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PROSTEN HEALTH HOLDINGS LIMITED

長達健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

INSIDE INFORMATION

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND

With reference to the annual report of the Company for the year ended 31 March 2016, the Directors considered that the Group was unable to govern certain subsidiaries (the “**De-consolidated Subsidiaries**”) and the control over the De-consolidated Subsidiaries was lost. Therefore, from 1 January 2016 onwards, the Group had de-consolidated the De-consolidated Subsidiaries from its financial statements for the financial year ended 31 March 2016 (the “**De-consolidation**”).

The Board wishes to inform the Shareholders and potential investors of the Company that the Company was in negotiations with relevant party(ies) with an aim to resolving the matters arising from or in connection with the loss of control over the De-consolidated Subsidiaries. Nevertheless, there is no conclusion in this regard as at the date of this announcement.

As at the date of this announcement, the Target Company (a direct wholly-owned subsidiary of the Company) indirectly holds the entire issued share capital of the De-consolidated Subsidiaries.

The Board is pleased to announce that on 2 June 2017 (after trading hours), the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares and the Sale Loan at the Consideration of HK\$4.6 million. The Disposal will in effect cast away the Target Group (including the De-consolidated Subsidiaries) from the Group.

THE DISPOSAL

Set out below are the principal terms of the Disposal Agreement:

Date

2 June 2017 (after trading hours)

Parties involved

— The Company (as vendor)

— The Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser and her associates are Independent Third Parties and do not hold any Shares or other convertible securities in the Company as at the date of this announcement; and (ii) there was no previous transaction or business relationship among the Company, the Purchaser and/or her associates in the previous 12 months which would result in aggregation under Rule 19.22 of the GEM Listing Rules.

Subject matter

Pursuant to the Disposal Agreement, the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares (representing the entire issued share capital of the Target Company) and the Sale Loan.

The Consideration

The Consideration for the Disposal is HK\$4.6 million and shall be payable by the Purchaser in cash within three business days from the date of the Disposal Agreement.

The Consideration of HK\$4.6 million was determined after arm's length negotiations between the Company and the Purchaser taking into account (i) the net liabilities of the Target Group (excluding the De-consolidated Subsidiaries as the control over them was lost), as adjusted for the valuation of the Property as at 31 May 2017 conducted by an independent valuer using comparison approach, which amounted to approximately HK\$22.6 million as at 31 March 2017; and (ii) the Sale Loan of approximately HK\$8.1 million.

Completion

Subject to payment of the Consideration in accordance with the Disposal Agreement, the Completion shall take place within 10 business days from the date of the Disposal Agreement, or such other date as may be agreed between the Company and the Purchaser.

As aforementioned, from 1 January 2016 onwards, the Group had de-consolidated the De-consolidated Subsidiaries from its financial statements for the financial year ended 31 March 2016.

Immediately after the Completion, the Company will cease to hold directly or indirectly, any interest in each member of the Target Group. As such, members of the Target Group other than the De-consolidated Subsidiaries (the “**Subsidiaries Under Control**”) will also cease to become subsidiaries of the Company and their financial results will no longer be consolidated into the financial statements of the Group.

Information on the Target Group

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company, which is directly wholly-owned by the Company as at the date of this announcement.

As at the date of this announcement, the Target Company (a direct wholly-owned subsidiary of the Company) holds the entire issued share capital of the De-consolidated Subsidiaries and the Subsidiaries Under Control.

The Subsidiaries Under Control do not have business operation as at the date of this announcement.

The Target Group hold the Property through one of the Subsidiaries Under Control. The Property is a high floor apartment unit with gross floor area of approximately 159 square meters in a 25-storey residential building located at No. 24 Jian Guo Men Wai Da Jie Yi, Chaoyang District, Beijing, the PRC, and is vacant as at the date of this announcement.

Reasons for the Disposal and use of proceeds

Despite the Company's negotiations with the relevant party(ies) with an aim to resolving the matters arising from or in connection with the loss of control over the De-consolidated Subsidiaries, there is no conclusion in this regard as at the date of this announcement.

The Directors consider that the Disposal represents an opportunity for the Group to cast away the Target Group (including the De-consolidated Subsidiaries) and avoid further efforts to be spent on negotiation or other actions to be taken in connection with the loss of control over the De-consolidated Subsidiaries.

The net proceeds from the Disposal is expected to be approximately HK\$4.4 million. The Company intends to apply such amount for general working capital of the Group.

It is expected that the Company will record an estimated net gain of approximately HK\$26.5 million (subject to final audit) from the Disposal upon the Completion, which is calculated based on the unaudited net liabilities of the Target Group (excluding the De-consolidated Subsidiaries) as at 31 March 2017 of approximately HK\$30.0 million, the Sale Loan of approximately HK\$8.1 million and the consideration for the Disposal of approximately HK\$4.6 million.

Having considered the foregoing, the Directors considered that the terms and conditions of the Disposal Agreement are on normal commercial terms, fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole.

For avoidance of doubt, the Disposal does not constitute notifiable transaction or connected transaction of the Company pursuant to Chapter 19 and Chapter 20 of the GEM Listing Rules.

TERMS AND DEFINITIONS

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

“Board”	the board of Directors
“Company”	Prosten Health Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM (stock code: 8026)

“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration of HK\$4.6 million for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan pursuant to the Disposal Agreement
“Disposal Agreement”	the agreement dated 2 June 2017 entered into between the Company and the Purchaser in relation to the Disposal
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of the Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) and its/their ultimate beneficial owner(s) which are independent of the Company and connected persons of the Company and their respective associates
“Property”	Room 2002, Block 3, Yanhuayuan, No. 24 Jian Guo Men Wai Da Jie Yi, Chaoyang District, Beijing, the PRC
“PRC”	the People’s Republic of China

“Purchaser”	Ms. Feng Tingting (馮亭亭)
“Sale Loan”	the shareholder loans that the Target Group owes the Company as at the date of the Disposal Agreement
“Sale Shares”	the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Prosten (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability which is a direct wholly-owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries
“%”	per cent.

By order of the Board
Prosten Health Holdings Limited
Xu Zhigang
Chairman

Hong Kong, 2 June 2017

As at the date of this announcement, the Board comprises the following directors:

Mr. Xu Zhigang (Executive Director (Chairman))

Mr. Han Jun (Executive Director)

Mr. Shi Liangsheng (Executive Director)

Mr. Wen Xingcheng (Executive Director)

Mr. Chen Weixi (Non-Executive Director)

Mr. Poon Yan Wai (Independent Non-Executive Director)

Mr. Xu Xiaoping (Independent Non-Executive Director)

Mr. Lam Kwok Cheong (Independent Non-Executive Director)

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company’s website at www.prosten.com.