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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)**

### **SECOND SUPPLEMENTAL AGREEMENT FOR THE MAJOR TRANSACTION RELATING TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THINK HIGH GLOBAL LIMITED**

Reference is made to the circular (the “**Circular**”) of Earthasia International Holdings Limited (the “**Company**”) dated 20 December 2018 and the announcements (the “**Announcements**”) of the Company dated 11 January 2019 and 7 August 2019 relating to the Acquisition, the poll result of the EGM and the Completion. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Circular and the Announcements.

The Board wishes to announce, that on 13 November 2019 (after trading hours), the Purchaser, the Vendor and the Guarantors entered into a second supplemental agreement (the “**Second Supplemental Agreement**”) to amend certain terms and conditions of the Agreement relating to the Profit Guarantee and the Promissory Note.

#### **Background**

Under the Agreement, the Vendor has guaranteed the Company that the audited consolidated profits after tax (according to Hong Kong Financial Reporting Standards) of the Target Group for each of the three years ending 31 December 2021 (the “**Guarantee Period**”) shall not be less than HK\$35,000,000 (the “**Guaranteed Profit**”) as set out in the table below:

<b>Guaranteed Period</b>	<b>Guaranteed Profit</b>
For the year ending 31 December 2019	HK\$35,000,000
For the year ending 31 December 2020	HK\$35,000,000
For the year ending 31 December 2021	HK\$35,000,000

The Agreement further provided that should the actual audited consolidated profit after tax of the Target Group (the “**Actual Profit**”) for any of the Guaranteed Period be less than the relevant Guaranteed Profit for more than 5%, the Consideration will be adjusted downward by way of reducing twice the difference between the Actual Profit and the Guaranteed Profit from the principal amount of the Promissory Note. Nevertheless, the maximum amount of reduction is HK\$70,000,000 for each of the Guaranteed Period.

Completion of the Acquisition took place on 7 August 2019 and the Company issued the Promissory Note to the Vendor on 7 August 2019 for the principal amount of HK\$348,080,000 with 2% interest per annum and a maturity period of 4 years, i.e. on or before 6 August 2023. It is provided in the Promissory Note that subject to the Company’s right to adjust the outstanding principal of the Promissory Note downward, the Noteholder may transfer or assign the amount of outstanding principal of the Promissory Note as follows:

<b>Period</b>	<b>Maximum amount of outstanding principal of the Promissory Note that may be transferred or assigned (before any downward adjustment of the outstanding principal)</b>
From the issuance of the 2019 Annual Profit Notice but before the issuance of the 2020 Annual Profit Notice	HK\$208,080,000
From the issuance of the 2020 Annual Profit Notice but before the issuance of the 2021 Annual Profit Notice	HK\$278,080,000
From the issuance of the 2021 Annual Profit Notice to 4 p.m. on the maturity date	HK\$348,080,000

### **The Second Supplemental Agreement**

The terms and conditions of the Second Supplemental Agreement and the amendments to the Agreement and the Promissory Note were reached through arm’s length negotiation by the Vendor and the Purchaser.

Set out below are the principal amendments to the terms and conditions of the Agreement relating to the Profit Guarantee and the Promissory Note:

*Profit Guarantee*

The periods to which the Vendor guarantees the audited consolidated profits after tax (according to Hong Kong Financial Reporting Standards) of the Target Group to the Company are amended to the following periods for a total of three years commencing from the date Completion took place, i.e. 7 August 2019 (the “**New Guarantee Period**”). The amounts that the Guaranteed Profits in the New Guarantee Period shall not be less than are set out in the table below:

<b>New Guaranteed Period</b>	<b>Guaranteed Profit</b>
For the period from 7 August 2019 to 31 December 2019	HK\$14,095,000
For the year ending 31 December 2020	HK\$35,000,000
For the year ending 31 December 2021	HK\$35,000,000
For the period from 1 January 2022 to 6 August 2022	HK\$20,905,000

Should the actual audited consolidated profit after tax of the Target Group (the “**Actual Profit**”) for any of the New Guaranteed Period be less than the relevant Guaranteed Profit for more than 5%, the Consideration will be adjusted downward by way of reducing twice the difference between the Actual Profit and the Guaranteed Profit from the principal amount of the Promissory Note. The maximum amounts of reduction for the New Guaranteed Period are as follows:

<b>New Guaranteed Period</b>	<b>Maximum deductible amount</b>
For the period from 7 August 2019 to 31 December 2019	HK\$28,190,000
For the year ending 31 December 2020	HK\$70,000,000
For the year ending 31 December 2021	HK\$70,000,000
For the period from 1 January 2022 to 6 August 2022	HK\$41,810,000

## *Promissory Note*

Subject to the Company's right to adjust the outstanding principal of the Promissory Note downward, the Noteholder may transfer or assign the amount of outstanding principal of the Promissory Note as follows:

<b>Period</b>	<b>Maximum amount of outstanding principal of the Promissory Note that may be transferred or assigned (before any downward adjustment of the outstanding principal)</b>
From the issuance of the 2019 Annual Profit Notice but before the issuance of the 2020 Annual Profit Notice	HK\$166,270,000
From the issuance of the 2020 Annual Profit Notice but before the issuance of the 2021 Annual Profit Notice	HK\$236,270,000
From the issuance of the 2021 Annual Profit Notice but before the issuance of the 2022 Annual Profit Notice	HK\$306,270,000
From the issuance of the 2022 Annual Profit Notice to 4:00 p.m. on the maturity date of the Promissory Note on 6 August 2023	HK\$348,080,000

Apart from the above major amendments, the terms and conditions of the Profit Guarantee and the Promissory Note have remained unchanged.

Following the amendment to the terms and conditions of the Promissory Note, a fresh Promissory Note in the amended terms and conditions was issued by the Company to the Vendor on 13 November 2019 (after trading hours) in replacement of the existing Promissory Note.

The Guarantors continue to jointly and severally guarantee the Purchaser the due and punctual performance of the Vendor of its obligations under the Profit Guarantee as amended by the Second Supplemental Agreement.

## **Reason for the Second Supplemental Agreement**

It was disclosed in the Circular that the Company intended to issue bonds with principal amount of approximately HK\$200 million (the “**New Bonds**”) to finance the Remaining Cash Consideration, business development and working capital of the Group and that the Remaining Cash Consideration payable by the Purchaser to the Vendor under the Agreement was expected to be financed by internal resources of the Group and part of the proceeds from the New Bonds.

Pursuant to the Agreement, it was agreed by the Vendor and the Purchaser that Completion should take place on the Completion Date, which should be the fifth Business Days (or such later date as agreed by the Purchaser, the Vendor and the Guarantors in writing) after the date of fulfillment (or waiver) of all the conditions precedent as set out in the Agreement. Following the approval by the Shareholders on the Agreement and the transactions contemplated thereunder and the Specific Mandate at the EGM held on 11 January 2019 and the granting by the Stock Exchange of the permission for the listing of and the dealing in the Consideration Shares on 14 February 2019, Completion should have taken place on 21 February 2019, however, due to delay in the issuance of the New Bonds by the Company, Completion did not take place until 7 August 2019. As the delay in Completion is of no fault on the part of the Vendor, after arm’s length negotiations and discussions between the Purchaser and the Vendor, the Second Supplemental Agreement was made to amend the terms and conditions relating to the Profit Guarantee and the Promissory Note.

The Directors consider that the terms of the Second Supplemental Agreement with the new commencement date of the New Guaranteed Profit of 7 August 2019 being the date of Completion and with the actual period of the Profit Guarantee unchanged at three years and the total amount of the Guaranteed Profit unchanged at HK\$105,000,000 that can set aside any potential dispute between the Vendor and the Purchaser resulting in the delay in Completion are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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

Hong Kong, 13 November 2019

*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.*