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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)

DISCLOSEABLE TRANSACTION

Financial Adviser to the Company



THE DISPOSAL

The Board is pleased to announce that on 26 July 2017 (after trading hours), the Vendor (being an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares and the Sale Loan at the Consideration of HK\$9 million.

GEM LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

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The Board is pleased to announce that on 26 July 2017 (after trading hours), the Vendor (being an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares and the Sale Loan at the Consideration of HK\$9 million.

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

Date

26 July 2017 (after trading hours)

Parties involved

Vendor

Meteor Storm Holdings Limited, an indirect wholly-owned subsidiary of the Company

Purchaser

Mr. Zhang Xiaozheng (張小崢)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser and its 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 its 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 Vendor has agreed to sell and the Purchaser has 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\$9 million and shall be payable by the Purchaser in cash within 15 business days from the date of the Disposal Agreement.

The Consideration of HK\$9 million was arrived after arm's length negotiations between the Vendor and the Purchaser after taking into account of the consolidated net liabilities of the Target Group attributable to the Vendor of approximately HK\$2.3 million as at 31 March 2017 and the amount of the Sale Loan of approximately HK\$10.9 million.

Completion

Subject to payment of the Consideration in accordance with the Disposal Agreement and completion of due diligence by the Purchaser, the Completion shall take place within 30 days from the date of the Disposal Agreement, or such other date as may be agreed between the Vendor and the Purchaser.

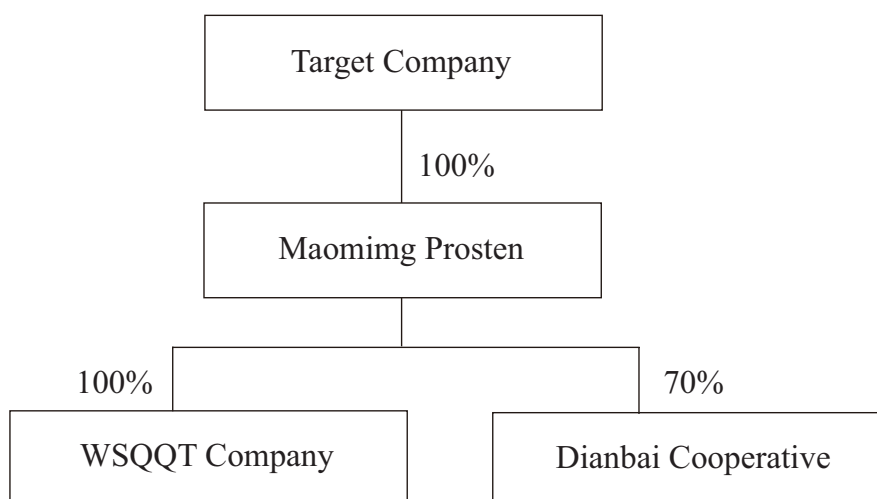
Upon Completion, members of the Target Group will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the financial results of the Group.

Information on the Target Group

The Target Company is a company incorporated in Hong Kong with limited liability and is an investment holding company.

Members of the Target Group includes (i) the Target Company, (ii) its wholly-owned subsidiaries, namely, Maoming Prosten and WSQQT Company; and (iii) its non-wholly owned subsidiary, namely, Dianbai Cooperative.

Set out below is the shareholding structure of the Target Group as at the date of this announcement:



Maoming Prosten is a company incorporated in the PRC with limited liability and is directly wholly-owned by the Target Company. Maoming Prosten is principally engaged in trading of pharmaceutical products (Chinese medicine) and sales of health food.

WSQQT Company is a company incorporated in the PRC with limited liability and is directly wholly-owned by Maoming Prosten. WSQQT Company has no business operation as at the date of this announcement.

Dianbai Cooperative is a cooperative established in the PRC and is owned as to 70% by Maoming Prosten. Dianbai Cooperative is principally engaged in the cultivation of longan and radix millettiae speciosae.

Financial information of the Target Group

Set out below is the financial information of the Target Group for the period from 19 August 2015 (being the date of incorporation of the Target Company) to 31 March 2017 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the period from 19 August 2015 (being the date of incorporation of the Target Company) to 31 March 2016	For the year ended 31 March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	715	1,104
Loss after tax	715	1,104

As at 31 March 2017, the consolidated net liabilities of the Target Group was approximately HK\$2.3 million. The Target Group recorded losses before and after tax for the period from 19 August 2015 (being the date of incorporation of the Target Company) to 31 March 2017 given that it was still in early stage of development.

Reasons for the Disposal and use of proceeds

The Group is principally engaged in the trading, distribution & manufacturing of medical, pharmaceutical & healthcare food products (the “**Pharmaceutical Business**”); design, R&D, wholesale & retail of jewellery; and provision of money lending services.

The Group engaged in the Pharmaceutical Business since 2016. After reviewing the financial performance of the Target Group for the year ended 31 March 2017, the gross profit margin of the Target Group is lower than the gross profit margin of the remaining subsidiaries of the Group under the Pharmaceutical Business (the “**Remaining Pharmaceutical Subsidiaries**”).

The Board is of the view that the Disposal represents an opportunity to realise its investment in the Target Group and focus its resources on development of the Pharmaceutical Business through the Remaining Pharmaceutical Subsidiaries (including Sino Yao Shang Technology Limited which, through its subsidiaries, has obtained the licenses such as the pharmaceutical operation permit (藥品經營許可證), the medical equipment operation permit (醫療器械經營企業許可證) and the good supply practices (GSP) certificate (藥品經營質量管理規範認證證書) and is principally engaged in the sales of pharmaceuticals, healthcare products and pharmaceutical consumables).

It is expected that the Group will record an estimated gain of approximately HK\$0.3 million (subject to final audit) from the Disposal upon Completion, being calculated based on the amount of the Consideration, the consolidated net liabilities of the Target Group as at 31 March 2017, the amount of the Sale Loan and the relevant expenses and transaction costs.

The net proceeds from the Disposal is expected to be approximately HK\$8.9 million. The Company intends to apply such amount for general working capital of the Group.

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

GEM LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 19 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
“Completion Date”	date of the Completion
“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\$9 million for disposal of the Sale Shares and the Sale Loan pursuant to the Disposal Agreement
“Dianbai Cooperative”	茂名市電白區長達種養殖專業合作社 (Maoming Dianbai Prosten Cultivation Cooperative *), a cooperative established in the PRC and an indirect 70% owned subsidiary of the Target Company
“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 26 July 2017 entered into between the Vendor and 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 its connected persons and their respective associates

“Maoming Prosten”	茂名市長達藥業有限公司 (Maoming Prosten Pharmaceutical Company Limited *), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
“PRC”	the People’s Republic of China
“Purchaser”	Mr. Zhang Xiaozheng (張小嶸)
“Sale Loan”	the shareholder loan that the Target Group owes the Vendor 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”	Meteor Investment (H.K.) Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Meteor Storm Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company

“WSQQT Company” 文山青丘堂商貿有限公司(Wen Shan Qing Qiu Tang Commercial Company Limited *), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company

“%” per cent.

By Order of the Board
PROSTEN HEALTH HOLDINGS LIMITED
Xu Zhigang
Chairman

Hong Kong, 26 July 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.

** for identification purpose only*