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PROSTEN HEALTH HOLDINGS LIMITED

長達健康控股有限公司

(formerly known as Prosten Technology Holdings Limited 長達科技控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

**(1) DISCLOSEABLE TRANSACTION -
ACQUISITION OF KING WIN INTELLIGENT TECHNOLOGIES LIMITED
AND
(2) CHANGE IN ALLOCATION OF USE OF NET PROCEEDS RAISED
FROM ISSUE OF CONVERTIBLE NOTE**

THE ACQUISITION

The Board is pleased to announce that on 13 December 2016 (after trading hours), Prosten E-Business, a direct wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, whereby the Vendor agreed to sell and Prosten E-Business agreed to purchase the Sale Share and the Sale Loan for a total consideration of HK\$10,600,000 subject to the terms and conditions of the Agreement.

IMPLICATIONS OF THE GEM LISTING RULES

With respect to the Acquisition, as one of the applicable percentage ratios as defined in Rule 19.06 of the GEM Listing Rules is 5% or more but none of them is 25% or above, the Acquisition constitutes a discloseable transaction of the Group under Chapter 19 of the GEM Listing Rules. In light of the above, the Acquisition is subject to the reporting and announcement requirements under the GEM Listing Rules.

I. THE ACQUISITION

BACKGROUND

The Board is pleased to announce that on 13 December 2016 (after trading hours), Prosten E-Business, a direct wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, whereby the Vendor agreed to sell and Prosten E-Business agreed to purchase the Sale Share and the Sale Loan for a total consideration of HK\$10,600,000 subject to the terms and conditions of the Agreement.

As at the date of the Agreement, the Vendor is the shareholder of the Target Company holding its entire issued share capital.

Details of the Agreement are set out in the ensuing paragraphs.

1. The Agreement

1.1 Date

13 December 2016

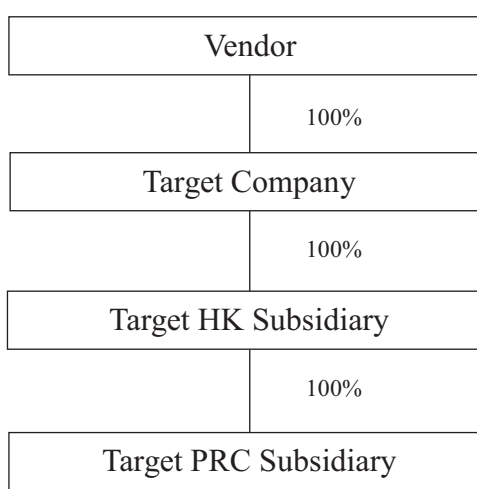
1.2 Parties

- (1) the Vendor;
- (2) Prosten E-Business; and
- (3) the Vendor's Guarantor

1.3 Subject assets of the Acquisition

The subject assets of the Acquisition are (i) the Sale Share, being the entire issued share capital of the Target Company, and (ii) the Sale Loan.

The Target Company as registered and beneficial owner holds the entire issued shares in the Target HK Subsidiary, which in turns as registered and beneficial owner holds the entire equity interest in the Target PRC Subsidiary. The shareholding structure of the Target Group as at the date of this announcement is illustrated as follows:



The Target PRC Subsidiary as legal and beneficial owner owns a parcel of land for industrial use under construction located at the southern side of Zhongshan Road, western side of Zhawang Highway, Jiaxinggang District, Jiaxing City, Zhejiang Province, the PRC (中國浙江省嘉興市嘉興港區乍王公路西側中山路南側) (the “**Land**”) with a site area of approximately 4,627.50 sq.m..

As at the date of this announcement, the Target HK Subsidiary owes the Vendor an indirect interest-free shareholder’s loan in the principal amount of HK\$11,378,435.64 (i.e. the Sale Loan).

1.4 Consideration

The Purchase Price payable to the Vendor by Prosten E-Business for the acquisition of the Sale Share and the Sale Loan is HK\$10,600,000.

The Purchase Price was determined after arm's length negotiations between Prosten E-Business and the Vendor with reference to the Target Group's consolidated net liabilities of approximately HK\$0.76 million as at 30 November 2016 and the principal amount of the Sale Loan which is approximately HK\$11.38 million as at the date of the Agreement.

The Company also engaged an independent valuer to appraise the market value of the Land and the construction in progress thereon (being major assets of the Target Group) as at 30 November 2016 (the "**Valuation**") based on depreciated replacement cost approach. There is no material difference between the book value of the Land and the construction in progress thereon as per the management account of the Target Group as at 30 November 2016 and the Valuation as appraised by the independent valuer.

The Group intends to fund the Acquisition by part of the net proceeds raised from the recent issue of convertible note in the aggregate principal amount of HK\$35,000,000 the ("**Issue of CN**") which was completed on 31 October 2016.

1.5 Payment Terms

The Purchase Price shall be paid by Prosten E-Business to the Vendor by instalments:

- (1) HK\$4,000,000 to be paid as deposit within 5 business days after signing of the Agreement; and
- (2) The balance HK\$6,600,000 to be paid within 5 business days after completion of the Acquisition.

In the event that completion of the Acquisition fails to take place for whatsoever reason, the Vendor shall return the deposit paid by Prosten E-Business as aforesaid without interest within 3 business days of termination/lapse of the Agreement.

1.6 Conditions Precedent

Pursuant to the Agreement, completion of the Acquisition shall take place by 30 June 2017, but is subject to the following conditions precedent:

- (1) all parties to the Agreement having obtained all requisite consents, authorisations, permits and/or approvals for execution of the Agreement, entering into the transactions thereunder and performance of their respective obligations thereunder;
- (2) Prosten E-Business having completed legal, financial and operational due diligence on the Target Group and the Land (which shall be completed within 30 days from the date of the Agreement or such longer period as may be mutually agreed by Prosten E-Business and the Vendor in writing), and considering the due diligence results satisfactory and therefore agreeing to proceed with completion of the Acquisition; and
- (3) the Vendor's representations and warranties given under the Agreement having remained true, complete and not misleading in all respects.

1.7 The Vendor's Guarantee

The Vendor's Guarantor, being the sole ultimate beneficial owner of the Vendor, acts as guarantor to irrevocably guarantee the due and punctual performance of the Vendor's obligations under the Agreement.

2. Information of the Vendor

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, the Vendor is an investment holding company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Vendor, its ultimate beneficial owner and their respective 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 Vendor and/or its associates in the previous 12 months which would result in aggregation under Rule 19.22 of the GEM Listing Rules.

3. Information of the Target Group

The Target Company was incorporated under the laws of the British Virgin Islands on 4 February 2015, and wholly owns the Target HK Subsidiary, which in turn holds 100% equity interest in the Target PRC Subsidiary. The Target HK Subsidiary was incorporated in Hong Kong on 25 February 2015, whereas the Target PRC Subsidiary was incorporated in the PRC on 11 June 2015.

To the best of the knowledge, information and belief of the Directors, both of the Target Company and the Target HK Subsidiary are investment holding companies, whereas the Target PRC Company's current principal business activity is the development of the Building (as defined below). The major assets of the Target PRC Company are the Land, the construction in progress thereon and cash.

Set out below is the unaudited consolidated financial information of the Target Group for the period from 4 February 2015 (being the incorporation date of the Target Company) to 30 November 2016 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the period from 4 February 2015 to 31 December 2015 <i>HK\$'000</i>	For the 11 months ended 30 November 2016 <i>HK\$'000</i>
Loss before and after tax	28.8	20.3

The unaudited consolidated net liabilities of the Target Group is approximately HK\$0.76 million as at 30 November 2016.

It is the intention of the Target Group to construct a building with total planned gross floor area of approximately 8,000 sq.m. on the Land (the "**Building**"). Upon completion of the construction and renovation of the Building and its ancillary facilities, the Target Group intends to lease the units of the Building to start-up enterprises and receive rental income from them. The Target Group may also provide corporate services such as consultation to the aforesaid start-up enterprises.

The Target Group has engaged a subcontractor to commence construction of the Building. The construction and renovation of the Building and its ancillary facilities is expected to be completed by the end of 2017.

The estimated total construction and renovation cost of the Building and its ancillary facilities is approximately RMB18.8 million. The Group intends to finance the aforementioned cost by (i) internal resources of the Target Group; (ii) internal resources of the Group; (iii) part of the net proceeds from the Issue of CN; and/or (iv) other possible fund raising activities (if necessary).

4. Reasons for and benefits of the Acquisition

The Group is principally engaged in the provision of mobile search services and mobile value added services; trading, distribution and manufacturing of medical, pharmaceutical and healthcare food products; design, research, development, wholesale and retail of jewellery; and provision of financial services, including money lending services.

The Directors consider that the Acquisition represents an opportunity for the Group to diversify its business and broaden its revenue sources. Upon completion of the construction and renovation of the Building and its ancillary facilities and successful leasing of the units of the Building to target tenants, the Building is expected to generate a stable stream of rental income to the Group, which will ultimately benefit the Company and its Shareholders as a whole.

Considering the potential benefits that the Acquisition are likely to yield to the Group, the Directors consider that the terms of the Agreement and the Acquisition are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

5. Gem Listing Rules Implications

With respect to the Acquisition, as one of the applicable percentage ratios as defined in Rule 19.06 of the GEM Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Group under Chapter 19 of the GEM Listing Rules. In light of the above, the Acquisition is subject to the reporting and announcement requirements under the GEM Listing Rules.

II. CHANGE IN USE OF NET PROCEEDS RAISED FROM ISSUE OF CONVERTIBLE NOTE

Reference is made to the circular dated 30 September 2016 and the announcement dated 31 October 2016 both issued by the Company in relation to the Issue of CN.

According to the said circular, HK\$17,000,000 out of the total HK\$34,000,000 net proceeds raised from the Issue of CN was originally intended for financing the business development of the Group's pharmaceutical and healthcare products business (the "**P&H Business**"). Having considered the potential benefits of the Acquisition and the development of the Building, the Directors consider that it is appropriate to re-allocate part of the net proceeds of the Issue of CN to capture such opportunity. Accordingly, the Board has resolved to change the proposed use of net proceeds from the Issue of CN by re-allocating HK\$14,000,000 (being part of the said sum HK\$17,000,000) to finance the Acquisition, future business development of the Target Group and construction and renovation of the Building and its ancillary facilities. Subject to the Group's financial position, the Group may finance the funding needs of the P&H Business by internal resources and/or other possible fund raising activities in future.

The Board has considered the impact of the proposed change in the use of the net proceeds on the Group's business and believed that, in view of the Group's operation and business development, the re-allocation of the part of the net proceeds is appropriate and in the interests of the Company and its shareholders as a whole.

III. DEFINITIONS

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

“Acquisition”	means the acquisition of the Sale Share and the Sale Loan by Prosten E-Business from the Vendor on and subject to the terms and conditions of the Agreement;
“Agreement”	means the agreement dated 13 December 2016 for transfer of the Sale Share and assignment of the Sale Loan entered into between Prosten E-Business (as purchaser), the Vendor (as vendor) and the Vendor's Guarantor in relation to the Acquisition;
“Board”	means the board of Directors;
“Company”	means Prosten Health Holdings Limited (formerly known as Prosten Technology Holdings Limited), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM (stock code: 8026);

“Director(s)”	means the director(s) of the Company;
“GEM”	means the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on the GEM;
“Group”	means the Company and its subsidiaries collectively;
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC;
“HK\$”	means Hong Kong Dollars, the prevailing currency of Hong Kong;
“Independent Third Party(ies)”	means third party(ies) and their ultimate beneficial owner(s) (if applicable) which are independent of the Company and its connected persons;
“Land”	Shall have the meaning ascribed to it in Section 1.3 under Part I of this announcement;
“PRC”	means the People’s Republic of China which excludes Hong Kong and Macau Special Administrative Regions for the purpose of this announcement;
“Prosten E-Business”	means Prosten E-Business Investment Limited, a company incorporated in the British Virgin Islands;
“Purchase Price”	means the purchase price in the sum of HK\$10,600,000 payable by Prosten E-Business to the Vendor for the Acquisition;
“RMB”	means Renminbi or Chinese Yuan, the prevailing lawful currency of the PRC;
“Sale Share”	means the one ordinary share of par value US\$1.00 in the Target Company legally and beneficially held by the Vendor and the corresponding rights and interests attached or accrued thereto (including without limitation those indirectly held respectively at the Target HK Subsidiary, the Target PRC Subsidiary and the Land through the Target Company);

“Share(s)”	means the ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	means holder(s) of the Share(s);
“Sale Loan”	means the indirect interest-free shareholder’s loan advanced by the Vendor to the Target HK Subsidiary having an outstanding and unrepaid principal amount of HK\$11,378,435.64 as at the date of this announcement, and where the context requires or permits, shall refer to the right to repayment of such loan and all other rights, benefits and interests of the creditor in relation thereto;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Target Company”	means King Win Intelligent Technologies Limited, a company incorporated in the British Virgin Islands;
“Target HK Subsidiary”	means King Win Intelligent Technologies (HK) Limited (嘉健高端技術有限公司), a company incorporated in Hong Kong;
“Target PRC Subsidiary”	means 嘉興嘉健智能技術有限公司, a company incorporated in the PRC;
“Target Group”	means the Target Company, the Target HK Subsidiary and the Target PRC Subsidiary collectively;
“US\$”	Means United States Dollars, the prevailing lawful currency of The United States of America;
“Vendor”	means Native Hope Limited (然望有限公司), a company incorporated in the British Virgin Islands;
“Vendor’s Guarantor”	means Mr. LAI Huamin 賴華民.

For the purpose of this announcement, the following exchange rate is adopted:

RMB to HK\$1:1.13

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

Hong Kong, 13 December 2016

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. Chen Weixi (*Non-Executive Director*)
Mr. Yip Heon Keung (*Non-Executive Director*)
Mr. Song Xuxi (*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*