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## **SUN INNOVATION HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 547)**

### **MAJOR TRANSACTION**

On 13 July 2012, Ever Union, a wholly-owned subsidiary of the Company, Shenzhen Xinhe, Beijing Jingbaiqi, Mr Tan and Mr Qin entered into the Agreement pursuant to which Ever Union has agreed to purchase and the Vendors have agreed to sell the Sale Capital for a total consideration of RMB77,000,000.

The consideration of RMB77,000,000 for the sale and purchase of the Sale Capital shall be paid by Ever Union to the Vendors (of which RMB69,300,000 shall be paid to Shenzhen Xinhe and RMB7,700,000 shall be paid to Beijing Jingbaiqi) in cash at Completion.

Upon completion of the Partial Repayment, the outstanding loan repayable by Shenzhen Tuohe to Shenzhen Xinhe will be RMB120,605,100 and the outstanding loan repayable by Shenzhen Tuohe to Beijing Jingbaiqi will be RMB13,000,000. Ever Union has undertaken to the Vendors that, within the 12 months after Completion, Ever Union will advance RMB133,605,100, by way of shareholder's loan, to Shenzhen Tuohe, which shall be used for its repayment to the Vendors of the then outstanding loans.

The total amount of the Consideration, the Capital Commitment and the Potential Consideration is RMB240,605,100.

The Proposed Acquisition constitutes a major transaction on the part of the Company under the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements.

A circular containing, among other matters, further details of the Proposed Acquisition, the accountants' report on Shenzhen Tuohe Group, the valuation report on Shenzhen Tuohe Group and a notice to convene the SGM will be despatched to the Shareholders. As additional time is required to prepare the aforesaid information, including, but not limited to, the accountants' reports on Shenzhen Tuohe Group and the valuation report on Shenzhen Tuohe Group, the circular will be despatched to the Shareholders on or before 31 August 2012.

## **THE AGREEMENT**

**Date:** 13 July 2012 (after trading hours)

**Parties:** (1) Purchaser : Ever Union

(2) Vendors : Shenzhen Xinhe and Beijing Jingbaiqi

(3) Guarantors : Mr Tan and Mr Qin, each of whom shall guarantee in favour of Ever Union the due and punctual performance of the Vendors under the Agreement

Shenzhen Xinhe is principally engaged in development of electronic calculator communication network software and hardware technology and investment consultancy. Beijing Jingbaiqi is principally engaged in assets management, investment consultancy and investment management. Mr Tan is one of the ultimate beneficial owners of Shenzhen Xinhe. Mr Qin is one of the ultimate beneficial owners of Beijing Jingbaiqi.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Shenzhen Xinhe, Beijing Jingbaiqi, their respective ultimate beneficial owners, Mr Tan and Mr Qin is a third party independent of the Company and its connected persons.

### **Asset to be acquired**

Pursuant to the Agreement, the Vendors have agreed to sell and Ever Union has agreed to purchase the Sale Capital, representing the entire registered capital of Shenzhen Tuohe upon completion of the Increase in Registered Capital.

### **Consideration, Capital Commitment and Potential Consideration**

The consideration of RMB77,000,000 for the sale and purchase of the Sale Capital shall be paid by Ever Union to the Vendors (of which RMB69,300,000 shall be paid to Shenzhen Xinhe and RMB7,700,000 shall be paid to Beijing Jingbaiqi) in cash at Completion.

Upon completion of the Partial Repayment, the outstanding loan repayable by Shenzhen Tuohe to Shenzhen Xinhe will be RMB120,605,100 and the outstanding loan repayable by Shenzhen Tuohe to Beijing Jingbaiqi will be RMB13,000,000. Ever Union has undertaken to the Vendors that, within the 12 months after Completion, Ever Union will advance RMB133,605,100, by way of shareholder's loan, to Shenzhen Tuohe, which shall be used for its repayment to the Vendors of the then outstanding loans.

Upon Shenzhen Tuohe becoming a wholly-owned subsidiary of the Company and in the case that (i) the Option is granted and exercised, a consideration of RMB30,000,000 payable to Jiangsu Huilong will be assumed by the Group; or (ii) the Purchase Obligation is triggered, a loan of RMB30,000,000 payable to the Vendors (or any other parties which will provide the financial supports for Shenzhen Tuohe to pay the relevant consideration) will be assumed by the Group.

The total amount of the Consideration, the Capital Commitment and the Potential Consideration is RMB240,605,100. The Consideration was determined with reference to a discount of approximately 3.75% to the Sale Capital. The Capital Commitment was determined with reference to the outstanding loans repayable by Shenzhen Tuohe to the Vendors after the Partial Repayment. The Potential Consideration of RMB30,000,000 for the 10% equity interests in Kaiyuan Management is similar in value to the total amount of the Consideration and the Capital Commitment of RMB210,605,100 for the 70% equity interests in Kaiyuan Management paid by the Group pursuant to the Agreement. The Consideration and the Capital Commitment were arrived at after arm's length negotiations between the parties to the Agreement. The Directors consider that the terms and conditions of the Proposed Acquisition to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The Consideration and the Capital Commitment will be paid by the Group by internal resources of the Group and appropriate equity and/or debt financing method(s). As at the date of this announcement, the Company has not made up any concrete plan of future fund raising activities. The Company will make further announcement in accordance with the Listing Rules as and when appropriate.

### **Conditions**

Completion shall be conditional upon:

- (a) all necessary consents and approvals required to be obtained on the part of the Vendors, Mr Tan and Mr Qin in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (b) all necessary consents and approvals required to be obtained on the part of Ever Union and the Company in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (c) no matter, fact or circumstance having occurred which constitutes or may constitute a breach of any warranties given by the Vendors or terms of the Agreement;
- (d) the passing of the necessary resolution by the Shareholders at a special general meeting of the Company to be convened and held to approve the Agreement and the transactions contemplated thereunder;
- (e) all necessary consents, licences, permits and approvals required to be obtained from the PRC governmental authorities or other relevant approval bodies in respect of the Agreement and the transactions contemplated thereunder having been obtained and having conducted the change in the industry and commerce registration (including, but not limited to, the change in directors and legal representative nominated by Ever Union) of Shenzhen Tuohe Group at the relevant administration bureau for industry and commerce;

- (f) the PRC legal opinion (in form and substance satisfactory to Ever Union) to be issued by a firm of PRC legal advisers acceptable to Ever Union covering such matters which are relevant to the Agreement and the transactions contemplated thereunder being obtained;
- (g) Ever Union being reasonably satisfied with the results of the due diligence review to be conducted under the Agreement;
- (h) the valuation report (in form and substance satisfactory to Ever Union) to be issued by a firm of independent professional valuers designated by Ever Union showing the valuation of Kaiyuan Management and Kaiyuan Hospital to be not less than RMB300,000,000 having been obtained;
- (i) completion of the Increase in Registered Capital; and
- (j) completion of the Partial Repayment.

Ever Union may waive condition (c) and (g) above. Conditions (a), (b), (d), (e), (f), (h), (i) and (j) are incapable of being waived. If the conditions have not been fulfilled (or waived by Ever Union) on or before 12:00 p.m. on 31 December 2012, or such later date as the Vendors and Ever Union may agree, the Agreement shall cease and determine, and neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

### **Completion**

Completion shall take place at 4:00 p.m. on the date falling on the third business day after the fulfilment (or waiver) of the conditions or such other date as may be agreed between the Vendors and Ever Union.

Upon Completion, (i) Shenzhen Tuohe will become a wholly-owned subsidiary, while Kaiyuan Management and Kaiyuan Hospital will become non wholly-owned subsidiaries of the Company; and (ii) the financial results of Shenzhen Tuohe Group will be consolidated into the financial statements of the Company.

### **INFORMATION ON SHENZHEN TUOHE GROUP**

#### **Shenzhen Tuohe**

Shenzhen Tuohe is principally engaged in the development and sales of calculator software, network communications equipment, electronic equipment and building materials. As at the date of this announcement, Shenzhen Tuohe is owned as to 90% by Shenzhen Xinhe and as to 10% by Beijing Jingbaiqi. It legally and beneficially owns 70% of the entire equity interests in Kaiyuan Management.

## **Kaiyuan Management**

Kaiyuan Management is principally engaged in the management of hospital. As at the date of this announcement, Kaiyuan Management is owned as to 70% by Shenzhen Tuohe, as to 10% by Jiangsu Huilong, as to 12% by Wang Shu Zhang and as to 8% by Yang Jun. It legally and beneficially owns the entire equity interests in Kaiyuan Hospital.

## **Kaiyuan Hospital**

Kaiyuan Hospital is a principally engaged in principally engaged in the operation of the Hospital in Pudong New Area, Shanghai, the PRC. As at the date of this announcement, Kaiyuan Hospital is wholly-owned by Kaiyuan Management.

The Hospital commenced operation since 2008, with a focus and specialty on the orthopaedic operation and relevant recovery services. In 2010, the Hospital is admitted to the medical insurance scheme of Shanghai governed by 上海市人力資源和社會保障局 (Shanghai Municipal Human Resources and Social Security Bureau<sup>#</sup>) which allowed patients of the Hospital to claim against their medical expenses. In January 2012, the Hospital was granted the approval to conduct clinic services in the internal medicine discipline.

According to the strategic plan of the management of the Hospital, the Hospital is emphasizing and developing its specialties in the orthopaedic discipline, including, but not limited to, nerve injury recovery, spinal injury recovery and spinal deformity surgery. The management of the Hospital proposes to conduct more marketing activities to promote such specialties and build long-term cooperation relationship with orthopaedic experts, with an aim to enhance the market recognition of the Hospital and broadening its patient sources.

According to the information provided by Shenzhen Tuohe Group and published by the Pudong Government, the Hospital is the first private and specialised hospital with its operation and recovery services admitted to the medical insurance scheme of Shanghai in Pudong New Area, Shanghai, the PRC. Since its commencement of operation, the Hospital has had a solid record on its medical treatment quality, with high treatment efficiency and low medical dispute occurrence. In addition, the Hospital is one of the largest private orthopaedic hospitals in Shanghai, in terms of its scale, technology and equipment.

## Purchase Obligation and Option

As at the date of this announcement, Shenzhen Tuohe, Kaiyuan Management and Jiangsu Huilong have entered into the Kaiyuan Management Agreement, pursuant to which Shenzhen Tuohe has the Purchase Obligation to purchase the 10% of the entire equity interests in Kaiyuan Management held by Jiangsu Huilong at a total consideration of RMB30,000,000 upon Kaiyuan Management having obtained all property right certificates of its properties by 31 August 2012. In case such Purchase Obligation is triggered, the Vendors have undertaken to procure Shenzhen Tuohe to perform its duty under the Kaiyuan Management Agreement, including but not limited to providing all necessary financial supports for Shenzhen Tuohe to pay the relevant Potential Consideration. As such, upon Completion and Shenzhen Tuohe becoming a wholly-owned subsidiary of the Company, an additional outstanding loan of RMB30,000,000 will be assumed by the Group.

It is a term of the Agreement that the Vendors have undertaken that they will procure Shenzhen Tuohe to negotiate with Kaiyuan Management and Jiangsu Huilong to enter into a supplemental agreement (in a form and substance satisfactory to Ever Union) on or before 31 August 2012, pursuant to which the Purchase Obligation will be terminated and instead Shenzhen Tuohe will be granted the Option to purchase the 10% of the entire equity interests in Kaiyuan Management held by Jiangsu Huilong.

Upon the granting of the Option, the Company will comply with the requirements of the Listing Rules as and when appropriate.

## Financial Information

Set out below is a summary of the unaudited financial information of Shenzhen Tuohe for each of the two years ended 31 December 2011 and the six months ended 30 June 2012, which is prepared in accordance with generally accepted accounting principles in the PRC:

	<b>For the year ended 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the six months ended 30 June 2012</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Revenue	0	0	0
Net profit/(loss) before taxation	(0.61)	(0.38)	(0.24)
Net profit/(loss) after taxation	(0.61)	(0.38)	(0.24)
			<b>As at 30 June 2012</b>
			<i>RMB' million</i>
Net asset			47.61

Set out below is a summary of the unaudited financial information of Kaiyuan Management for each of the two years ended 31 December 2011 and the six months ended 30 June 2012, which is prepared in accordance with generally accepted accounting principles in the PRC:

	<b>For the year ended 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the six months ended 30 June 2012</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Revenue	0	0.41	0
Net profit/(loss) before taxation	(9.19)	(7.59)	(3.11)
Net profit/(loss) after taxation	(9.19)	(7.59)	(3.11)
			<b>As at 30 June 2012</b>
			<i>RMB' million</i>
Net asset			68.82

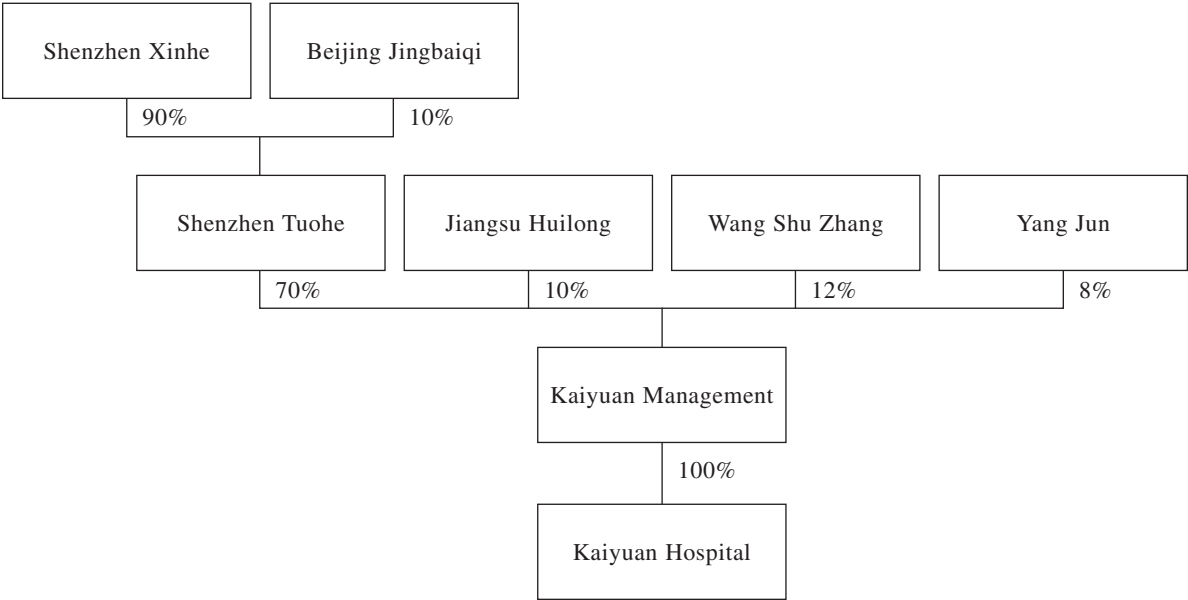
Set out below is a summary of the unaudited financial information of Kaiyuan Hospital for each of the two years ended 31 December 2011 and the six months ended 30 June 2012, which is prepared in accordance with generally accepted accounting principles in the PRC:

	<b>For the year ended 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the six months ended 30 June 2012</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Revenue	18.63	39.32	22.07
Net profit/(loss) before taxation	(10.06)	(5.71)	(1.52)
Net profit/(loss) after taxation	(10.06)	(5.71)	(1.52)
			<b>As at 30 June 2012</b>
			<i>RMB' million</i>
Net liability			28.57

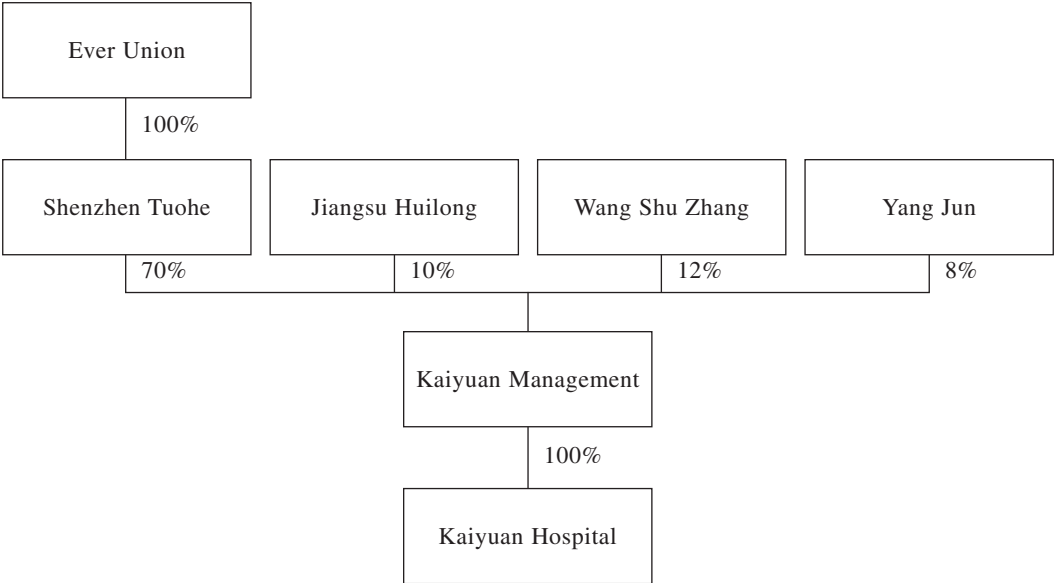
**Group structure**

The following charts show the group structure of Shenzhen Tuohe Group (i) as at the date of this announcement; (ii) immediately after the Completion assuming the Purchase Obligation is not triggered or the Option is granted but not exercised; and (iii) immediately after Completion assuming the Purchase Obligation is triggered or the Option is granted and exercised:

*As at the date of this announcement*

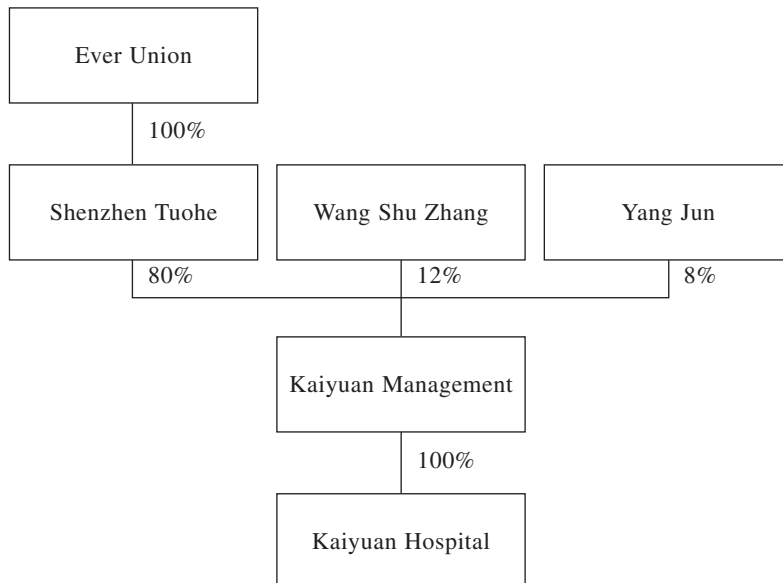


*Immediately after Completion assuming the Purchase Obligation is not triggered or the Option is granted but not exercised*





*Immediately after Completion assuming the Purchase Obligation is triggered or the Option is granted and exercised*



## **REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION**

The Group is principally engaged in property investment business and trading business. As set out in the 2011 annual report of the Company, active exploration of new potential business opportunities will be the primary goal and task of the Group in order to achieve a promising and prospective value to all valued Shareholders and investors of the Company. The Company considers that the Proposed Acquisition is an opportunity for the Group to tap into the promising medical industry in Shanghai and to diversify its existing business, with an aim to broaden the income base of the Group.

During the past years, the medical industry in Shanghai has been developing at a notifiable rate. According to the information published by the Bureau of Health of Shanghai, the number of clinic patients has increased from approximately 88.67 million in 2000 to approximately 191.39 million in 2010, while the number of operations has increased from 0.30 million in 2000 to approximately 0.90 million in 2010. With the continuously growing population and developing economy, the medical industry in Shanghai is expected to further grow in the future.

In addition to the favourable industry environment, the Company has identified the Hospital as having abundant potential under the prevailing policies. According to 浦東新區衛生事業發展「十二五」規劃 (12th Five-Year Plan for Health Activities in Pudong New Area<sup>#</sup>) issued by the Pudong Government, the government will encourage private hospitals to provide high-end or specialized medical services, and ensure an equal opportunity in relation to the medical insurance, technology development, qualification application and staff training, with an aim to promote the development of private hospitals.

According to the information provided by Shenzhen Tuohe Group and published by the Pudong Government, the Hospital is the first private and specialized hospital with its operation and recovery services admitted to the Insurance Scheme in Pudong New Area. In spite of the lack of profitability due to its short operation history, the business and financials of the Hospital has experienced a significant improvement during the past years and is expected to continue the growth trend in the future, with its solid record on the quality of medical treatment.

The Board is of the view that the terms of the Proposed Acquisition are fair and reasonable and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Proposed Acquisition constitutes a major transaction on the part of the Company under the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements.

A circular containing, among other matters, further details of the Proposed Acquisition, the accountants' report on Shenzhen Tuohe Group, the valuation report on Shenzhen Tuohe Group and a notice to convene the SGM will be despatched to the Shareholders in compliance with the Listing Rules. As additional time is required to prepare the circular, including, but not limited to, the accountants' reports on Shenzhen Tuohe Group and the valuation report on Shenzhen Tuohe Group, the circular will be despatched to the Shareholders on or before 31 August 2012.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. As no Shareholder has an interest in the Agreement that is materially different from other Shareholders, no Shareholder is required to abstain from voting at the SGM in respect of the Agreement and the transactions contemplated thereunder.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Agreement”	the agreement dated 13 July 2012 and entered into among the Vendors, Ever Union, Mr Tan and Mr Qin in relation to the sale and purchase of the Sale Capital
“Beijing Jingbaiqi”	北京京佰奇資產管理有限公司 (Beijing Jingbaiqi Asset Management Company Limited#), a company established in the PRC with limited liability and one of the Vendors under the Agreement
“Board”	the board of Directors

“Capital Commitment”	the capital commitment of RMB133,605,100 to be provided by Ever Union to Shenzhen Tuohe for its repayment of the outstanding loan to the Vendors
“Company”	Sun Innovation Holdings Limited, a company incorporated in Bermuda with limited liability the issued shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Capital in accordance with the terms and conditions of the Agreement
“Connected Person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of RMB77,000,000 to be satisfied by Ever Union to the Vendors for the sale and purchase of the Sale Capital
“Director(s)”	the director(s) of the Company
“Ever Union”	Ever Union Medical Services Group Limited, a company incorporated in Hong Kong with limited liability, a wholly owned subsidiary of the Company and the purchaser under the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hospital”	Shanghai Kaiyuan Orthopaedic Hospital
“Increase in Registered Capital”	the increase in the registered capital of Shenzhen Tuohe from RMB50,000,000 to RMB80,000,000 and the Vendors having paid up in full the amount of RMB30,000,000 relating to such increase in registered capital
“Jiangsu Huilong”	江蘇惠龍實業有限公司 (Jiangsu Huilong Enterprise Limited <sup>#</sup> ), a company established in the PRC with limited liability and one of the shareholders of Kaiyuan Management

“Kaiyuan Hospital”	上海開元骨科醫院有限公司 (Shanghai Kaiyuan Orthopaedic Hospital Limited <sup>#</sup> ), a company established in the PRC with limited liability and a subsidiary of Kaiyuan Management
“Kaiyuan Management”	上海開元醫院投資管理有限公司 (Shanghai Kaiyuan Hospital Investment Management Limited <sup>#</sup> ), a company established in the PRC with limited liability and a subsidiary of Shenzhen Tuohe
“Kaiyuan Management Agreement”	the agreement entered into between Shenzhen Tuohe, Jiangsu Huilong and Kaiyuan Management, in relation to, among other matters, the Purchase Obligation
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr Tan”	譚振宇 (Tan Zhenyu <sup>#</sup> ) and one of the guarantors under the Agreement
“Mr Qin”	秦志明 (Qin Zhiming <sup>#</sup> ) and one of the guarantors under the Agreement
“Option”	the option to be granted to Shenzhen Tuohe from Jiangsu Huilong, which allows Shenzhen Tuohe to purchase the 10% of the entire equity interests in Kaiyuan Management held by Jiangsu Huilong
“PRC”	the People’s Republic of China
“Partial Repayment”	the partial repayment of the shareholder loan owned by Shenzhen Tuohe to the Vendors amounted to RMB30,000,000 conditional to the completion of the Increase in Registered Capital
“Potential Consideration”	the potential capital commitment of RMB30,000,000 assumed by the Group if (i) the Purchase Obligation is triggered; or (ii) the potential loan of RMB30,000,000 is assumed by the Group if the Option is granted and exercised
“Proposed Acquisition”	the proposed acquisition of the Sale Capital by Ever Union from Shenzhen Xinhe and Beijing Jingbaiqi subject to and upon the terms and conditions of the Agreement

“Purchase Obligation”	the obligation of Shenzhen Tuohe to purchase the 10% of the entire equity interests in Kaiyuan Management held by Jiangsu Huilong at a total consideration of RMB30,000,000 conditional upon Kaiyuan Management having obtained all property right certificates of its properties
“Sale Capital”	the registered capital of Shenzhen Tuohe upon completion of the Increase in Registered Capital, which is legally and beneficially owned by the Vendors
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Shenzhen Tuohe”	深圳市拓和投資發展有限公司 (Shenzhen Tuohe Investment Development Company Limited <sup>#</sup> ), a company established in the PRC with limited liability
“Shenzhen Tuohe Group”	Shenzhen Tuohe, Kaiyuan Management and Kaiyuan Hospital
“Shenzhen Xinhe”	深圳市新和科技發展有限公司 (Shenzhen Xinhe Technology Development Company Limited <sup>#</sup> ), a company established in the PRC with limited liability and one of the Vendors under the Agreement
“Shareholders”	holders of the ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Shenzhen Xinhe and Beijing Jingbaiqi
“RMB”	Renminbi, the lawful currency of the PRC

<sup>#</sup> *The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

By order of the Board  
**SUN INNOVATION HOLDINGS LIMITED**  
**Zhou Jian**  
*Chairman*

Hong Kong, 13 July 2012

*As at the date of this announcement, Mr. Zhou Jian and Mr. Fan Lei are the executive Directors and Ms. Lau Cheong, Mr. Duan Xiongfei and Mr. Tam Tak Kei Raymond are the independent non-executive Directors.*