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## **Earthasia International Holdings Limited**

**泛亞環境國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 6128)**

### **UPDATE ON PROFIT GUARANTEE IN RELATION TO ACQUISITION OF 51% EQUITY INTEREST IN SUZHOU INDUSTRIAL PARK WENLVGE HOTEL MANAGEMENT COMPANY LIMITED**

Reference is made to the announcements of Earthasia International Holdings Limited (the “**Company**”) dated 29 March 2017, 1 December 2017, 4 December 2017, 3 April 2019 and 30 March 2020 (the “**Announcements**”) and the 2019 Annual Report of the Company in relation to the acquisition of 51% equity interest in Suzhou Industrial Park Wenlvge Hotel Management Company Limited (“**Wenlvge**”). Unless otherwise stated herein, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

The acquisition of 51% equity interest in Wenlvge was completed in December 2017. Pursuant to the Acquisition Agreement dated 29 March 2017 and the Supplemental Agreement dated 1 December 2017 (collectively the “**Acquisition Agreements**”), the Vendors jointly and severally guaranteed to the Group that the audited net profit after tax of Wenlvge for each of the three financial years ending 31 December 2018, 2019 and 2020 should not be less than RMB2,570,000 (the “**Guaranteed Profit**”).

According to the auditor’s report of Wenlvge dated 28 February 2019, the audited net loss of Wenlvge for the year ended 31 December 2018 was approximately RMB4.1 million and therefore failed to meet the profit guarantee of RMB2,570,000 to the Group. Since April 2019, Wenlvge has ceased its operations. The Vendors shall make compensation of approximately RMB26.3 million to the Group in accordance with the following formula:

$$\text{Compensation} = \left[ \text{RMB2,570,000} - \begin{array}{c} \text{Actual amount of} \\ \text{annual net profit after} \\ \text{tax for the relevant} \\ \text{financial year} \end{array} \right] \times \frac{\text{RMB20,000,000}}{\text{RMB2,570,000}} \times 51\%$$

Pursuant to the Acquisition Agreements, the Vendors were obliged to make the compensation to the Group within 10 working days after the issuance of auditor's report. However, the Group has not received any compensation from the Vendors despite repeated requests. Having sought the legal advice, the Group has filed a claim of approximately RMB26.3 million towards the Vendors for the compensation at the Shanghai International Arbitration Center in May 2019. The arbitration hearing was conducted in September 2019.

The Company received today the arbitration results that the Vendors were jointly and severally liable for making a compensation to the Group in the total amount of approximately RMB21.66 million, which comprised (i) approximately RMB21.06 million for failure to meet the Guaranteed Profit; (ii) approximately RMB0.39 million of legal expenses incurred by the Group in connection to the arbitration process; and (iii) approximately RMB0.21 million of arbitration hearing fee that the Group has paid in advance to be borne by the Vendors. The aforesaid arbitration results were final and conclusive. The Vendors should fulfill the payment obligation within 15 days from the arbitration results. The Company will keep the shareholders and potential investors of the Company informed of any further significant development as and when appropriate.

By order of the Board  
**Earthasia International Holdings Limited**  
**Lau Hing Tat Patrick**  
*Chairman*

Hong Kong, 12 May 2020

*As at the date of this announcement, the executive Directors are Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross, Mr. Tian Ming, Mr. Yang Liu and Mr. Qiu Bin; the non-executive Director is Mr. Ma Lida; and the independent non-executive Directors are Ms. Tam Ip Fong Sin, Mr. Wong Wang Tai and Mr. Wang Yuncai.*