirect;
"BVI"	British Virgin Islands;

"Chongqing China Merchants"	重慶招商置地開發有限公司 (China West Premier Housing Development Co, Ltd.), a company incorporated in the PRC with limited liability;
"Circular"	the circular to be sent to the Shareholders in relation to the EGM containing, among others, details of the Acquisition;
"Closing"	Closing of the Acquisition pursuant to the terms of the Agreement;
"Closing Date"	the date on which Closing occurs;
"CMG"	China Merchants Group Co., Ltd., being the controlling shareholders of CMPD and currently holding approximately 51.89% of the total issued share capital of CMPD;
"CMPD"	China Merchants Property Development Co., Ltd. (招商局地產控股股份有限公司), a company established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000024) and Singapore Exchange (stock code: 200024);
"CMPD Cities"	Shanghai, Suzhou, Zhenjiang, Changzhou, Shenzhen, Zhuhai, Beijing, Tianjin, Qingdao, Chengdu, Wuhan, Xiamen, Zhangzhou, Bijie and Harbin;
"CMPD Group"	CMPD and its subsidiaries (excluding the Group);
"Company"	Tonic Industries Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0978);
"connected person"	has the meaning given to it under the Listing Rules;
"Consideration"	the total consideration of HK$6,177,230,290 for the Acquisition;
"Consideration Shares"	not more than 2,897,028,703 new Shares to be issued by the Company to Success Well Investments Limited, a wholly-owned subsidiary of Eureka, at a price no less than HK$1.61 per Share;
"controlling shareholder"	has the meaning given to it under the Listing Rules;
"Converge"	Converge Holdings Limited, a company incorporated in the BVI and wholly-owned by Eureka;

“Conversion Price”	the price per Share at which Shares will be issued upon exercise of the Conversion Rights, such price initially being HK$1.61 per Share, subject to adjustment in accordance with the terms of the Instrument;
“Conversion Right”	the right of a Holder to convert any Perpetual Convertible Securities into Shares pursuant to the terms of the Instrument;
“Conversion Shares”	new Shares to be allotted and issued by the Company upon the exercise of the Conversion Rights attaching to the Perpetual Convertible Securities by a Holder;
“Cosmo City”	Cosmo City Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Pride Oasis;
“CSRC”	China Securities Regulatory Commission;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to approve, among others, matters relating to the Acquisition;
“Enlarged Group”	the Group and the Target Group;
“Eureka”	Eureka Investment Company Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by CMPD;
“Foshan Merchants Wharf”	佛山招商九龍倉房地產有限公司 (Foshan Merchants Wharf Property Development Co., Ltd.), a company incorporated in the PRC with limited liability;
“Foshan Xin Cheng”	佛山鑫城房地產有限公司 (Foshan Xin Cheng Property Development Co., Ltd.), a company incorporated in the PRC with limited liability;
“Foshan Xin Jie”	佛山信捷房地產有限公司 (Foshan Xin Jie Property Development Co., Ltd.), a company incorporated in the PRC with limited liability;
“Foshan Yi Yun”	佛山依雲房地產有限公司 (Foshan Yi Yun Property Development Co., Ltd.), a company incorporated in the PRC with limited liability;
“GFA”	gross floor areas;
“Group”	the Company and its subsidiaries;

"Happy City"	Happy City Investments Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Eureka;
"Harpen"	Harpen Company Limited, a company incorporated in Hong Kong with limited liability, which is 50% owned by Eureka and 50% owned by Wharf Properties (China) Limited;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Holder"	the person in whose name a Perpetual Convertible Security is registered in the register of Holders;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"IBC"	independent board committee comprising all the independent non-executive Directors of the Company
"Issue Price"	the price for the issue of each Consideration Share and each Placement Share;
"Independent Financial Adviser"	Altus Capital Limited;
"Independent Shareholders"	the Shareholders of the Company, other than (i) Eureka, parties acting in concert with it and their respective associates, (ii) those who are connected, interested or involved in the Acquisition and (iii) those who are required to abstain from voting at the EGM to be convened to approve the Acquisition and matters relating to it;
"Instrument"	the instrument to be executed by way of a deed poll constituting the Perpetual Convertible Securities;
"Jones Lang LaSalle"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited;
"Last Accounts Date"	31 December 2012;
"Last Trading Day"	22 April 2013, being the last full trading day for the Shares before the date of this announcement;
"Listing Committee"	has the meaning given to it under the Listing Rules;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Merchants Nanjing Real Estate"	招商局房地產(南京)有限公司 (Merchants Nanjing Real Estate Co., Ltd.), a company incorporated in the PRC with limited liability;

"Merchants Property Development (Guangzhou)"	廣州招商房地產有限公司 (Merchants Property Development (Guangzhou) Ltd.), a company incorporated in the PRC with limited liability;
"MOFCOM"	Ministry of Commerce of the PRC;
"Nanjing China Merchants Rui Sheng"	南京招商瑞盛房地產有限公司 (Nanjing China Merchants Rui Sheng Property Co., Ltd.), a company incorporated in the PRC with limited liability;
"Non-Competition Deed"	the non-competition deed to be entered into between CMPD and the Company in relation to the Acquisition;
"Operation Agreement"	the operational support service framework agreement to be entered into by and between CMPD and the Company in relation to the Acquisition;
"Parity Obligations"	in respect of the Company: (i) any class of preference share capital in the Company and (ii) any other obligations of the Company, issued or incurred directly or indirectly by the Issuer, which rank, or are expressed to rank, pari passu with the Perpetual Convertible Securities or such preference shares;
"Perpetual Convertible Securities"	the perpetual convertible securities in the aggregate principal amount equal to the Consideration to be issued by the Company in favour of Eureka to satisfy the Consideration for the Sale Shares and the Shareholder's Loans pursuant to the Agreement;
"Placement Shares"	no less than 939,760,297 new Shares to be issued by the Company to institutional investors at a price no less than HK$1.61 per Share;
"PRC" or "China"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"PRC Operating Subsidiaries"	the PRC operating subsidiaries of the Target Companies, namely, Foshan Xin Jie, Chongqing China Merchants, Merchants Property Development (Guangzhou), Foshan Xin Cheng, Foshan Yi Yun, Foshan Merchants Wharf, Merchants Nanjing Real Estate, and Nanjing China Merchants Rui Sheng, and ***PRC Operating Subsidiary*** means any of them;
"Pride Oasis"	Pride Oasis Limited, a company incorporated in the BVI, which is 50% owned by Converge and 50% owned by Century Lord Limited (a subsidiary of Hong Kong Land Limited);

"Property Business"	development, sale, lease, investment and management of properties;
"Proposed Restructuring"	the transfer of Eureka's 21% equity interest in Merchants Property Development (Guangzhou) and 50% equity interest in Foshan Merchants Wharf to Sino Action and its 51% equity interest in Merchants Nanjing Real Estate to Happy City;
"Relevant Period"	the period from the date of Closing to the termination date of the Non-Competition Deed (both dates inclusive);
"RMB"	Renminbi, being the lawful currency of the PRC;
"Sale Shares"	Eureka's 50%, 100%, 100%, and 100% interest in the issued share capital of Harpen, Converge, Sino Action and Happy City, respectively;
"Seller Group"	Eureka and its affiliates from time to time, but excludes the Target Group and the Group;
"Senior Obligations"	in respect of the Company, all present and future obligations issued or incurred directly or indirectly by it, other than any of its Parity Obligations and its ordinary share capital;
"Shares"	ordinary shares of HK$0.01 each in the share capital of the Company;
"Shareholders"	holders of the Shares;
"Shareholder's Loans"	shareholder's loans outstanding and owing by each of the Target Companies to Eureka from time to time, which will be RMB3,528 million immediately before Closing;
"Sino Action"	Sino Action Investments Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Eureka;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning given to it under the Listing Rules;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Target Cities"	Guangzhou, Chongqing, Foshan and Nanjing;
"Target Companies"	Harpen, Converge, Sino Action and Happy City;

"Target Group"	the Target Companies and their respective subsidiaries, ***Target Group member*** means any of them;
"Target Projects"	has the meaning given to it under the section headed "Information on the Target Group" of this Announcement;
"Track Record Period"	the three years ended 31 December of 2010, 2011 and 2012;
"Transitional Period"	the period from Closing to 31 December 2017;
"US$"	United States Dollars, being the lawful currency of the United States of America;
"Warranties"	warranties given by Eureka and CMPD as warrantors to the Company under the Agreement; and
"Winding-Up"	with respect to the Company, a final and effective order or resolution for winding up or liquidation in respect of the Company.

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into Hong Kong dollar is based on the approximate exchange rate of RMB0.81 to HK$1.0. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB or HK$ can be converted at the above rate or any other rates or at all.

By Order of the Board
Tonic Industries Holdings Limited
Mr. Huang Peikun
Chairman

Hong Kong, 24 April 2013

As at the date of this announcement, the Board comprises Mr. Huang Peikun, Dr. So Shu Fai, Mr. Liu Zhuogen and Mr. Yu Zhiliang as executive Directors; Ms. Liu Ning as non-executive Director and Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping and Dr. Shi Xinping as independent non-executive Directors.

The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

* *For identification purposes only*